### Purpose of the Paper:

The Annual Governance Statement (AGS) replaces the Statement on Internal Control and describes how the Chief Executive of NHS GM Board is responsible for maintaining a sound system of internal control that supports the achievement of the organisation’s policies, aims and objectives, safeguarding public funds and the organisation’s assets. NHS Greater Manchester, as the accountable organisation, is therefore responsible for the AGS.

A template was provided which was pre-populated with the areas that should be consistent across all GM Localities, detailing GM governance and systems. There are a number of sections that required completion by Localities and these are given below:
- Risk Assessment
- Review of the effectiveness of risk management and internal control
- Significant Issues

### Governance Route:

- **18 May 2012:** CCG Board: For information
- **24 May 2012:** Locality Audit Group: To recommend approval by GM Audit Group
- **7/8 June 2012:** GM Audit Group: Approval

### Governance:

| Link to PCT Strategic Objectives | To be a high performing organisation |

### Resolution:

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**Recommendation:** To note the content of the Annual Governance Statement
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Name of Organisation: NHS Heywood, Middleton and Rochdale

Organisation Code: 5NQ

Governance Statement

Scope of Responsibility

The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.

The ten PCTs within Greater Manchester formed the NHS Greater Manchester cluster on 3 May 2011, with a single Board of Directors becoming the embodiment of the Board of each of the ten individual PCTs i.e. each Director carries statutory accountability as a Director of each of the ten constituent PCTs

Operational management of the PCT continued at a local level, with a Locality Board accountable to the NHS Greater Manchester Board. The annual report and accounts of the PCT were approved by the NHS Greater Manchester Audit Committee and certified by the Cluster Chief Executive and Director of Finance on 7 June 2012. This was done following the provision of appropriate assurance from the Chair of Locality Audit Group, External Auditor and Locality Director of Finance to the Audit Committee on 7 June 2012.

As Accountable Officer, I work closely with internal and external stakeholders, including local people in order to deliver healthcare services that make a difference to local peoples’ lives. In this role as Accountable Officer, I have overall responsibility for the management of the PCT, including corporate, financial and human resource management, health and safety, service commissioning, provision and communication.

Key working relationships are with:

- Local Residents;
- Staff within the PCT;
- Executive Directors;
- Non Executive Directors;
- Members of the Clinical Commissioning Group;
- Local Authority and the Association of Greater Manchester Authorities (AGMA);
- North of England Specialist Commissioning team;
- The media;
- Local members of Parliament;
- Local Foundation Trusts;
- Local NHS Trusts;
- Local Independent Contractors;
- Voluntary/not for profit sector;
- NHS North;
- Department of Health.

There are structures in place to ensure appropriate accountability and partnership working. These include:
• The monitoring and accountability arrangements between NHS North and the PCT (via the accountable officer) are exercised by the monitoring of the annual operating plan;
• Regular meetings between NHS North and the accountable officer that include regular review of performance;
• Formal mid-year and year-end reviews between the NHS North and NHS Greater Manchester take place to review performance and development issues;
• The PCT accounts for its contribution to the health economy through strategic partnerships, public meetings and the publication of documents such as Trust Board papers and the Annual Report;
• The PCT can demonstrate compliance with the Code of Practice and openness in the NHS;

Scope of responsibility

The governance framework of the organisation

NHS Greater Manchester was established on the 3rd May 2011, becoming the embodiment of the Board of the 10 Greater Manchester PCTs. The NHS GM Board met throughout 2011/12 following its establishment, as summarised below:

• Bi-monthly, (monthly from January 2012), public Board meetings
• Bi-monthly Board Strategy sessions
• A supporting committee structure (described in more detail below)

The high level committee structure depicted below was in place during the year.

