



GovernWell

A one stop training resource for foundation trust governors

The annual report and accounts: a guide for governors



This guide provides governors and company secretaries with information about the governor role in appointing an external auditor. It brings together the relevant statutory requirements and procurement regulations, uses case studies from five foundation trusts to illustrate the different approaches that can be taken and provides a helpful glossary of common terms used when appointing the external auditor.

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BACKGROUND

The annual accounts, the auditor's report on the accounts and the annual report are important documents in which foundation trusts (FTs) provide accurate and comprehensive information on their performance, business model and strategy to their members, patients, commissioners, taxpayers and other stakeholders.

Governors are important users of these documents as they have been elected or appointed to represent these groups and have a statutory responsibility to hold the non-executive directors to account for the performance of the board of directors.

When the annual accounts, the auditor's report on the accounts and the annual report are published, they are compiled in a single document known as the annual report and accounts.



We would like to thank Ann Alderton for putting this guidance together and the foundation trusts which participated in providing case study information.

GLOSSARY AND ACRONYMS

Accounting officer

The person responsible for keeping proper accounting records, preparing the annual accounts for the FT, looking after FT's assets and for maintaining a sound system of internal control. In an FT, this is the chief executive.

Annual accounts

Documents prepared by the FT, showing its financial performance and financial position for the previous financial year.

Annual governance statement

A statement about the governance arrangements and internal controls the FT has in place to manage risk.

Annual report

A document produced by the FT that summarises its performance during the year and provides background information about its strategy, business model and governance arrangements.

Asset

Something the FT owns, such as a building, equipment, cash or consumables.

Audit certificate

A certificate by the independent auditor that they have completed the audit in accordance with legal requirements.

Audit committee

A committee of the board of directors with responsibility for reviewing the integrity of the FT's financial statements and monitoring its performance, probity and accountability.

Audit opinion

The auditor's opinion of whether the FT's accounts show a true and fair view of its financial position. If the auditors are satisfied with the accounts, they will give an unqualified opinion.

External auditor

The independent auditor who reviews the accounts and issues a professional opinion on whether the accounts present a true and fair view. They are appointed by the governors.

Financial statements

Another term for the annual accounts.

FRAB

Financial Reporting Advisory Board.

Going concern

An expectation that the FT will continue to operate for at least 12 months from the date of the accounts.

IFRS

International Financial Reporting Standards.

Laid before parliament

Required by law to be reported in the proceedings of a parliamentary session.

Liability

Something the FT owes, for example a loan or an unpaid bill.

Non-executive director (NED)

Members of the board of directors who scrutinise the performance of the executive management in meeting agreed goals and objectives, receive adequate information. They are particularly responsible for challenging the executive directors in decision-making and on the trust's strategy, but they are collectively accountable with the executive directors for the exercise of their powers and for the performance of the trust. Unlike the executive directors, they do not have a managerial role.

Private finance initiative (PFI)

A way of creating "public-private partnerships" (PPPs) by funding public infrastructure projects with private capital.

Reserves

An increase in overall value of the organisation since it was created.

Taxpayers' equity

The total value of the FT, representing what the taxpayer has invested in it.

True and fair

A faithful and accurate account of what has happened.



WHEN ARE THE ANNUAL REPORT AND ACCOUNTS PRODUCED?

The annual reporting calendar runs from April until September. The calendar below is based on the reporting cycle for the 2013/14 annual report and accounts.

31 March	The year-end for all foundation trusts.
April	Foundation trusts prepare their annual accounts and annual report.
23 April	Deadline for sending draft annual accounts to Monitor.
May	The external auditors carry out an audit of the accounts.
Late May	The audit committee reviews a draft of the annual report and accounts. The external auditor produces a report and their draft audit opinion.
Late May	The board of directors approves the annual report and accounts. The chief executive, as accounting officer, can then sign and date the statement of financial position and annual report as evidence of board approval. They also sign the foreword to the accounts, the annual governance statement and the remuneration report.
30 May	Deadline for sending the audited accounts, the final text of the annual report and the report of the auditor to Monitor.
25 June	Deadline for the receipt of the annual report and accounts to be laid before parliament. Once laid before parliament, the annual reports and accounts cannot be changed.
Late June to early July	Foundation trusts annual report and accounts are presented to the House of Commons in a parliamentary session over a number of days and weeks.
After the accounts have been laid before parliament	The annual report and accounts and the report of the auditor are presented to the council of governors at a general meeting. Usually, this takes place at the annual members' meeting.

