

Statement on Internal Control – Year ended 31 March 2011

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS Foundation 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 Foundation 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 Foundation Trust Accounting 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 Sheffield Children's NHS Foundation 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 Sheffield Children's NHS Foundation Trust for the year ending 31 March 2011 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

Leadership

The Board of Directors is responsible for the management of key risks. The Board receives details of key risks on a monthly basis through Board reports and through its discussions at Board meetings, the agenda having been set to reflect the Assurance Framework in operation within the organisation.

This process is supplemented on a quarterly basis when the quarterly self-assessment of financial, activity and service risks are made for submission to the Independent Regulator, Monitor. The arrangement serves to reinforce the Board's understanding of its key business risks in the context of its strategic direction.

The executive team is responsible for the operation and assessment of the risk register throughout the organisation.

The process of risk management is assigned the highest priority by the Board of Directors. The Chief Executive as the accounting officer has delegated the overall responsibility for risk management throughout the Trust to the Director of Clinical Operations and Nursing where it is aligned with overall responsibility for clinical governance. Financial risk management and responsibility for Information Governance remains the responsibility of the Chief Financial Officer.

Training and Guidance on Management of Risk

Training and guidance on risk management is provided to all staff when they join the Trust as part of the induction process. In addition to this the Trust provides mandatory annual update training for all staff, including the Executive Directors in risk management. This training has to be attended once a year and is provided by the Trust twice a month. The requirement for additional training is informed by the provision of an annual performance review for every member of staff.

Staff are trained to manage risk in ways which are commensurate to their authority and duties. This includes the recording and managing of events that have happened as incidents, near misses, claims or complaints, as well as participating in risk assessment processes for clinical, organisational and financial risks.

This programme of training and appraisal provides a basis for ensuring that awareness of risk management is maintained. Dissemination of the risk management policies and procedures occurs through electronic and paper based systems.

The Trust uses the information from incident reporting, the risk register and patient complaints to review and amend activities in a way that leads to improvement and higher levels of safety for patients, staff and visitors.

The Risk and Control Framework

The Trust has a Risk Management Strategy in place which includes sections on risk identification, analysis, and evaluation. The full strategy has been distributed throughout the Trust and is available on the intranet. Risk evaluation is based on a grading matrix of likelihood and consequence. This produces a risk score to enable the risk to be prioritised against other risks. The score is then used to determine the level within the organisation responsible for its management. Each directorate is responsible for identifying and updating its own risks although these do feed through on a monthly basis, via the Risk Management Committee, to the corporate risk register.

In line with NHS policy the Trust has spent time developing and implementing an assurance framework as a mechanism for assessing risk and control at the very highest level. As part of this process the Trust identifies its key strategic aims and underpinning these aims a larger number of operational or directorate level objectives. Against these objectives the Trust has considered the risks preventing the achievement of the objectives together with the associated controls in place and the sources of assurance, which can be identified, through which the controls can be seen to be effectively working.

The end result of this process is an assessment by the Board of Directors of those areas where gaps in control exist and a consideration over what measures, if any, the Trust would wish to introduce in order to reduce the identified risks. Action plans are then prepared and used to mitigate areas of risk identified.

As detailed earlier, this top-down process is supplemented by a review of the most significant risks facing the Trust from the risk register with all risks being subjected to the application of the same risk grading matrix.

Information Governance has been monitored by the Information Governance Committee which is a subcommittee of the Board. The NHS Information Governance toolkit provides standards by which the Trust measures its compliance with best practice. Incidents relating to the loss of personal data in 2010/11 are summarised in tables 1 and 2 below:

Table 1

SUMMARY OF SERIOUS UNTOWARD INCIDENTS INVOLVING PERSONAL DATA AS REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2010/11

The Trust has not been party to any personal data incidents that has required notification to the Information Commissioner during 2010/11.

Further action on information risk

The Trust will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of its systems.

Table 1

SUMMARY OF OTHER PERSONAL DATA RELATED INCIDENTS IN 2010/11

Category

Nature of incident

Total

I

Loss of inadequately protected electronic equipment, devices or paper documents from secured NHS premises.

None

II

Loss of inadequately protected electronic equipment, devices or paper documents from outside secured NHS premises.