The Board has received regular themed governance reports throughout the year, under the heading “Managing the Transition”. These have incorporated ongoing review of the effectiveness of the committee and supporting arrangements and have resulted in the development and approval of an updated committee structure for 2012/13 with the following key changes:

• The Clinical Commissioning Board and Service Transformation Board to merge into a Clinical Strategy Board
• The establishment of an arms-length Commissioning Support Service Development Board
• The establishment of a Direct Commissioning Board to take responsibility for those functions that will ultimately become part of the National Commissioning Board
• Other amendments to reflect changing governance structures for 2012/13, ie cessation of Locality Boards, with shadow CCGs reporting directly to the NHS Greater Manchester Board.

Each of the Committee’s has provided reports to the Board after each of their meetings. A particular challenge for 2011/12 has been to ensure that appropriate lines of communication and accountability have been in place between the Locality Boards and the NHS Greater Manchester Board. This has been achieved by the development of a GM level suite of Standing Orders, Standing Financial Instructions and Scheme of Reservation and Delegation, supported by Locality Schemes of Delegation. Each Locality Board meeting was held in public and following the meetings, a Locality Board Summary Document presented to the NHS Greater Manchester Board.

NHS Greater Manchester believes it has complied with the five domains set out in the Governance Code as follows:

Leadership
• A Board is in place which is collectively responsible for the success of the Greater Manchester PCTs and for overseeing the transition to the new organisational arrangements.
• There is a clear division of responsibilities between the running of the board and the executive responsibility for the running of the organisation. No one individual should have unfettered powers of decision.
• The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.
• Non-executive directors constructively challenge and help develop proposals on strategy.

Effectiveness
• The board and its committees draw their membership from a broad pool of NHS staff, independent contractors and non-executive directors, providing the appropriate balance of skills, experience, independence and knowledge of the organisations to enable them to discharge their respective duties and responsibilities effectively.
• There is a formal, rigorous and transparent procedure for the appointment of new directors to the board.
• All directors are able to allocate sufficient time to discharge their responsibilities effectively.
• All directors receive induction on joining the board and regularly update and refresh their skills and knowledge.
• The board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. This has been a priority area in 2011/12, as new cluster arrangements have been implemented and is an area which is kept under continuing review and enhancement.
• The board has reviewed its own performance and that of its committees via the regular Board Strategy sessions and via the formal governance, finance, performance and quality reports presented to Board meetings. Individual Directors are subject to formal assessment and appraisal processes.
Accountability

- The board presents a balanced and understandable assessment of the organisation's position and prospects via a number of routes including,
  - Papers presented to each Board meeting, eg Finance, Performance
  - The development and publication of an Annual Plan
  - The development of publication of an Annual Report for each constituent PCT

- The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board has maintained sound risk management and internal control systems as described in the “Risk and Control framework” section below.

- The board has established formal and transparent arrangements for considering how it should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditor. The Audit Committee leads on this area of work, with regular feedback and reporting to the main Board and a regular ongoing dialogue in place between the PCTs and their internal and external auditors.

Remuneration

- Levels of remuneration are sufficient to attract, retain and motivate directors of the quality required to run the organisation successfully. This process is overseen by the Greater Manchester Remuneration and Terms of Service Committee.

- There is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director is involved in deciding his or her own remuneration. Again this is managed by the Remuneration and Terms of Service Committee.

Relations with Stakeholders (described as shareholders in the Governance Code)

- There is a dialogue with stakeholders, (eg patients, public, partner organisations), based on the mutual respect and a commitment to effective communication and engagement. The board as a whole has responsibility for ensuring that a satisfactory dialogue with stakeholders takes place.

- The AGMs of the ten Greater Manchester PCTs, together with a wide range of other initiatives, are used to communicate with stakeholders and to encourage their participation.
Risk assessment

The PCT Risk Management Strategy (an annually reviewed document, last reviewed in July 2011) aims to ensure that all risks associated with the commissioning, and delivery of services, are identified, managed appropriately and minimised to the lowest possible level.