WHAT ARE THE LEGAL AND GOVERNANCE REQUIREMENTS?

Every FT is required to produce an annual report and accounts and make copies available to members of the public free of charge. Monitor, the independent regulator of FTs, provides guidance on the form and content of the annual report and accounts in the NHS foundation trust Annual Reporting Manual (ARM).

The annual report and accounts are produced and audited in the weeks following the year-end, which, for all foundation trusts, is 31 March. The completed document is sent to Monitor, along with the auditor's report on them. All FTs' annual report and accounts have to be laid before parliament before the summer recess and cannot be shared with the public until then.

The foundation trust

The legal requirements for foundation trusts in relation to its accounts are:

1. to keep proper accounts and proper records as directed by the regulator with the approval of by the secretary of state;
2. to prepare annual accounts as directed by the regulator with the approval of the secretary of state; and
3. to comply with any directions given by the regulator with the approval of the secretary of state as to the methods and principles according to which the accounts are to be prepared and the content and form the accounts.

Monitor

Monitor issues instructions to FTs about what needs to go into the annual report and accounts and the accounting standards it needs to follow in the ARM. This is updated annually and also gives a timetable for the production of the document.

Monitor's instructions are aimed to ensure that the accounts present a 'true and fair view', which is a fundamental principle when preparing accounts, meaning that they give a faithful record of its transactions. This means that the accounts must comply with International Financial Reporting Standards (IFRS) and the advice of the Financial Reporting Advisory Board (FRAB). This is to ensure that all foundation trusts are following the same rules and applying them consistently.

The accounting officer

The responsibility for keeping proper accounting records and preparing the annual accounts is delegated to the accounting officer, who in the FT is the chief executive. The accounting officer is responsible for spending public finances wisely, looking after the FT's assets and maintaining a sound system of internal control. These duties are stated explicitly in two of the disclosure statements that go into the annual accounts – the annual governance statement and the statement of accounting officer's responsibilities – both of which have to be signed by the chief executive.

The external audit and the role of the independent auditor

The external auditor's responsibilities are to satisfy themselves that the FT has:

-  prepared its accounts properly; and
-  made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The auditor must review the annual report to assess whether the information in it is consistent with the financial statements. The audit must be conducted in accordance with *Monitor's Audit Code for NHS foundation trusts* and legal requirements.

The audit committee

The audit committee reviews the annual report and accounts on behalf of the board of directors. To do this, they will look at the FT's accounting policies and practices and the reports of the internal auditors in their reviews of the financial reporting and financial management systems during the year. The external auditor reports the findings of their audit of the figures in the financial statements and the narrative being reported in the annual report to the audit committee just before the annual report and accounts are finalised for the board of directors to approve.

Although the external auditor reports to the audit committee, their primary responsibility is to the council of governors. It is important for governors and NEDs to understand the work that the external auditor has carried out on the annual report and accounts to help them in their duties to hold the board to account.

Case study: Peterborough and Stamford Hospitals NHS Foundation Trust

As the external auditor is appointed by the council of governors and the auditor's report on the accounts is addressed to the council of governors, Peterborough and Stamford Hospitals NHS Foundation Trust have taken a decision to have a governor attending and observing at all of its audit committees.

The Trust has a number of governors with an audit background, which means that they have been able to establish a rota to ensure one of them is always in attendance at the Trust's six audit committee meetings. The governor then reports back to a governor development and assurance meeting, a sub-group of the council of governors which is attended also by non-executive directors.

The auditor's report is presented to the council of governors by the external auditor and the audit committee chair at a meeting prior to the presentation of the annual report and accounts at the annual members' meeting to allow plenty of time for discussion and questions.

The board of directors

The board of directors must approve the annual report and accounts. When it does so, it is confirming that it is satisfied that the annual report and accounts give a fair, balanced and understandable assessment of the FT's position and prospects and of how it, as a board, has discharged its duty to promote the success of the foundation trust so as to maximise the benefits for its members and the public as a whole.

