

ROTHERHAM PRIMARY CARE TRUST

STATEMENT ON INTERNAL CONTROL 2005/06

1. 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 PCT has a Risk Management Framework and Risk Assurance Strategy formally adopted by the Trust Board. Both documents are available to all staff via the PCT Intranet, and are subject to regular review.

I am responsible for giving the strategic leadership necessary to endorse the PCT risk management strategy at the highest level, and to ensure that there are robust arrangements in place for its full implementation. This includes the identification of the most significant risks to the PCT's strategic objectives and ensuring that the Trust Board keeps these risks under regular review, and deciding what risk-related information is passed to Ministers, using a transparent and precautionary approach.

The PCT works with the Strategic Health Authority (SHA) on this agenda in a number of ways. Key managers have been identified at the SHA and the PCT with a clear remit for regular review of performance and risk management. There is also a formal performance agreement with the SHA and this is monitored through a mid year review and formal end of year review. Joint Health Community reviews are also held with the SHA and partner organisations.

In addition to this the PCT and SHA hold various senior management meetings, including the Chief Executive network, Director of Finance network and Performance network, to progress and discuss key elements of the agenda and to share best practice. Meetings in a variety of theme areas are also facilitated by the SHA or the PCT.

2. 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 organisation's policies, aims and objectives.
- Evaluate the likelihood of those risks being realised and the consequences should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in Rotherham PCT, for the year ended 31 March 2006, and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

The PCT's corporate core values support the importance of responsible, accountable, open and effective governance. These values are embedded into normal ways of working and within the culture of the PCT as well as via PCT Policies, Procedures, Strategies and Frameworks. Managers view risk management as an integral part of their job and the Trust Board keep the high level risks faced by the PCT under regular review. Risk management is standard practice within the PCT and the benefits that it can deliver in terms of achieving our objectives are recognised. The PCT has developed a proactive stance to risk management, which helps to ensure that less time is spent reacting to situations and more time is spent being proactive in the identification of risks. Lead Directors for each key dimension of financial, clinical and corporate risk have taken forward their responsibilities and have arrangements in place to identify and manage key risks overseen by the Risk Management Committee and the Audit Committee.

A review of our Risk Management Framework took place during 2005/06 and a revised version was adopted and approved by the Trust Board and Professional Executive in July 2005. The Analysis of Risk was also regularly reviewed and updated during 2005/06 by Directors, the Risk Management Committee, the Professional Executive and the Trust Board.

Capacity is developed across the PCT via ongoing training for managers, induction for all new staff and a series of training events undertaken to reinforce 'risk' into the culture of the organisation's core business. This training forms part of the PCT's mandatory training programme for all staff.

4. The risks and control framework

The key elements of the Risk Management approach in Rotherham PCT are:

- A Risk Management Framework that sets out the structures and responsibilities for risk management and the key processes.
- A Risk Assurance Strategy that sets out the framework and processes for the identification and management of strategic risks and the provision of Board assurance. This includes an analysis of these strategic risks and the associated controls and assurance mechanisms. This Analysis of Risk is a live document which is updated and reviewed on a quarterly basis and provides a basis for the Professional Executive and Trust Board performance review.

The process concerning how risks are identified, evaluated and controlled is set out in the PCT Framework and Strategy and includes the following:

- An ongoing extensive training programme to raise staff awareness of risk management, which commenced 2003/04. All new staff are also advised about risk management processes on induction to the PCT. Together these aid the development of a risk management culture within the PCT.
- Assessment of risk is part of the routine process of decision making within the PCT. The way the PCT operates proposals for changes in service provision are all subject to risk assessment.

- High level risks are also recorded in a structured way through the Risk Register, identifying lead officer responsibility, monitoring arrangements including review of residual risk and action to reduce the risk.

The Assurance Strategy, which completed the overall risk and control framework system, was originally approved by the Board in September 2003 and provides the PCT with a comprehensive method for the effective and focused management of the main strategic risks that could affect the PCT in achieving its objectives. It also provides a structure that allows for evidence to support the Statement on Internal Control.