The strategy details a model for implementing risk management, which is to identify, quantify, manage and mitigate each presented risk, thus making it a routine process for all staff. To facilitate this all risks are articulated on an electronic risk management system, which is updated at appropriate timescales by each risk owner. Updating of the system is monitored by the Risk Manager to ensure that all risks are accurately reported. The system allows all staff to see all organisational risks.

The quantification of risk, and the 5x5 matrix adopted by the strategy are detailed, along with appropriate descriptors (by domain) to assist in determining the consequence and likelihood impact of the risk. This is further supported by an additional table which details the appropriate management of the risk following its identification. This includes who is responsible for managing the risk and depending on severity, whether the risk should be housed within a directorate risk register or the corporate risk register.

The strategy also considers the risk management structure within the PCT, the associated reporting lines and the corporate, delegated and specific risk management responsibilities assigned by the Locality Board.

During 2011/2012 the responsibility for risk management was delegated to the Locality Audit Group, with the responsibility at director level being the Locality Director of Performance and Assurance. However, it is also outlined within the strategy that whilst specific responsibilities have been delegated, risk management is the responsibility of all within the PCT.

The PCTs major in year risks have been included in the PCTs corporate risk register which is reviewed and approved quarterly by the Locality Board. The corporate risk register provides assurance to the Locality Board that there are plans in place to mitigate the risks identified and includes subsequent residual risk ratings. Where a risk has been successfully mitigated to a lower level it is removed from the corporate risk register and the Board is informed accordingly. If there is still evidence of risk albeit lower, the risk is then included within the relevant directorate risk register for further mitigation.

NHSHMR’s major risks in year that are still relevant at year end are:

- Failure to close the internal inequalities gap impacting on the delivery of the outcomes included in the Strategic Commissioning Plan.

- Failure to achieve the All Age All Cause Mortality (Male) planned trajectory potentially impacting on the overall target.

- Life Expectancy – local rate of improvement is insufficient to close the gap with national averages.

- **New Risk in 2011/12**: Failure to achieve GM/SHA trajectories for increased Health Visitor numbers by 2015 in line with Operating Framework commitment. Although financial resources have been made available, this is dependent on the provider being able to recruit to posts.

- **New Risk in 2011/12**: Failure to deliver key Operating Framework Performance Targets; RTT, Cancer, C Diff.
Lapses of data security: Using the DoH „Checklist for Reporting, Managing and Investigating Information Governance Serious Untoward Incidents’ framework, NHS Heywood, Middleton and Rochdale have not had any reportable serious untoward incidents (graded as 3-5) of data security lapses that required reporting to the Information Commissioner in 2011/12.

Reporting of Personal Data Related Incidents: The PCT is required to record and report details of all incidents involving data loss or confidentiality. The table below represents any reportable incidents (graded in the DoH „Checklist for Reporting, Managing and Investigating Information Governance Serious Untoward Incidents’ as level 0-2), for 2011/12

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<th>Category</th>
<th>Nature of Incident</th>
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<td>I</td>
<td>Loss of inadequately protected electronic equipment or paper documents from secured NHS premises</td>
<td>0</td>
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<tr>
<td>II</td>
<td>Loss of inadequately protected equipment devices or paper documents from outside secured NHS premises</td>
<td>0</td>
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<tr>
<td>III</td>
<td>Insecure disposal of inadequately protected electronic equipment, devices or paper documents</td>
<td>0</td>
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<tr>
<td>IV</td>
<td>Unauthorised disclosure</td>
<td>1</td>
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<td>V</td>
<td>Other</td>
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Where concerns or issues were reported, the PCT investigated the matter immediately and put in place actions to both minimise any risks regarding the safety of patients, patient care or business continuity, and to manage any risk of reoccurrence. The PCT takes security and confidentiality of its information very seriously. The PCT supports its independent contractors with data incident management and investigation. The PCT SIRO and Caldicott Guardian take assurance on compliance and incident / information risk management from the Information Governance Management Group, and report directly to the Trust Board.