When approving the strategic report in the annual report, directors are confirming that they agree with what is being reported about the strategy, business plan and context in which the FT operates. When approving the accounts, board members are saying that the financial management of the FT is operating effectively and that what is being reported is consistent with the information the board has seen over the previous year.

Laying before parliament

When complete, foundation trusts are required by law to lay a copy of the annual report and accounts with the report of the auditor on them, before parliament. As public benefit corporations, FTs are a type of statutory body whose annual report and accounts are classified as an Act paper.

This means that a full set of accounts, along with the annual report and the report of the auditor, must be sent as one document in hard copy to the parliamentary clerk by a strict deadline, usually at the end of June. It is then reported to the House of Commons in a parliamentary session between that date and the parliamentary recess at the end of July. FTs cannot publish their annual report and accounts until this has taken place.

The council of governors

It's a legal requirement for the FT to present the annual accounts, the annual report and the report of the auditor on them to a general meeting of the council of governors. This happens at their annual members' meeting (sometimes called annual general meeting), which takes place after the annual report and accounts have been laid before parliament.

WHAT GOES INTO THE ANNUAL REPORT AND ACCOUNTS AND WHY?

The objective of the accounts is to present the FT's financial position, performance and development in accordance with IFRS. By using the same standards, the accounts for all FTs are consistent and comparable.

The main objective of the annual report is to report on what the FT has done and is doing in order to meet its objectives and to demonstrate that it is adding value to its members, patients, public and other stakeholders. It provides context for the financial statements and information on corporate governance arrangements.

The accounts

Principles and purpose

The accounts are the financial statements of the FT and their purpose is to show the FT's financial position and performance during the past financial year.

Main financial statements and notes

The FT must produce four statements: a statement of comprehensive income, statement of financial position, statement of changes in taxpayers equity, statement of cash flows, along with notes to the accounts which provide more detail on the entries in the financial statements and the accounting rules that it followed when preparing them. These are described in more detail below:

- **Statement of comprehensive income**

This records the FT's income and expenditure for the year together with any other gains and losses. It includes cash and non-cash items. Those other recognised gains and losses are those that the FT has made but not yet realised, for example, if the value of assets has increased but the assets have not been sold so there is no cash profit.

- **Statement of financial position**

This statement provides a snapshot of the FT's financial position at the end of the financial year and is sometimes referred to as a balance sheet. The top half



shows the FT's total net assets (assets minus liabilities). The bottom half shows the taxpayer's investment in the FT and must equal the top half.

Assets are made up of non-current assets and current assets. Non-current assets are those that the FT expects to keep for more than one year and includes property, equipment and intangible assets, such as licences and patents. Current assets are those that the FT expects to keep for less than one year and includes stocks of consumable items, money owed to it by its debtors and cash.

Liabilities are made up of current liabilities and non-current liabilities. Liabilities that are due in less than a year's time are current liabilities and include things such as money owed by the FT for supplies and services it has purchased, overdrafts and amounts due on loans, finance leases or PFI contracts. Non-current liabilities are those which are due in over a year's time and include long-term borrowings and provisions.

Taxpayers' equity has to match the total net assets shown in the top half of the balance sheet. It is made up of public dividend capital, which represents the net assets of the FT when it was first established as a NHS trust. The rest of it is usually made up of reserves, such as the income and expenditure reserve, which is the surplus or deficit it has accumulated since it was established as a NHS trust. Another reserve is the revaluation reserve, which represents a net increase in the value of property, plant or equipment over its historic cost.

- **Statement of changes in taxpayers' equity**

The taxpayers' equity is the total value of the FT and represents the taxpayers' investment in it. This statement gives a breakdown of how the taxpayer's investment in the FT changed over the year. The value of the taxpayer's equity is made up of what the reserve was originally when the NHS trust was established, with adjustments for any surpluses or losses.

Other things that can make the taxpayers' equity go up or down include, among other things, any gains or losses from having land and buildings revalued, any gains or losses from selling property and any share of income from associated companies or joint ventures that the FT is a part of.

