

Gateway ref: 18561

ROCR: ROCR/12/2146MAND

31 January 2013

To: Strategic Health Authority Cluster Directors of Finance

Dear Colleague

**Subject: 2012/13 governance statement guidance**

This letter forms the guidance for PCT, NHS trust and SHA completion and submission of governance statements.

The governance statement forms part of the annual accounts as defined in chapter 1 of the NHS manual for accounts. As such, submission requirements for NHS bodies remain those set for the accounts:

- **22 April 2013** – PCT and SHA Delivery Teams<sup>1</sup> and NHS trusts give copies of their governance statement to their auditors. The governance statement completion guidance and key elements for inclusion are attached at Annex A and B respectively.
- **10 June 2013** – Auditors send signed original copies of the governance statement to the Department of Health (DH).

Despite the abolition of PCTs and SHAs, the Department needs to ensure robust arrangements are maintained for the preparation and audit of these accounts. This includes an appropriate mechanism for scrutiny and sign off.

The above dates are distinct and separate from SHA Delivery Team collation requirements:

- NHS trust and PCT Delivery Teams should supply their respective SHAs with copies of draft governance statements, along with Head of Internal Audit Opinions by 22 April. SHAs may wish to request information relating to significant issues earlier to inform their own governance statements.
- Each SHA Delivery Team should collate and assess significant issues from within their area. This should include confirmation of whether any significant issues identified might warrant attention at a national level. The proformas for SHA completion are attached and SHAs should send this information back to Helen Hamilton by **17 June 2013**.

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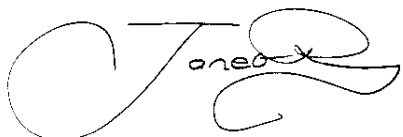
<sup>1</sup> As defined in my letter of 17 December 2012 on roles for the financial closedown of PCTs (Gateway ref 18561): <https://www.wp.dh.gov.uk/publications/files/2013/01/Letter-from-Janet-Perry.pdf>

The SHA Delivery Team submissions of 17 June will be the starting point for preparing the overarching NHS governance statement.

Please cascade this letter to accountable officers and directors of finance of NHS organisations within your area as you see appropriate.

If you have any queries regarding this exercise please contact Helen Hamilton on 0113 254 6196, email [Helen.Hamilton@dh.gsi.gov.uk](mailto:Helen.Hamilton@dh.gsi.gov.uk).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Janet Perry', with a stylized flourish at the end.

**Janet Perry**  
**NHS Chief Financial Controller**

Cc: David Flory  
Stephen Mitchell  
Alistair Morgan  
Helen Hamilton

## **Annex A - Annual Governance Statements Guidance**

The NHS Chief Executive, in his capacity as Accounting Officer for the NHS in the Department of Health requires SHA, PCT and NHS Trust accountable officers (AOs) to give him assurance about the stewardship of their organisations. AOs should include the governance statement in their annual report and accounts.

The governance statement records the stewardship of the organisation to supplement the accounts. It will give a sense of how successfully it has coped with the challenges it faced and of how vulnerable performance is or might be. This statement will draw together position statements and evidence on governance, risk management and control, to provide a more coherent and consistent reporting mechanism.

The governance statement should be a 'live' document reflecting the organisation's governance procedures and systems. It should not be produced through a process designed solely for the annual report and accounts.

The governance statement should refer to the board's committee structure, the board's performance, including its assessment of its own effectiveness and to ensuring that required standards are achieved. This should make reference to performance against the national priorities set out in the NHS Operating Framework 2012/13.

There is no set template for the governance statement as it will be important for each NHS organisation to set reporting in the context of its functions and operating environment. However, in Annex B to this letter I have set out the key elements that must be covered within the governance statement. This is to ensure compliance with Treasury guidance and to ensure that the NHS Chief Executive is able to draw the assurance he needs to sign an overarching NHS governance statement. This will be drawn on and referred to in the overall governance statement signed by the Principal Accounting Officer, for the Department of Health's Annual Report and Accounts 2012/13.

All elements of the governance statement are important, however, the risk assessment is critical. This is where the accountable officer supported by the board should discuss how the organisation's risk management and internal control mechanism work. Where there are weaknesses, the emphasis should be on how these have been addressed. Where there have been reports published on the organisation during the year, the AO should reflect on the assurance these provide in helping to achieve effective operation of controls.

The DH will issue NHS trust guidance on external assurance of Quality Accounts. We would expect the governance statements for NHS trusts to refer to steps taken to assure themselves that their Quality Account is accurate.

The organisation's external auditor will review the governance statement. They will report on

- inconsistencies between information reported in governance statements and their knowledge of the audited body; and
- any failure to comply with Department of Health requirements.

## Annex B

### **Governance Statement**

#### **Scope of responsibility**

Describe the Accountable Officer responsibilities including, responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding public funds.

Acknowledge the Accountable Officer's responsibilities as set out in the Accountable Officer Memorandum demonstrating an understanding of propriety and accountability issues.

#### **The governance framework of the organisation**

This should include:

- information about the board's committee structure, its attendance records and the coverage of its work;
- the board's performance including its assessment of its own effectiveness;
- highlights of board committee reports, notably by the audit committees;
- For SHAs and PCTs – a brief description of the arrangements for completing operational handover and closure documents including an overview of how risks related to functions transferring to other organisations will transfer to those organisations;
- for SHAs and PCTs – an overview of the governance framework established for the accounts scrutiny and sign off process in line with the letter setting out roles for the financial closedown of PCTs (Gateway ref 18561);
- An account of corporate governance, including the board's assessment of its compliance with the Corporate Governance Code with explanations of any departures.
- Confirmation that arrangements in place for the discharge of statutory functions have been checked for any irregularities, and that they are legally compliant.

#### **Risk assessment**

Describe how risk is assessed, including the organisation's risk profile, and how it has been managed.

Include:

- any newly identified risk during the year 2012/13; and
- a summary of any lapses of data security, including any that were reported to the information commissioner.

#### **The risk and control framework**

Describe how the risk and control mechanism works. This should cover the key elements and why they were chosen to deliver reasonable assurance for:

- prevention of risks;
- deterrent to risks arising (e.g. fraud deterrents); and
- management of current risks.

#### **Review of the effectiveness of risk management and internal control**

Give an assessment of the evidence about the effectiveness in practice of the risk management processes in place. This should include reference to the work of internal audit and executive managers. In doing so you should disclose any revealed deficiencies as risks have materialised – Significant Issues.

**Significant Issues**

You should, at least, consider these factors when determining whether an issue is significant:

- Might the issue prejudice achievement of effective transition or other priorities?
- Could the issue undermine the integrity or reputation of the NHS?
- What view does the audit committee take on the point?
- What advice or opinions have internal audit and/or external audit given?
- Could delivery of the standards expected of the Accountable Officer be at risk?
- Has the issue made it harder to resist fraud or other misuse of resources?
- Did the issue divert resources from another significant aspect of the business?
- Could the issue have a material impact on the accounts?
- Might national security or data integrity be put at risk?

**Give full details of any significant issues, including:**

- a description; and
- remedial action taken.

**Accountable Officer: [Name]**

**Organisation:**

**Signature**

**Date**