NHS trusts: requirements for annual governance statements 2017/18 and other year-end material

The Department of Health and Social Care (DHSC)’s Group Accounting Manual\(^1\) (GAM) details the requirements for NHS trusts’ annual reports.

This document applies to NHS trusts. NHS foundation trusts should refer to the Foundation Trust Annual Reporting Manual\(^2\) (FT ARM) which provides information on annual report requirements.

This guidance from NHS Improvement supplements the GAM by including:

- guidance on the preparation of annual governance statements
- pro-forma statement of accountable officer responsibilities\(^*\)
- pro-forma statement of directors’ responsibilities in respect of the accounts\(^*\)
- pro-forma chief executive and director of finance certificate on the summarisation schedules (please note new format for 2017/18).

\(^*\) these statements are substantially unchanged from the format of the statements in prior years, except we have removed the stipulation that they must be signed in non-black ink.

We have issued this document in Word document form alongside pdf to facilitate copying from the document.

NHS trusts are reminded that NHS Improvement’s accounts and reporting timetable letter\(^3\) dated 1 December 2017 explains what needs to be submitted to NHS Improvement and by when. The row for 29 May sets out the details for the audited annual report and accounts. There are important changes for NHS trusts in 2017/18 compared to previous years. In particular please note that the NHS trust is now responsible for making all required submissions: this is no longer the responsibility of the auditor. Please ensure you have arrangements in place with your auditors to obtain what you need, including where hard copy submissions are required.

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Annual governance statements for NHS trusts: 2017/18

Purpose

The Department of Health and Social Care (DHSC)’s Group Accounting Manual (GAM) requires NHS trusts to include an annual governance statement (AGS) in their annual report. Paragraph 3.29 states that NHS trusts must follow guidance issued by NHS Improvement on the format of the annual governance statement.

Preparation and submission arrangements

The AGS forms part of the annual report. The requirements for submission of the annual report are set out in NHS Improvement’s accounts and reporting timetable letter dated 1 December 2017. There are no separate submission arrangements for annual governance statements specifically.

Responsibilities of NHS trust accountable officers and NHS Improvement

NHS Improvement will publish consolidated provider accounts in 2017/18, including a consolidated annual governance statement for the provider sector. The Chief Executive of NHS Improvement, in his capacity as the Accounting Officer (AO) for the NHS Trust Development Authority legal entity, requires NHS trusts’ accountable officers to give him assurance about the stewardship of their organisations.

Required content of annual governance statements

A model AGS is attached to this document, but should be adapted and expanded to reflect the particular circumstance of the NHS trust. NHS Improvement does not prescribe which issues should be considered to be significant control issues. NHS trusts should ensure that a consistent definition of what constitutes significance is applied from year to year. Guidance on examples of factors to consider in determining whether an issue is significant is provided below.

In applying this model format, NHS trusts must note the requirement that the conclusion section must either:

- clearly state that no significant internal control issues have been identified or
- specifically list the significant internal control issues which have been identified in the body of the AGS.

The AGS includes reference to services being well-led. Trusts should refer to NHS Improvement’s well-led framework published at https://improvement.nhs.uk/resources/well-led-framework/.

In addition the AGS should include:

- Disclosure of any serious incidents relating to information governance
including data loss or confidentiality breach. As a minimum this should include details of any incidents classified as Level 2 in the Information Governance Incident Reporting Tool. For these cases the trust should also disclose whether these cases have been reported to the Information Commissioner’s Office (ICO) and detail any action taken by the ICO. If disclosure would be prejudicial to any ongoing investigations or disciplinary or regulatory proceedings, details may be omitted.

- Information on the Board’s committee structure, changes in personnel of executives and non-executives, the Board’s performance, including its assessment of its own effectiveness and that the required standards are achieved.

- An explicit statement on how the NHS trust assures the quality and accuracy of elective waiting time data and the risks to the quality and accuracy of this data.

These are reflected in the model annual governance statement attached.