- **Statement of cash flows**

This statement shows the movement of cash flowing in and out of the FT during the financial year. Not everything that is reported in the statement of financial position involves cash (eg. When a property is revalued or equipment is written off) and not every cash transaction is reported in the statement of financial

position (eg. If a payment is made in advance). This statement explains how much cash is held in the FT's bank accounts at the end of the year and whether that has gone up or down.

- **Notes to the financial statements**

The notes explain the accounting rules that the FT has followed when preparing its accounts and provide more detailed information on the assumptions underlying the entries in the financial statements.

The accounting policies will be based on IFRS and guidance from Monitor in the ARM. The notes to the financial statements provide analysis and breakdown of certain types of transactions and entries.

Disclosure reports

These are statements signed by the accounting officer confirming compliance with expected standards relating to the accounting records and overall governance arrangements.

- **Statement of accounting officer responsibilities**

The FT's accounting officer is the chief executive and this statement explains his responsibility for keeping proper accounting records, preparing the financial statements, including the duty to comply with the accounting standards issued by Monitor.

- **Annual governance statement**

This statement goes into the accounts after the statement of accounting officer responsibilities and before the financial statements, and is a narrative statement explaining how the accounting officer discharges his responsibility to maintain a sound system of internal control and what those governance structures look like. It describes the risk, governance and control framework and how the board gives leadership to the risk management process and how its quality governance arrangements work.

It explains how the FT identifies, assesses and manages its principal risks and summarises what they are at the time the report is written. It also explains how the board, audit committee, other board committees charged with governance responsibilities work and declares any significant internal control issues affecting the FT.

Case study: University Hospital Southampton NHS Foundation Trust

In its annual report and accounts for 2012/13, University Hospital Southampton NHS Foundation Trust presented its information in four sections: business review, quality account, governance and finance. The annual accounts, along with the independent auditors' report on them were placed in the finance section, and the annual governance statement was grouped with the other disclosure statements in the governance section. By doing it this way, the FT managed to comply with the Monitor ARM guidance but at the same time managed to avoid duplication and produce a slimmer and easier to navigate document for its readers.

Independent auditor's report

The external auditor is appointed by the council of governors. The independent auditor's report is addressed to the governors and explains the scope of their audit and gives an opinion on whether the financial statements give a true and fair view of the FT and have been prepared according to the standards set by Monitor.

The auditors also state in their report whether the information in the strategic review and directors' report is consistent with the financial statements and whether there is anything in the annual governance statement that is inconsistent with what they know about the FT. These statements produce the audit opinion and will be qualified if the auditors have any concerns about the accuracy of the accounts and the way they have been prepared.

Along with the audit opinion, the external auditor must certify that they have completed the audit in accordance with Monitor's *Audit Code* and legal requirements. This is known as the audit certificate and will also be qualified if the audit opinion is qualified. It may also be qualified for other reasons, for example when concluding whether the FT has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and has prepared its quality report in accordance with Monitor guidance.



Case study: Peterborough and Stamford Hospitals NHS Foundation Trust

The external auditors for Peterborough and Stamford Hospitals NHS Foundation Trust reported an unqualified opinion but a qualified certificate in their 2012/13 annual report and accounts. The unqualified opinion made it clear that in the auditors' opinion, the financial statements gave a true and fair view of the state of the FT's affairs and its income and expenditure for the year just ended. The auditors were also content that the information contained in the directors' statement was consistent with the financial statements.

However, the audit certificate was qualified because of concerns about the FT's governance arrangements and the significant financial challenges the FT was facing, which meant that the auditors were unable to conclude that the trust had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The annual report

Principles and purpose

The purpose of the annual report is to provide stakeholders with relevant information that is useful for assessing management's stewardship. FTs differ enormously in the way they structure and present their annual reports. The headings below reflect the Monitor ARM guidance on what must go into the annual reports, but individual FTs do not necessarily present their information in that order or under those specific headings.

Sections

- **Strategic report**

This is a new requirement from 2013/14. This section is intended to inform users of the accounts and help them to assess how directors have performed their duty to promote the success of the FT. It provides context to the FT by way of a brief history, its strategy and business model from a forward looking perspective and information about its employees and how it considers social, environmental, community and human rights issues. From 2013/14, this section will be where directors explain whether or not they have been able to prepare accounts on the going concern basis.

