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To: Chief Executives, HSS Boards  
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Chief Executives, HSS Special Agencies  
Chief Officers, HSS Councils (for information)

11 April 2003

**GOVERNANCE IN THE HPSS: RISK MANAGEMENT AND CONTROLS  
ASSURANCE**

1. The purpose of this circular is to set out the agenda for 2003/04 in terms of the continuing development of risk management and controls assurance in the HPSS.

**Risk Management**

2. During 2002/03 the focus was firmly upon the establishment of the fundamental structures and processes necessary to underpin a system of organisation-wide risk management in HPSS bodies. The model for this system is that described in Standards Australia AS/NZS 4360: 1999 – Risk Management. Reports submitted by HPSS bodies at 31 December 2002 indicate that a significant amount of progress has been made since the issue of Circular HSS (PPM) 3/2002 in June of last year.
3. In 2003/04, it will be important to build upon the work that has already been done by making the day-to-day business of risk management a reality on the ground. Many organisations within the HPSS have already begun the task of developing registers of risks to the achievement of their business objectives. Boards and Trusts, in particular, must ensure that their registers encompass the full spectrum of financial, organisational and clinical and social care risks. A fragmented approach to managing the full spectrum of risks has been a specific criticism in the past. The process of identifying, evaluating, prioritising and developing appropriate treatment plans in response to risk will make a substantive contribution to the overall level of assurance underpinning Statements of Internal Control. To that end, the Department will expect all HPSS bodies to have functioning risk registers in place by September 2003.

**Monitoring**

4. During 2003/04, you will be asked to confirm that these practical steps are being taken. For the purposes of this monitoring, attention will now shift to the criteria set out in the HPSS controls assurance standard on risk management, a draft of which was shared

with you in December last. The annex to this circular contains the proposed self-assessment and reporting template that will be used to measure progress. Further information on the development of controls assurance standards for the HPSS is set out below.

### **Controls Assurance Standards**

5. The Department has now considered the many helpful comments that have been received in response to the draft controls assurance standards for the HPSS. Some have been incorporated in the latest versions of the standards, which are being posted on the DHSSPS website. Others related to issues that cannot be resolved in the short term but will be fed into the process of continuous review that will be a necessary feature of the maintenance and development of the standards in this and in future years.
6. It has been decided that, in order to avoid problems associated with the electronic transmission of large documents, a specific area should be established within the DHSSPS website to provide guidance and background material on the topic of "Governance in the HPSS". The website address is [www.dhsspsni.gov.uk/hss/governance/index.html](http://www.dhsspsni.gov.uk/hss/governance/index.html). Initially, the area will contain relevant circulars, the HPSS controls assurance standards and other guidance material, however, it is hoped that, during 2003/04, it can be further developed into an interactive resource for guidance, good practice and reporting on all aspects of governance. Additions and updates to the site will be notified to Chief Executives and nominated contacts by e-mail.
7. The Department has now taken the decision that work on the development of a full range of controls assurance standards should begin immediately. Initially, the focus will continue to be on the 21 areas for which the NHS in England has already developed standards. As before, the relevant policy lead within the Department will be responsible for drawing up the first draft of a standard, in conjunction with key stakeholders. The wider Department and the HPSS will then have an opportunity to comment on the draft standards before they are formally launched. Subject to issues that may emerge during the preliminary stages, the Department aims to complete this work on the 21 areas already covered by the NHS controls assurance standards by 31 March 2004.