None

III

Insecure disposal of inadequately protected electronic equipment, devices or paper documents.

None

IV

Unauthorised disclosure.

Two reported incidents whereby patient identifiable information on clinic letters was found in public areas confined to hospital premises. Two reported incidents of patient identifiable information being sent to a wrong address before it was forwarded onto the patient's GP practice.

V

Other

Sixty Eight reported incidents where patient identifiable information has been misfiled in another patient's record. One incident of personal data being e-mailed to an external e-mail address. Three reported incidents of personal data being mailed internally but not arriving at the intended department.

The organisation has in place a formal structure to ensure that clear, unambiguous lines of accountability and communication exist within the organisation in order to facilitate a risk based approach to Trust actions.

The Board of Directors is supported by a number of formal sub-committees. These comprise the following:

- **Information Governance Committee** - Noted above
- **Risk Management Committee** - Responsible for the development of risk policies and monthly review of strategic and operational risks
- **Clinical Governance Committee** - Provides assurance to the Board that governance arrangements are regularly reviewed in all areas of clinical activity.
- **Human Resources Committee** - Facilitates the further development of the Trust's Human Resources strategy and ensures that key strategic objectives are translated into tangible action plans against which progress is monitored.
- **Audit Committee** - Reviews the establishment and maintenance of an effective system of integrated governance, risk management and internal control across the organisation.
Reviews the findings of other significant assurance functions both internal and external to the organisation and considers governance implications for the organisation.
- **Employer Based Awards Committee** - Convened annually to make recommendations to the Board of Directors on the awarding of Employer based clinical excellence awards.
- **Nominations Committee** - Oversees the process of recruiting Executive Directors and leads the process for the identification and nomination of Non-executive Directors including the Chairman.

A feature of all these committees is that they are chaired by a Non-executive Director and contain Executive Director representation (with the exception of the Employer Bases Awards Committee which is chaired by the Chief Executive). Non-executive Directors provide the organisation with a means to effectively challenge the actions of the Executive Officers. Non-executive Directors are appointed to the Board of Directors via the Recruitment Committee. (This Committee comprises of members of the Council of Governors, and is a subcommittee of the Council of Governors). These various committees are accountable in their actions to the Board of Directors.

The operational management of the Trust is delegated to the Trust Executive Group which reports directly to the Board of Directors via the Chief Executive. Decisions taken by the Trust Executive Group are informed by risk management principles.

- **Remuneration and Terms of Service Committee** - Determines remuneration of executive directors.

Public Involvement in Risk Management

The views of our public stakeholders are very important to the Trust. Learning from many varied sources external to the Trust enables the organisation to learn and develop practices in a way which is responsive to genuine need.

As a Foundation Trust the organisation aims to make best use of its membership and of its Council of Governors. The Council of Governors is engaged at every opportunity to ensure that the Trust's operational strategy is being developed in line with membership expectations.

The level of public and patient involvement in the provision of services provides assurance that the Trust is not operating in isolation and is trying, wherever possible to put the needs of children and their families at the centre of our services.

Examples of where public stakeholders are being actively engaged by the Trust in an effort to bring continuous improvement to the organisation:

- use of patient surveys to indicate areas for improvement
- the continued work of the Patient Carer Advisory Group (previously the Parent and Patients' Council),
- the Trust's support of the Patient and Public Involvement Forum,
- the development of the Patients Advice and Liaison Service
- the involvement of the Patient Care Advisory Group in Patient Environment Action Team (PEAT) inspections

Partnership Involvement in Risk Management

The Trust is engaged in close partnership with other organisations in Sheffield regarding the delivery of services for children and young people. The Sheffield 0-19+ Partnership is the organisation through which agencies work together to co-ordinate the planning and delivery of services for children and young people. Representatives of Sheffield Children's NHS Foundation Trust are involved in the 0-19+ Partnership and committees accountable to the Partnership. The 0-19+ Partnership is not a corporate body in its own right but supports the collaboration of a range of agencies including Primary Care Trusts, the Sheffield City Council, Police and Voluntary Sector providers.