Since September 2003 any gaps in control or assurance have been systematically performance managed and reviewed by individual directors and directorates. The gaps being addressed cover the impact of Payment by Results, A&E waiting times, contractor and internal PCT activity performance management, Health Visitor cover, Information Technology services and Financial Stability. Progress is reviewed by the Corporate Risk Management Committee and detailed progress is being reviewed by the Professional Executive and Trust Board on a quarterly basis. Through the year further work has been undertaken to build upon the Level 1A Risk Management Standard, and the 04/05 classification of category 'A' for the Assurance Framework. The Analysis of Risk has been aligned with the HCC Standards and is further supported by detailed reporting on key target areas, HCC Standards compliance and high priority risks via Directors, the Professional Executive and the Trust Board.

5. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the assurance framework and on the controls reviewed as part of the internal audit work. Lead Executive Directors within the PCT, who have responsibility for the development and maintenance of the system of internal control, and the Risk Committees also provide me with assurance, including regular Board and Professional Executive reports. The Assurance Strategy and its regular review of the analysis of risk provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principle objectives have been reviewed. My review is also informed by the following major sources of assurance on which reliance has been placed during the year:

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| <ul style="list-style-type: none"> • Risk Management Standard for PCTs | <p>Independent assessment for Level 1A in 2004/05. Achieved September 2004.</p> |
| <ul style="list-style-type: none"> • Assurance Strategy, and associated Analysis of Risk | <p>The approved assurance strategy and associated analysis of risk identifying risks, controls, assurance, gaps in assurance and controls is reviewed quarterly at Corporate Risk Management Committee and half yearly at Board.</p> |

Internal audit have issued a statement 2004/2005 confirming their satisfaction that Rotherham PCT have developed an Assurance Framework (including the PCT Analysis of Risk) to the Department of Health's Category A definition.

- Key Targets PCT monthly Board and Professional Executive review of progress on key targets.
- Department of Health Star Ratings 2 Star ratings received in July 2005.
- Annual SHA Review Positive Annual Review.
- External Audit Annual Audit Letter for 2004/05 received. Workplan for 2005/06 agreed.
- Internal Audit Annual Audit programme agreed and progress regularly reported to the Audit Committee.
- Annual Clinical Governance Report Reports approved by Board and submitted to SHA.
- Annual Corporate Risk Management Report Report approved by PE and Board.
- Risk Register High level strategic risks for the organisation are reported quarterly to the Corporate Risk Management Committee (CRMC) and annually to the board.
- Others Improving Working Lives, Practice Plus. Accreditation achieved. Patient Advice and Liaison Service, 6 monthly and Annual Reports. Health & Safety Action Plan. Incident reporting process and 3 monthly reports to CRMC and Clinical Governance Committees (CGC). Complaints monitoring, 6 monthly and Annual Reports to Board, CRMC and CGC.

I am also advised on the effectiveness of the system of internal control by the following internal mechanisms:

- Professional Executive
- Trust Board.
- Audit Committee
- Executive Directors, including lead Directors for Finance, Clinical Risk and Corporate Risk.
- Corporate Risk Management Committee
- Internal and External audit.
- Clinical Governance Committee

An action plan has been developed to address any gaps, weaknesses and ensure continuous improvement of the system is in place and implemented.

Trust Board

The Board has corporate responsibility for implementing the approach to managing risk and strategically reviewing the PCT's strategic risks. The principal risks have been agreed, owned and addressed by Directors. In fulfilling this task, the Board receives accurate and up-to-date information on new risks and on performance in managing existing risks.

Professional Executive Committee

The Professional Executive Committee is responsible for providing the Trust Board with professional advice on the PCT's activities. They are corporately responsible for implementing the PCT's approach to managing risk and reviewing the most significant risks.

Head of Internal Audit

The Head of Internal Audit has a central role in the process of developing this Statement of Internal Control, and in advising the Chief Executive and the Audit Committee on the functioning of the PCT's risk management processes. As part of Internal Audit work, reviews are carried out to assess the robustness of the implementation of the risk management framework across the PCT. They provide information on the various strengths and weakness on the approach adopted by the PCT, and advise on where improvements are necessary and desirable for the good governance of the PCT.

Conclusion

No significant gaps in assurance or control issues have been identified during the year or at year end. Internal Audit has provided the PCT with a positive view of the Assurance Framework and Strategy which indicates it is robust. The PCT is satisfied that any internal control issues highlighted by the Assurance Framework and Strategy have been managed and there are no control issues for disclosure identified for the year ending 31st March 2006.

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