### **Self-assessment**

8. Compliance with the controls assurance standards will be measured by a system of self-assessment within the parameters of guidelines issued by the Department. Further detailed guidance on the assessment mechanism will be published on the website during the 2003/04 year. The guidance will include a scoring framework to be applied to the criteria contained in each standard. There will be no separate weighting of individual criteria. The requirements of the Resource and Account Budgeting timetable mean that formal self-assessment returns for the 2003/04 year will have to be made by early May 2004.
9. When a controls assurance standard is issued formally, HPSS bodies will be expected to conduct an initial self-assessment against the key criteria and draw up an action plan to secure compliance. Templates for self-assessment and action plans will be made available on the departmental website. Compliance with the core standards on Finance,

Governance and Risk Management will be absolutely fundamental in terms of underpinning your 2003/04 Statement of Internal Control and providing the foundation for compliance with other standards. Action plans in respect of these three standards must therefore aim to achieve full compliance by 31 March 2004. Other standards will apply in different ways to different HPSS bodies and further guidance on applicability and expected rates of progress towards compliance will issue with those standards.

### **Compliance reporting**

10. Your self-assessment return will, in conjunction with the Statement of Internal Control, be subject to the approval of your board before submission to the Department. Independent verification of the reported level of compliance, including internal and external audit and review, will be an ongoing process, rather than an end of year exercise. It will be important to ensure that risk management and controls assurance are fully integrated into your organisation's normal programme for securing assurance about the effectiveness of internal control across all of its activities.
11. If you have any queries about the content of this circular, please contact me on 028 90522902.

**RAY MARTIN**  
**Deputy Director**  
**Planning and Performance Management Directorate**

## RISK MANAGEMENT IN THE HPSS 2003/04 - SELF-ASSESSMENT TABLE

Criteria	Assessment Score
1. Board level responsibility for risk management is clearly defined and there are clear lines of individual accountability for managing risk throughout the organisation, leading to the board.	
2. The organisation's senior management has defined and documented its strategy for managing risks, including objectives for, and its commitment to, risk management. The risk management strategy is relevant to the organisation's strategic context and its goals, objectives and the nature of its business. Management ensures that the strategy is understood, implemented and maintained at all levels of the organisation.	
3. A committee structure is in place, which supports the risk management accountability arrangements within the organisation and ensures that all significant risks are properly considered and communicated to the board.	
4. An agreed process for reporting, managing, analysing and learning from adverse incidents is in place, in accordance with HPSS guidance.	
5. An agreed process for reporting, managing, analysing and learning from complaints and claims is in place, in accordance with HPSS guidance.	
6. A risk management process, based on the requirements of AS/NZS 4360:1999 and covering all risks, is embedded throughout the organisation at all levels, including the board, with key indicators being used to demonstrate performance. The whole system of risk management is continuously monitored and reviewed by management and the board in order to learn and make improvements to the system.	
7. All employees, including members of the board, clinicians, managers, bank, locum and agency staff, together with, where relevant, contractors and volunteers are provided with appropriate risk management training.	
8. The board receives independent assurance(s) that a risk management system is in place that meets the requirements of this standard.	

Descriptor	Score
<ul style="list-style-type: none"> <li>• No compliance anywhere in the organisation with any of the requirements set by the criterion</li> </ul>	0
<ul style="list-style-type: none"> <li>• A low degree of organisation-wide compliance with the requirements set by the criterion.</li> <li>• Demonstrable evidence that a start has been made towards compliance in some or all parts of the organisation.</li> <li>• Low percentage of compliance by professional people as part of the self-assessment process</li> </ul>	1-29
<ul style="list-style-type: none"> <li>• A moderate degree of organisation-wide compliance with the requirements set by the criterion.</li> <li>• Demonstrable evidence that work is ongoing across most parts of the organisation to achieve compliance, although some directorates or departments may be in the very early stages of compliance.</li> <li>• Medium percentage of compliance by professional people as part of the self-assessment process.</li> </ul>	30-69
<ul style="list-style-type: none"> <li>• Substantive organisation-wide compliance with all requirements set by the criterion.</li> <li>• Demonstrable evidence that most parts of the organisation are meeting most of the requirements set by the criterion.</li> <li>• Only minor non-compliance issues requiring, in the main, minor action(s).</li> <li>• High percentage of compliance by professional people as part of the self-assessment process.</li> </ul>	70-99
<ul style="list-style-type: none"> <li>• Full compliance across the whole organisation with all requirements set by the criterion</li> </ul>	100