Improvements have been made in year to strengthen procedures to reduce risk of fraudulent claims, e.g. checking validity of VAT numbers with suppliers, and hospitality declarations. As a result of risks identified within QOF verification procedures, controls have been improved to provide independent scrutiny and QOF data on a sample basis.

The risk and control framework

During 2011/12, NHS Greater Manchester has implemented a risk management approach to complement the work being done in localities. A key element of this approach has been the development of a NHS Greater Manchester Assurance Framework. This document has been developed from the NHS GM Delivery Plan, as approved by the Board in September 2011.

Each NHS GM Board meeting receives a single page summary of the top risks from the Assurance Framework, with a locality based depiction of the position (or a single GM indicator where the risk is held at GM level). The Audit Committee receives the full Assurance Framework at each meeting.

This approach has been the subject of a review by Mersey Internal Audit Agency, with the resulting report including the following:

*A sound approach to the production of the Assurance Framework has been adopted.*
The proposed Framework fulfils NHS Greater Manchester’s objective to reflect the risks to achievement of their strategic objectives. Whilst the management of the majority of these risks lies with the localities, the proposed process and suite of documentation should ensure that NHS Greater Manchester is assured that these risks are being appropriately managed. The assurance framework is a realistic document in terms of numbers of objectives and risks, which should ensure that it becomes a useful management tool rather than becoming burdensome to administer and manage.

Overall, the proposed Assurance Framework is fit for purpose.

In June 2011, NHS Greater Manchester adopted a Standards of Business Conduct Policy to be implemented in all 10 PCT locality areas. This clearly sets out the standards expected of staff and the processes for declaring offers and receipt of gifts and hospitality.

Throughout the year, locally led risk management arrangements have been in place in each of the 10 PCT locality areas. As part of the Greater Manchester arrangements, the cluster has assessed the risk systems in place in each of the localities, particularly the operation of the locality risk registers. This has been reported to the NHS Greater Manchester Board with the November Board receiving an overview of the steps of the assessment process as follows:

- A self-assessment on the risk management approach undertaken at each Locality
- Information on any risk management package or in-house system in use
- The latest reported Locality Board Assurance Framework and Corporate Risk Register to be provided
- Internal Audit reports for the period 2008-11 concerning the risk management arrangements at each Locality to be provided
- Assurance that a risk assessment had been conducted against the themes reported at the September Board meeting, ie financial, performance, quality, IM&T, transition/organisational change and health improvement.

Review of the effectiveness of risk management and internal control

The assurance framework is a further mechanism utilised by NHSHMR for providing sufficient evidence and assurance that an effective system of internal control is adopted and embedded. NHSHMR’s Business Plan is defined by Strategic, Directorate and Team Objectives which are monitored through the Performance Team and reported bi-monthly, by exception, to Clinical Commissioning Committee and Locality Board. The Assurance Framework is based on NHSHMR’s Business Plan, at Directorate Objective level. The framework considers each objective in relation to the risks presented, the control measures in place to minimise the risks, the mechanisms for providing assurance that the control measures are working and any gaps that may be outstanding in relation to both control measures and assurance provided. The framework also links explicitly to the PCTs corporate risk register and directorate risk registers to ensure risks affecting the delivery of objectives are managed effectively.

Of the 38 Directorate Objectives detailed in the end of year Assurance Framework, only...
one has limited assurance:
  - Support the development and implementation of joint commissioning arrangements.

The assurance level remains as limited because of the challenges our partner organisation faces as a consequence of considerable budget reductions. However, there remains a commitment to developing joint commissioning arrangements which is being led by the Health and Well-Being Board.

The Head of Internal Audit opinion is that Significant Assurance can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being consistently applied. There were, however, two audit reports that resulted in “limited assurance”. Actions plans have since been put in place to strengthen internal controls in these areas.

**Significant Issues**

NHS HMR has no significant issues to report for the year 2011-2012.

Accountable Officer : Mike Burrows

Organisation:

Signature

Date