**Determining significant internal control issues**

The following list gives examples of factors to consider when determining whether an internal control issue is significant. This list is not intended to be exhaustive.

- Might the issue prejudice achievement of priorities?
- Could the issue undermine the integrity or reputation of the NHS?
- What view does the Audit Committee take on this point?
- What advice has internal 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 or data security or integrity be put at risk?

**Changes compared to 2016/17 requirements**

While the format of this document differs from the letter issued in 2016/17, the content of the AGS set out in the model statement attached is largely the same as requirements in the letter issued last year. The notable differences are:

- As this is a model AGS it includes some pro-format statements, for example on equality and human rights matters, which relate to areas that are likely to be covered in more detail elsewhere in the annual report. The short pro-forma
statements are not intended to lead to a lengthier disclosure in the AGS given the coverage elsewhere.

- The requirement for a commentary on economy, efficiency and effectiveness of the use of resources was not explicit in the previous requirements, though NHS trusts are likely to have been covering this. This relates to the achievement of value for money as stated in the *Statement of accountable officer responsibilities*.

- Please note the requirement for the ‘conclusion’ section, which has not always been clear in annual governance statements in the past.
Model annual governance statement

[The wording which is not in square brackets in this pro forma AGS should be replicated in every AGS. The words in square brackets should be amended and expanded as appropriate to the body in question.]

Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS trust’s policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the NHS Trust Accountable Officer Memorandum.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of [insert name of provider] NHS Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in [insert name of provider] NHS Trust for the year ended 31 March 20xx and up to the date of approval of the annual report and accounts.

Capacity to handle risk

[Describe the key ways in which:

- leadership is given to the risk management process; and
- staff are trained or equipped to manage risk in a way appropriate to their authority and duties. Include comment on guidance provided to them and ways in which you seek to learn from good practice.]

The risk and control framework

[Describe the key elements of the risk management strategy, including the way in which risk (or change in risk) is identified, evaluated, and controlled. Include mention of how risk appetites are determined. Explicitly describe the key elements of the quality governance arrangements, including how the quality of performance information is assessed and how assurance is obtained routinely on compliance]
with CQC registration requirements. Explicitly include how risks to data security are being managed and controlled as part of this process. Include a brief description of the organisation’s major risks, including significant clinical risks, separately identifying in-year and future risks, how they are/will be managed and mitigated and how outcomes are/will be assessed. Work performed to assess whether services are well-led under NHS Improvement’s well-led framework will assist with this assessment and the trust should refer to well-led reviews as appropriate.

[Include a description of the principal risks to compliance with the NHS provider licence⁴ ⁵ condition 4 and actions identified to mitigate these risks, particularly in relation to:

- the effectiveness of governance structures,
- the responsibilities of directors and subcommittees;
- reporting lines and accountabilities between the board, its subcommittees and the executive team;
- the submission of timely and accurate information to assess risks to compliance with the conditions of the licence; and
- the degree and rigour of oversight the board has over the trust’s performance.]

[Describe key ways in which risk management is embedded in the activity of the organisation. For example, set out the ways in which equality impact assessments are integrated into core trust business or how incident reporting is openly encouraged and handled across the trust.]

The trust [is fully /is not fully] compliant with the registration requirements of the Care Quality Commission.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer’s contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

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⁵ While NHS trusts are exempt from the requirement to apply for and hold the licence, directions from the Secretary of State require NHS TDA to ensure that NHS trusts comply with conditions equivalent to the licence as it deems appropriate. This includes giving directions to an NHS trust where necessary to ensure compliance. We aim to treat all providers in comparable circumstances similarly unless there is sound reason not to. We therefore base our oversight, using the Single Oversight Framework, of all NHS trusts and NHS foundation trusts on the conditions of the NHS provider licence.
Control measures are in place to ensure that all the organisation’s obligations under equality, diversity and human rights legislation are complied with.

The trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation’s obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

Review of economy, efficiency and effectiveness of the use of resources

[Describe the key process that has been applied to ensure that resources are used economically, efficiently and effectively, including some comment on the role of the board, internal audit and any other review or assurance mechanisms.]

Information governance

[Describe any serious incidents relating to information governance including data loss or confidentiality breach. As a minimum this should include details of any incidents classified as Level 2 in the Information Governance Incident Reporting Tool. For these cases the trust should also disclose whether these cases have been reported to the Information Commissioner’s Office (ICO) and detail any action taken by the ICO.]

Annual Quality Account

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year.

[Brief description of steps which have been put in place to assure the board that the Quality Account presents a balanced view and that there are appropriate controls in place to ensure the accuracy of data

In particular this should explain how the trust assures the quality and accuracy of elective waiting time data, and the risks to the quality and accuracy of this data]

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the information provided in this annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of
internal control by the board, the audit committee [and risk/ clinical governance/ quality committee, if appropriate] and a plan to address weaknesses and ensure continuous improvement of the system is in place.

[Describe the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control, including some comment on the role and conclusions of:

- the board
- the audit committee
- if relevant, the risk/clinical governance/quality committee/risk managers/risk improvement manager
- clinical audit
- internal audit and
- other explicit review/assurance mechanisms.

Include an outline of the actions taken, or proposed to deal with any significant internal control issues and gaps in control, if applicable.]

**Conclusion**

[State either that no significant internal control issues have been identified or make specific reference to those significant internal control issues which have been identified in the body of the AGS above]

Signed……………………

Chief Executive Date: xx May 20xx
Statement of the chief executive’s responsibilities as the accountable officer of the trust

The Chief Executive of NHS Improvement, in exercise of powers conferred on the NHS Trust Development Authority, has designated that the Chief Executive should be the Accountable Officer of the trust. The relevant responsibilities of Accountable Officers are set out in the NHS Trust Accountable Officer Memorandum. These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the trust;
- the expenditure and income of the trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;
- effective and sound financial management systems are in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accountable Officer.

Signed.........................................................................Chief Executive

Date..............................
Statement of directors’ responsibilities in respect of the accounts

The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of HM Treasury, directs that these accounts give a true and fair view of the state of affairs of the trust and of the income and expenditure, recognised gains and losses and cash flows for the year. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm to the best of their knowledge and belief they have complied with the above requirements in preparing the accounts.

By order of the Board

........................................Date.............................................................Chief Executive

........................................Date.............................................................Finance Director
Certificate on summarisation schedules

Trust Accounts Consolidation (TAC) Summarisation Schedules for [...] NHS Trust

Summarisation schedules numbers TAC01 to TAC34 and accompanying WGA sheets for 2017/18 have been completed and this certificate accompanies them.

Finance Director Certificate

1. I certify that the attached TAC schedules have been compiled and are in accordance with:
   - the financial records maintained by the NHS trust
   - accounting standards and policies which comply with the Department of Health and Social Care’s Group Accounting Manual and
   - the template accounting policies for NHS trusts issued by NHS Improvement, or any deviation from these policies has been fully explained in the Confirmation questions in the TAC schedules.

2. I certify that the TAC schedules are internally consistent and that there are no validation errors*.

3. I certify that the information in the TAC schedules is consistent with the financial statements of the NHS Trust [**except for [insert text highlighting where the schedules differ from the accounts and explain the differences]].

[Signature]

[Name], Director of Finance

[Date]

Chief Executive Certificate

1. I acknowledge the attached TAC schedules, which have been prepared and certified by the Finance Director, as the TAC schedules which the Trust is required to submit to NHS Improvement.

2. I have reviewed the schedules and agree the statements made by the Director of Finance above.

[Signature]

[Name], Chief Executive

[Date]

* If you are unable to eliminate validation errors after discussions with your auditors and contacting NHS Improvement then amend this accordingly.

** Please insert the ‘except for’ clause only if applicable.