In 2010/11 a Partnership Board for Children's Services was established to oversee the transfer of children's community services from NHS Sheffield to the Trust. This Board will continue to provide strategic co-ordination of the development of children's services in Sheffield.

Aligned to this is our commitment to and participation in the "Sheffield First" structure, which aims to promote involvement in the co-ordination of services across public and commercial organisations. The city has implemented and is further developing its Local Area Agreement to support multi-agency approaches to improving Sheffield as a city.

The Trust works closely with other providers of specialist paediatric services within the UK. These relationships are limited to information sharing, benchmarking of services and a co-ordinated approach to the implementation of national policy such as the introduction of Payment by Results.

The Trust also works closely with neighbouring Foundation Trusts within South Yorkshire and North Derbyshire in order to manage relationships and ensure clarity of service provision as clearly as possible. As a member of the Foundation Trust Network the Trust is also able to participate in a national forum which helps influence and manage the implementation of national policy where it relates to NHS Trusts.

The organisation continues to attend regular meetings held by the Strategic Health Authority to consider issues across the health authority and/or health and social care community areas.

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 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.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

The Foundation 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.

The Foundation Trust is fully compliant with the requirements of registration with the Care Quality Commission.

Assurance of Quality Accounts

Annual Quality Report

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 to prepare Quality Accounts for each financial year. Monitor has issued guidance to NHS foundation trust boards on the form and content of annual Quality Reports which incorporate the above legal requirements in the NHS foundations Trust Annual Reporting Manual.

The Board of Directors has appointed the Director of Nursing and Clinical Operations to produce a Quality Report that has been widely consulted upon to ensure balance and accuracy. The draft report has been subject to consultation with Sheffield PCT, Sheffield Local Involvement Network, the Trust Parent and Carers' Advisory Group, Foundation Trust Governors, Trust Executive Group (including lead clinicians) and the Clinical Governance Committee. The Trust was unable to consult with the South Yorkshire Oversight and Scrutiny Committee due to May agenda constraints caused by the local election process. Details of the consultation process are to be found in the Annex to the report. Where possible, suggested changes have been incorporated into the report.

The report has been prepared and validated in conjunction with the Clinical Governance Manager and the Head of Planning and Performance. The quality data reflects that which has generally been available in summary to the Trust Board or, in more detail, to the Board Subcommittees such as the Clinical Governance Committee, Risk Management Committee, Information Governance Committee, the Human Resources Committee or the Trust Executive Group. The Quality Report has been set out in the format required by Monitor and incorporates the Quality Account information required by the Department of Health.

The Trust is subject to a wide variety of quality targets set in association with our commissioners. The quality of performance data is reviewed internally by the Data Quality Group reporting to the Information Governance Committee. Clinical data is reviewed by the Clinical Audit and Effectiveness Committee reporting to the Clinical Governance Committee and scrutinised by the PCT Quality and Performance Committee.

The above steps would cover areas such as:

- Governance and leadership (including processes to ensure the Quality Report presents a balanced view)
- Policies
- Systems and processes
- People and skills
- Data use and reporting

Review of Effectiveness of Quality Accounts

The overall governance systems of the trust have been used to oversee components of the Quality Report. The final report and the consultation process has been constructed on receipt of the final template from the Department of Health and Monitor in 2010 with feedback from the Monitor consultation exercise in 2011. The process of consultation and draft iterations commenced on 28 February 2011 and will complete with Board approval on 31 May 2011. The report is subject to external auditor opinion.

The performance data used has been subject to monthly reporting to the Trust Executive Group and Board. The clinical data submitted for audit is registered with the Clinical Governance Committee with a nominated clinician having responsibility as lead for submission.

The patient experience surveys have been commissioned from Picker International and have followed the format of previously commissioned children's surveys from the Health Care Commission. The Trust now has an annual program of annual outpatient and inpatient surveys coordinated with other children's NHS providers for benchmarking purposes.

The Trust has used Internal Audit to drill down into potential areas of weak assurance and it has been effective in monitoring the subsequent action plans. A program of audit had been agreed for 2010-11 to explore a variety of quality issues including NHS Litigation Authority standards compliance, performance management framework and the Assurance Framework.

Review of Economy, Efficiency and Effectiveness of the Use of Resources

Resource Management

During the year the Board considered a number of key resource management issues.

