

Health Service Circular



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Governance in The new NHS:

CONTROLS ASSURANCE STATEMENTS 1999/2000: RISK MANAGEMENT AND ORGANISATIONAL CONTROLS

For action by: NHS Trusts - Chief Executives
Health Authorities (England) - Chief Executives
Special Health Authorities - Chief Executives

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Governance in The new NHS:

CONTROLS ASSURANCE STATEMENTS 1999/2000: RISK MANAGEMENT AND ORGANISATIONAL CONTROLS

Summary

1. This circular expands upon the requirements set out in HSC(98)70 in respect of moving beyond financial controls assurance statements to production of a statement covering wider organisational controls including risk management. The background to the NHS Executive's controls assurance project is provided along with key actions required to be taken by Chief Executives of NHS Trusts and Health Authorities to meet requirements for 1999/2000.
2. Controls assurance is complementary to, and proceeds in tandem with, developments in clinical governance and risk pooling in the NHS. Therefore, this circular should be read in conjunction with HSC(99)65 and HSC(99)21. It should also be read in conjunction with the attached guidance in Annex A.

Action

3. Chief Executives of NHS Trusts and Health Authorities should designate themselves, as accountable officers, or an Executive Director with overall responsibility for ensuring the implementation of controls assurance covering risk management and organisational controls and for reporting to the board. The designated person should review the attached guidance in Annex A to assist in implementing controls assurance requirements. Chief Executives should ensure that the name of, and contact details for the designated individual is communicated to Bob May at the address provided on the front page of this circular to arrive by **no later than 30 June 1999**. This will ensure that all future controls assurance guidance and information is sent directly to the relevant individual.
4. In the first year of implementation NHS Trusts and Health Authorities should as a minimum and in accordance with the attached and forthcoming NHS Executive guidance:

ensure that the appropriate structures are in place within their organisation for implementing controls assurance taking account of linkages with clinical governance and, where applicable, NHS risk pooling schemes;

from October 1999, conduct a baseline self-assessment of compliance with risk management and organisational controls standards;

formulate a prioritised action plan with clearly assigned responsibilities in the light of this assessment;

provide an assurance statement within their Annual Report for 1999/2000; and

ensure appropriate arrangements are in place to verify the assurance statement.

Background and Other Information

5. Controls assurance is a holistic concept based on best governance practice. It is a process designed to provide evidence that NHS organisations are doing their "reasonable best" to manage themselves so as to meet their objectives and protect patients, staff, the public and other stakeholders against risks of all kinds. Fundamental to the process is the effective involvement of people and functions within the organisation through application of self-assessment techniques to ensure objectives are met and risks are properly controlled.

6. Chief Executives of NHS Trusts and Health Authorities are currently required to sign, on behalf of the Board, a controls assurance statement in respect of the system of internal financial controls in their Annual Accounts. This requirement is now extended to wider risk management and organisational controls covering *inter alia* aspects of non-financial, non-clinical risk by the production of a controls assurance statement to accompany the Annual Report from 1999/2000.
7. At a time when many other management challenges face NHS organisations, one of the key objectives of the NHS Executive's Controls Assurance Team is to ensure that the task is made less onerous through the development of a comprehensive 'control framework'. This framework will be available by October 1999 and will include risk management and organisational controls standards and assessment criteria and benchmarking tools supported by guidance and training as outlined in Annex A.



Figure 1

8. The standards and criteria contained in the control framework are being drawn from current statutory and mandatory requirements together with relevant best practice guidance. The aim is to integrate the many and varied *existing* requirements within a common framework. NHS organisations who currently meet existing requirements will have little difficulty in providing an appropriate controls assurance statement. Others who are less advanced will benefit from having the control framework to assist their efforts in implementing effective risk management and organisational controls.

Controls assurance and clinical governance

9. Clinical governance provides a framework within which local organisations can work to improve and assure the quality of clinical services for patients. Implementing and maintaining effective risk management and organisational controls is fundamental to ensuring the success of clinical governance, providing a solid foundation upon which to build an environment in which quality care can be provided and clinical excellence can flourish (Figure 1). 'Getting the organisation right' will significantly increase the likelihood of achieving the desired outcomes in relation to meeting the needs of patients.
10. The 'common thread' linking clinical governance and wider controls assurance is risk management. Risk management is defined as "the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects"

(Australia/New Zealand Standard 4360:1999 Risk management). The potential for adopting a holistic risk management approach encompassing both 'clinical' and 'non-clinical' aspects through extending the control framework to include standards for clinical risk management, including clinical audit and clinical incidents, complaints and claims recording, investigation and analysis, will be explored during 1999/2000. Further information is provided in Annex A.

Controls assurance and NHS risk pooling schemes

11. The NHS Litigation Authority now administers, in addition to the existing Clinical Negligence Scheme for Trusts (CNST), two new non-clinical risk pooling schemes covering property and liabilities to third parties. Compliance with risk management and organisational controls standards currently being developed for controls assurance purposes will help member NHS Trusts to minimise their future financial contributions to the schemes. The Controls Assurance Team and the NHS Litigation Authority, supported by specialist input from NHS Estates and other key stakeholders within the Department of Health and the NHS, are working together to ensure production of a uniform set of standards to meet the requirements of this circular and the new risk pooling schemes. Further information is provided in Annex A.

Benefits of controls assurance

12. In addition to underpinning clinical governance and, where applicable, helping minimise financial contributions to the new risk pooling schemes, there are potentially significant *additional* benefits to be gained from implementing controls assurance in respect of risk management and organisational controls. These include:

reduction in risk exposure through more effective targeting of resources to address key risk areas;

improvements in economy, efficiency and effectiveness resulting from a reduction in the frequency and/or severity of incidents, complaints, claims, staff absence and other loss;

demonstrable compliance with applicable laws and regulations;

enhanced reputation through public disclosure of achievements in meeting objectives and managing risk; and, consequently,

increased public confidence in the quality of services provided by the NHS.

13. Controls assurance will help all Chief Executives of NHS organisations to discharge their duties, as accountable officers, effectively and efficiently. In addition, controls assurance will provide timely and reliable risk management and control information to me, as Accounting Officer, to provide assurances to Parliament and the public in accordance with best governance practice.

Verification and monitoring

14. Internal audit, supported as necessary by in-house specialist expertise in fields such as estates, facilities, health and safety, risk management and infection control, and by 'external' expertise from organisations such as the NHS Litigation Authority and NHS Estates, will be responsible for the verification of organisational controls assurance statements. It is envisaged that the Audit Commission will play a role in externally reviewing the arrangements in place for controls assurance and this will be explored during 2000/2001. Further information is provided in Annex A.

15. Regional Offices of the NHS Executive will monitor the implementation of controls assurance in NHS Trusts and Health Authorities. In due course, implementation in Primary Care Groups and Trusts will be monitored by Health Authorities. The NHS Executive's Controls Assurance Team will centrally monitor and evaluate the overall implementation of controls assurance across the service.

This circular has been issued by:

**SIR ALAN LANGLANDS
CHIEF EXECUTIVE**