- **Directors' report**

This section contains the names of individuals who at any time during the financial year were directors of the FT, along with other disclosures that are not part of the strategic report, such as any important events affecting the FT since the end of the financial year.

- **Quality report**

This section provides information about the quality of care provided by the FT and contains a statement on quality from the chief executive of the FT, priorities for improvement and statements of assurance from the board, other information relevant to quality and statements from commissioners, local health watch organisations and overview and scrutiny committees.

The quality report will also include a limited assurance report from the external auditors on the content of the report. This will report on whether anything has come to their attention that leads them to believe that the content of the quality report does not meet Monitor's standards and/or is not consistent with other information sources.

Case study: Norfolk and Norwich NHS Foundation Trust

Like many FTs, the Norfolk and Norwich NHS Foundation Trust does not have a separate section for the staff survey. Instead, it presents it in the annual report alongside other staffing issues and some of the other public interest disclosures, in a section headed "Staff Matters". This reports overall staff numbers and other staffing matters such as staff sickness absence levels, staff engagement activities, training activities and occupational health and safety initiatives. This provides context, insight and assurance and makes the staff survey results more meaningful.

- **Staff survey**

This section reports on the FT's staff survey results, with a focus on details of the best and worst scores. Results are compared with the previous year and national average performance. The report will include plans on how to address areas of concern.

- **Regulatory ratings**

This section reports on the FT's performance against the regulatory ratings from Monitor. There are two classes of rating – a governance rating and a continuity of services rating (previously this was a financial risk rating).

- **Remuneration report**

This section discloses information about all individuals in senior positions having authority or responsibility for directing or controlling the major activities of the FT. They will include all members of the board, including NEDs and advisory board members.

This section also gives details of the number of meetings, membership and attendance at the remuneration committee of the board, details of any internal or external advisors to the committee, an explanation of the remuneration policy for senior managers, information on duration of contracts, notice periods and termination payments.

Case study: South Central Ambulance Service NHS Foundation Trust

As its only non-compliance issue with the FT Code related to board composition, South Central Ambulance Service NHS Foundation Trust reported its governance arrangements and 'comply or explain' statement in a section titled "How we are organised" which also included elements of the directors' report. The FT stated non-compliance due to not having a majority of NEDs on the board, explaining that this was mitigated in-year through the trust chair having a second casting vote but would be addressed going forward through other planned board changes.

This part of the annual report also includes information about governors and directors' expenses and statistics relating to officers who were engaged on 'off-payroll' arrangements. This term is used for officers who are contractors rather than employees and is applicable for both self-employed contractors or those who are employed through an agency.

- **NHS foundation trust code of governance**

This section provides information about the FT's compliance with the FT code of governance (FT code), which is guidance produced by Monitor stating best practice advice on corporate governance.

There is a lot of detail in the FT code that requires disclosure in the annual report, some of which will have been included in some of the other sections, like the strategic report and the directors' report. Other parts of the FT code only need to be mentioned if the FT doesn't comply. This requirement is known as 'comply or explain', which means that if an FT hasn't complied with a code provision, it must explain the reasons why.

This section is particularly relevant to the governors as it describes the overall governance arrangements and how the FT complies with best practice. It also contains information on the council of governors and its members, including the name of the lead governor, attendance at meetings and how the council has discharged its duties to engage with members and the public over the FT's forward plan.

It is in this section that the governors are required to declare when they have exercised their power to require one or more directors to attend a governors' meeting for the purpose of obtaining information about the FT's performance of its functions or the directors' performance of their duties (and deciding whether to propose a vote on the FT's or directors' performance).

Unless reported elsewhere (e.g. in the directors' report) details of the process for performance evaluation of the board, its committees and directors, including the FT chair, need to be given here, along with details of any external facilitator that may have been used to conduct that evaluation.

- **Other disclosures in the public interest**

In this section, the FT is required to give reports on aspects of its policies that are considered to be in the public interest. This includes its policies in relation to disabled employees and equal opportunities, health and safety and occupational health, counter fraud, consultations with local groups and organisations and any other public and patient involvement activities.