Firstly, following consideration of the strategic outline case for the redevelopment of the hospital in 2009/10 the second stage of the project, the outline business case, was considered during 2010/11. External health planning and financial advisors provided assurance to this project.

Secondly, the three year efficiency programme requiring approximately 5% revenue efficiency per annum was subject to regular review. This remains a key risk for the Trust.

Thirdly, the Trust's waiting times, although not a formal target set by Monitor, has remained an area of focus and is also a key risk for the Trust. Department of Health advice has provided external assurance.

Fourthly, the underlying potential economic position reflected in a real terms reduction in commissioner funding from 2011/12 combined with NHS Sheffield's difficult financial situation, are factors which have been under constant consideration and impact on the issues set out above.

Fifthly, significant effort has been input to consideration of the transfer of children's community services. Extensive due diligence has been provided by external lawyers, accountants and clinically.

Sources of Assurances

During the year the Board have received regular reports informing of the economy, efficiency, and effectiveness of the use of resources. Reports detailing the financial and clinical performance of the organisation during the period are regularly produced with traffic light systems in place to flag areas for concern where they exist. These reports are produced by the Executive officers of the Trust.

Internal Audit continues to review systems and processes in place during the year and publishes reports detailing specific actions to ensure economy, efficiency and effectiveness of the use of resources is maintained. The outcome of these reports and the recommendations therein are also graded according to their perceived level of risk to the organisation, therefore assisting management action.

This process has been supplemented by the external audit reports which provide assurance on the Trust's arrangements for achieving economy, efficiency and effectiveness in its use of resources.

The Board of Directors also received assurances on the use of resources from outside agencies including Monitor and the Healthcare Commission. Monitor requires the Board of Directors to self-assess on a quarterly basis and scores the organisation using a traffic light system.

Review of Effectiveness

As Accounting 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 and the managers within the NHS Foundation Trust who have responsibility for the development and maintenance of the internal control framework, and 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 of Directors, having taken account of reports from the Audit Committee, the Clinical Governance Committee, the Finance and Performance Committee and Risk Management Committee.

Participation of the Non-Executive directors in chairing all of the Trust's formal committees such as the Clinical Governance Committee, the Risk Management Committee, the Audit Committee and the Information Governance Committee provides important additional assurance over the opinions being reported and a plan to address weaknesses and ensure continuous improvement of the system in place.

My review is also informed by:

- Audit reports prepared independently by both the internal and external audit agencies. In particular, the annual audit letter produced by KPMG, our external auditor, and various external due diligence reports on the proposed children's community service transfer.
- The published results of the quarterly performance management processes undertaken by Monitor.

- The annual performance indicators published by the Department of Health.
- The Board of Director's declaration of compliance against Care Quality Standards based upon detailed self-assessments completed by the organisation. This assessment has been subjected to independent validation by the following bodies: Internal Audit, FT Governors, Local Involvement Networks (LINKs), Local Overview and Scrutiny Committee and the Sheffield Safeguarding Board.
- Independent readiness reviews undertaken on behalf of the NHS Litigation Authority in respect of the Trust's objective of achieving level 2 compliance.
- Patient surveys undertaken by an independent organisation

I believe that the above systems and controls provide assurance that the Trust is able to identify risks, quantify gaps in controls and bring these quickly to the attention of the board of Directors and where appropriate the Council of Governors.

In 2010/11 there were two key risks. Firstly, the financial position of our main commissioner. By working in partnership the risk was successfully mitigated during the year. Secondly, the Trust took a variety of actions to manage risks associated with the difficulty to appoint to various medical positions. This included the appointment of locum positions.

Section 4 of the Annual Report identifies a number of risks the Trust faces in 2011/12. In summary these are (i) possible changes to the paediatric tariff; (ii) the delivery of a significant cost improvement programme; (iii) likely reduction in education income; (iv) an urgent need to upgrade our ward accommodation; and (v) changes to national commissioning framework which may impact significantly on specialist hospitals.

All these risks are being managed effectively through our internal control processes.

CONCLUSION

No significant control issues have been identified.



Mr Chris Sharratt, Chief Executive

DATE 31 May 2011