

Statement on Internal Control and Head of Internal Audit Opinion

Report for the AWP NHS Trust Board

Meeting Date: 30 May 2012	Meeting Time: 12:00	Agenda Item: 12	Serial: 12.0212
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This Report is presented by the Director of Finance for Noting in the Public session of the Board.

Report Summary

Purpose of this Report:

To brief the Board on the final Draft of the 2011-12 Annual Governance Statement and Head of Internal Audit Opinion that form part of the work of completing the financial statements for the 2011-12 financial year.

Board Decisions Recommended:

The Board is recommended to **approve** the Recommendations in section 4 on the proposed actions.

Actions Arising from the Report:

The Draft Annual Governance Statement will form part of the 2011/12 statutory financial statements of the Trust and as such will be made public.

List of Appendices

- Appendix A – Draft Annual Governance Statement 2011-12
- Appendix B – Head of Internal Audit Opinion 2011-12

1. Introduction

1.1 Annual Governance Statement (AGS)

The AGS was formerly known as the Statement on Internal Control (SIC) in previous years and has always been approved as part of the statutory financial statements.

It is a national exercise in the NHS and 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 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 accountable officers. In 2011/12 in line with changes to HM Treasury guidance, the SIC is replaced by an annual governance statement. Accountable Officers should include the governance statement in their annual report and accounts.

1.2 Head of Internal Audit Opinion

The Head of Internal Audit issues an opinion that is to be referred to in the AGS by the accountable officer that summarises the opinion of the Internal Audit work that has been carried out during the financial year and gives a opinion on the level of assurance that can be given to the NHS Trust Board resulting from this work. It focuses on the review of the system of controls within the NHS Trust and reports on any weaknesses in the application of such controls during the financial year in coming to its overall opinion.

2. Analysis and Discussion

2.1. Annual Governance Statement

The Governance Statement records the stewardship of the organisation to supplement the accounts. It gives a sense of how successfully the Trust has coped with the challenges it has faced and is facing and of how vulnerable the organisations performance is or might be. The governance statement reflects a position statement and evidence on governance, risk management and control in order to provide a coherent and consistent reporting mechanism.

For 2011/12 there are new requirements; the Trust has been required to refer to its Board Committee structure in much more detail and to include an assessment of its own effectiveness in ensuring that required standards are achieved. There was no set template for the statement but the Trust has considered the context of its own function and operating environment in drafting this statement.

All elements of the AGS were important in drafting the 2011-12 statement but the assessment of risk was critical. This is where the accountable officer supported by the Board should discuss how the organisations risk management and internal control mechanism work. Where there were any weaknesses identified, the emphasis should be on how these are being addressed. There have been reports published on the organisation during the year and the accountable officer has reflected in the statement the assurance around the reviews resulting from these reports.

The AGS has been reviewed by the Trust external auditor who has commented on any inconsistencies between information reported in the AGS and the knowledge of the audited body or where there has been any failure to comply with DH requirements.

2.2 Head of internal Audit Opinion

The Trust has received a Head of Internal Audit Opinion giving significant assurance that there is generally a sound system of internal control resulting from 21 reviews carried out during the 2011/12 year. However it does make reference to some weakness in the application of controls being applied in relation to one of these internal audits carried out during the year. The opinion has highlighted that it is essential that timely management action to address these issues are taken and the accountable officer has confirmed that this will be the case in the AGS.

The opinion does not imply that Internal Audit have reviewed all the risks and assurances relating to the Trust. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led Assurance Framework. As such, it is one component that the Board takes into account in drafting its AGS.

3. Conclusion

- 3.1. The AGS has been prepared by the accountable officer in line with DH requirements and the need to disclose the Trusts direction in maintaining a sound system of internal control that supports the achievement of policies, aims and objectives.
- 3.2. The Head of Internal Audit Opinion has been received and the opinion is contained within the AGS with the Internal Audit Annual Report also being received by the Trust.

4. Recommendation

4.1. *Decision*

- 4.1 The Board are asked to approve the final Draft Annual Governance Statement 2011-12 that has been validated by external audit as part of the 2011-12 annual accounts audit process. This includes an assessment of the Head of Internal Audit opinion that forms part of the statement.

5. Additional Report Contributors

5.1. John Ridler – Acting Head of Financial Control