Many trusts choose not to have a separate section for other disclosures in the public interest but instead make sure they disclose as they go along in the most relevant part of their annual report.

Case study: Central and North West London NHS Foundation Trust

In its annual report, Central and North West London NHS Foundation Trust reports prominently on its policies on disabled employees and equal opportunities, health and safety, occupational health and counter fraud as part of their workforce report, alongside other disclosures such as the staff survey results.

In another section which is reported towards the beginning of the annual report titled 'Engaging with our service users, carers and local communities', the FT gives a comprehensive and detailed account of all of their community, public and membership engagement activities. This approach puts the focus and emphasis on public interest activity and outcomes rather than just reporting on compliance with a disclosure requirement.

WHAT SHOULD GOVERNORS LOOK FOR IN THE ANNUAL REPORT AND ACCOUNTS?

To be able to hold the NEDs to account for the performance of the board, governors need to be informed about the overall performance of the FT, which is reported in the annual report and accounts, along with details of the strategy and business model that the board has agreed for the FT.

Section of the report – accounts		
Principles and purpose	Component parts	What governors need to look for
<p>The accounts are the financial statements of the foundation trust and their purpose is to show the FT's financial position and performance during the past financial year</p>	<p>Main financial statements:</p> <ul style="list-style-type: none">  statement of comprehensive income  statement of financial position  statement of changes in taxpayers equity  statement of cash flows 	<p>These statements summarise the FT's financial performance for the past year. If the FT is reporting a deteriorating position or performance which is not in line with its plans, governors may want to ask the NEDs for an explanation.</p> <p>In the statement of comprehensive income, governors will be able to see how much of the FT's income is from non-NHS sources and whether it is close to needing a vote from the governors to increase its percentage.</p> <p>If governors have any concerns about this part of the report, they should direct them to the chair of the audit committee and/or external auditor.</p>
	Notes to the accounts	<p>Although the technical information about accounting rules is likely to be of limited interest to governors, the notes also contain a more detailed analysis and breakdown of certain types of transaction.</p> <p>Of interest to governors will be, among other things, income from non-NHS sources and any costs of an exceptional nature.</p>
	<p>Disclosure reports:</p> <ul style="list-style-type: none">  statement of accounting officer responsibilities 	<p>Along with the NHS FT code of governance disclosure (see below), the annual governance statement will be of most interest to the governors as it contains a lot of information about how the board of directors fulfils its governance responsibilities, which is an important aspect of the performance of the board.</p>
	Annual governance statement	<p>This statement provides background information about the risk, control and governance framework in the FT, the responsibilities of board committees, what the board considers to be the principal strategic risks affecting the FT and significant control issues which the board is concerned about.</p> <p>If governors have any questions about governance arrangements and board performance, they should raise them with the FT chair and NEDs.</p>

Section of the report – independent auditor’s report		
Principles and purpose	Component parts	What governors need to look for
<p>This is where the external auditor gives an opinion on the financial statements and the annual report.</p>	<ul style="list-style-type: none">  scope of the audit  opinion on the financial statements  opinion on other matters prescribed by the <i>Audit Code</i>  matters on which they are required to report by exception  audit certificate 	<p>This report is addressed to the council of governors and will have been reported to them at the end of the external audit.</p> <p>Governors need to pay particular attention to any part of the report that is ‘qualified’ as that means the auditors have concerns about aspects of the annual report and accounts. Other aspects governors need to look out for include matters reported by exception and any report in the public interest.</p>

Section of the report – the annual report		
Principles and purpose	Component parts	What governors need to look for
<p>The purpose of the annual report is to provide stakeholders with relevant information that is useful for assessing management’s stewardship</p>	Strategic report	<p>The forward looking part of the strategic report should be familiar to governors from the annual plan and from the FT’s engagement with them over forward plans. The important thing for governors is that this section should have nothing in it that is surprising and that they are reading about for the first time.</p> <p>This section will highlight any potential areas for governor involvement in the year ahead eg. Significant transactions, mergers, acquisitions, separations, dissolutions and increases in non-NHS income. Governors will need to ensure that their business calendar for the year ahead has made arrangements for these matters.</p> <p>It is in this section that directors will report that the FT is a going concern.</p>
	Directors’ report	<p>This section contains information about members of the board of directors, which will be of interest to governors when forming a view about the board’s performance.</p> <p>Information of particular interest will include the skills and background of board members, their other commitments, potential or actual conflicts of interest and their attendance record at board and committee meetings. Governors should direct any concerns regarding the information in this section to the FT chair or the senior independent director.</p>

