

Gateway Ref: 17419

ROCR approval applied for.

To: Strategic Health Authority Directors of Finance

Copies: David Flory
Alistair Morgan
Helen Hamilton
Frank Brown

Date: 28 March 2012

Dear Colleague

Governance Statements – Guidance Update

Following feedback on my letter to you dated 29 February 2012 (Gateway reference: 17315), I am writing to clarify requirements for the completion and submission of governance statements for SHA, PCT and NHS trusts.

This letter will now form the guidance for PCT, NHS trust and SHA completion 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:

- **23 April 2012** – NHS bodies give copies of their governance statement to auditors.
- **11 June 2012** – Auditors send signed original copies of the governance statement to the Department of Health (DH).

The above dates are distinct and separate from SHA collation requirements. Following feedback from you we have revised the additional timetable requirements for SHAs:

- NHS organisations should supply their respective SHAs with copies of draft governance statements, along with Head of Internal Audit Opinions by 23 April.
- Each SHA 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. Helen Hamilton will supply proformas for SHA completion SHAs should send this information back to Helen by 4 May.

We will use these SHA submissions as a starting point for preparing the overarching NHS governance statement.

I have attached governance statement completion guidance and key elements for inclusion at Annex A and B respectively.

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

If you have any queries regarding this exercise please contact Frank Brown on 0113 254 6022, email Frank.Brown@dh.gsi.gov.uk or Helen Hamilton on 0113 254 6196, email Helen.Hamilton@dh.gsi.gov.uk.

Yours sincerely,

Janet Perry
NHS Chief Financial Controller

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 (AO) to give him assurance about the stewardship of their organisations.

In previous years he has received this assurance primarily from Statements on Internal Control (SIC) completed by NHS AOs. For 2011/12, in line with changes to HM Treasury guidance, the SIC is replaced by an annual governance statement. 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 faces and of how vulnerable the organisation's 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 2011/12.

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, in his capacity as Accounting Officer for the NHS in the Department of Health, 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 2011-12.

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 are being 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 your 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;
- An account of corporate governance, including the board's assessment of its compliance with the Corporate Governance Code with explanations of any departures.

Risk assessment

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

Include:

- any newly identified risk i.e. risks identified in the year 2011/12; 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 both manifest and potential 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 the business plan? – Or other priorities?
- Could the issue undermine the integrity or reputation of the organisation?
- 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?
- Might the issue make it harder to resist fraud or other misuse of resources?
- Does the issue put a significant programme or project at risk?
- Could 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