

## **The Healthcare Financial Management Association's (HFMA) comments on the Financial Reporting Council's '2007 Review of the Combined Code: consultation on Proposed Changes to the Code', March 2008.**

### **Introduction**

The HFMA is the professional financial voice of the NHS and aims to maintain and develop the financial management contribution to healthcare in the UK. We have a particular interest in promoting the highest professional standards in financial management and governance and are keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective. We are therefore pleased to comment on the FRC's consultation paper – our response is based on views drawn from members of our national corporate governance and audit committee. The role of this committee is to promote high standards of corporate governance and audit throughout the NHS by:

- providing independent professional advice, support and opinion
- promoting good practice
- developing professional views on key issues
- publishing occasional papers and articles
- collaborating with other relevant bodies such as the Audit Commission, Monitor and the NHS Confederation.

The committee has also developed a well respected and widely used guide to governance in the NHS – 'Effective Governance in Healthcare: an Introductory Guide' – and publishes the Audit Committee Handbook in conjunction with the Department of Health.

The Combined Code heavily influences governance practice in the NHS, where unitary boards are now in place and the roles of the Chair and Audit Committee established. The size of many NHS organisations places them in the league of FTSE 250 companies and they look to them for best and emerging business practice. This is particularly true for NHS foundation trusts where their regulator, Monitor, has issued a Code of Governance that closely mirrors the Combined Code.

Our comments are therefore made in the context of the influence that the Combined Code has on our sector, allowing for the fact that its application in the NHS and public sector can be amended.

### **Chairing more than one FTSE 100 company**

We do not have a particular opinion on whether the Chair of an organisation should be able to chair more than one board. However, we believe that it would be inappropriate within the NHS as there could be potential conflicts of interest and difficulty in devoting

sufficient time and commitment to the role. Such factors will also be appropriate considerations within the private sector. If the proposal goes ahead, we believe that a review of the issues of conflict and commitment should not be made just on appointment, but annually.

### **Company chairman sitting on audit committee for smaller companies**

We are more concerned about the proposal for the Chair of the organisation to be allowed to be a member of the Audit Committee. We believe that the Audit Committee is a key control mechanism within any corporate body, and that its independence from both the Chair and the Chief Executive should be fiercely protected and maintained. Whilst many non-executive directors may feel empowered to challenge their Chair, this is not universal and the independent role of the Audit Committee (in combination with the Senior Independent Director) needs to be firmly in place. Within NHS foundation trusts the Chair of the Board of Directors also chairs the Board of Governors (as set out in legislation) – in our view, the independence of the Audit Committee is therefore of critical importance.

### **Contact details**

If you would like to discuss any of our comments in more detail please contact Anna Green, CPFA, Technical Editor, HFMA – [annagreen@btconnect.com](mailto:annagreen@btconnect.com) (phone: 0208 466 7929).