Section of the report – the annual report *(continued)*

Principles and purpose	Component parts	What governors need to look for
<p>The purpose of the annual report is to provide stakeholders with relevant information that is useful for assessing management's stewardship</p>	<p>Quality report</p>	<p>This section provides detailed information about the quality of care provided by the FT, its priorities for improvement, the results of reports from the care quality commission, staff and patient surveys and complaints.</p> <p>If the FT is reporting negative feedback, a deteriorating position in its quality performance indicators or performance which is not in line with its plans, governors may want to ask the NEDs to explain how the board is planning to deal with this.</p>
	<p>Staff survey</p>	<p>This section highlights the best and worst results from the staff survey and compares the FT with its previous year's performance and the national average.</p> <p>If the FT is reporting a deteriorating position or a position which is significantly worse than the national average, governors may want to ask the NEDs to explain the board's plans to address this</p>
	<p>Remuneration report</p>	<p>This section provides information about the cost of the board of directors. Details of directors' remuneration are provided in this section, along with details of any performance incentives, termination payments and costs of advisors to the board.</p> <p>Governors are responsible for chair and NED remuneration and the board's remuneration committee is responsible for CEO and executive director remuneration. If governors have concerns about the costs of the board, they may want to ask members of the remuneration committee for an explanation.</p> <p>Governors will be able to see their own expenses in this section, as well as those of the directors.</p>

Section of the report – the annual report *(continued)*

Principles and purpose	Component parts	What governors need to look for
<p>The purpose of the annual report is to provide stakeholders with relevant information that is useful for assessing management's stewardship</p>	<p>NHS Foundation Trust Code of Governance (FT code)</p>	<p>Along with the annual governance statement in the annual accounts (see above), governors will need to read this section with interest as it describes overall governance arrangements in the FT and how the FT complies with best practice in the FT Code.</p> <p>Disclosures relating to governance arrangements which not covered elsewhere in the annual report must be included here. This will include information about the council of governors and its membership, attendance at meetings, governors' engagement with members over the forward plan and membership engagement in general. From 2013/14, if governors have exercised their power to require one or more directors to attend a governors' meeting to discuss performance, this needs to be disclosed here.</p> <p>If not included elsewhere, this section will explain how the board has evaluated its performance and that of its directors along with details of any external evaluator they may have used. Given that governors have a responsibility to hold the NEDs to account for the performance of the board, this disclosure will be of particular interest.</p> <p>The principle of "comply or explain" means that the FT must explain if it does not comply with the FT Code.</p> <p>The board of directors is responsible for governance and is free to depart from the FT Code if it has good reason to. If the governors have concerns about the areas of non-compliance and are not satisfied with the explanation, they may want to discuss it further with the FT chair.</p>
	<p>Other disclosures in the public interest</p>	<p>This includes a wide range of information about the FT's policies in key areas of public interest, such as equal opportunities and health and safety. It will also report on public and patient engagement activities and consultations with local groups.</p> <p>This may include information about the governors' own activities in engaging with members and the public and representing their views back to the FT.</p>

SOURCES

The Audit Code for Foundation Trusts

The NHS Foundation Trust Code of Governance

NHS Foundation Trust Annual Reporting Manual

NHS Foundation Trust Accounting Officer memorandum

Your Statutory Duties: a reference guide for NHS foundation trust governors

National Health Service Act 2006

Health and Social Care Act 2012





GovernWell

A one stop training resource for foundation trust governors

GovernWell is the national training programme for foundation trust governors run by the Foundation Trust Network. The programme aims to be a one-stop resource for governors to develop their knowledge and skills.

To find out more visit:

www.foundationtrustnetwork.org/governwell