Ashford and St. Peter's Hospitals NHS
NHS Foundation Trust

TRUST BOARD
27th January 2011

TITLE	**Monitor Consultation – Additional Annual Reporting Requirements**
EXECUTIVE SUMMARY	Monitor are consulting on proposals for updated, annual non-financial reporting requirements for NHS foundation trusts for 2010/11 and beyond, and for seeking external assurance on Quality Reports. The consultation includes: ▪ An expectation that foundation trusts will have regard to the quality governance framework in preparing their Annual Report ▪ That the SIC will contain statements on the accuracy of quality data ▪ A requirement for Internal Audit assurance on the Quality Governance arrangements ▪ A requirement for external limited assurance on the content of the Quality report and on a number of quality performance indicators
BOARD ASSURANCE (RISK)/ IMPLICATIONS	The Trust must comply with the mandatory guidance on the production of the Annual Report from the regulator.
STAKEHOLDER/ PATIENT IMPACT AND VIEWS	None taken but the Annual Report and Accounts will be presented to the Council of Governors. The Council will need to be involved in selecting the local quality indicator for testing.
EQUALITY AND DIVERSITY ISSUES	None known
LEGAL ISSUES	None known
The Trust Board is asked to:	Comment on the Consultation.
Submitted by:	Jane Gear Head of Corporate Affairs
Date:	13 January 2011
Decision:	For noting

Paper 8.2

Ashford and St. Peter's Hospitals NHS
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Monitor Consultation – Additional Annual Reporting Requirements

1 Introduction

Monitor are consulting on proposals for updated annual, non-financial reporting requirements for NHS foundation trusts for 2010/11 and beyond, and for seeking external assurance on Quality Reports. They are consulting separately on changes to the financial reporting elements.

The consultation closes on 22 February 2011.

2 Background

As a Non Foundation Trust , Ashford and St Peter's had to produce :
Annual Report and Accounts –DOH Guide
Quality Account- DOH Guide

As a Foundation Trust Ashford and St Peter's will have to produce:
Annual Report and Account including the Quality Report- Monitor Guide
Quality Account- DOH Guide

NHS foundation trusts must include a report on the quality of care they provide within their Annual Report. The aim of this Quality Report is to improve public accountability for the quality of care.

NHS foundation trusts can adapt their Quality Report to meet the requirement to publish a Quality Account (which is done by uploading it to the NHS Choices website). NHS foundation trusts must then decide whether to include Monitor's additional reporting requirements in the Quality Account uploaded onto NHS Choices.

Therefore NHS foundation trusts have two options in publishing their Quality Account as follows:

EITHER

upload the entire Quality Report as it is, without adapting or amending it, as the trust's Quality Account, if they wish to include Monitor's additional reporting requirements;

OR

remove Monitor's additional reporting requirements from the Quality Report before uploading the resulting Quality Account onto NHS Choices (this would be done by removing the sections marked by the red text in the Monitor Annual Report Guide).

The reporting deadline for publishing the Quality Account is 30 June compared with the Annual Reporting deadline of 8 June.

Whichever route NHS foundation trusts take to producing a Quality Account, the requirements for the Annex (Statements from PCTs, LINks and Overview and Scrutiny Committees) apply only to the information required under the Quality Accounts Regulations.

When an NHS trust is awarded NHS foundation trust status mid year the guidance states that an Annual Report and Accounts must still be published for the final period of the NHS trust's existence. This may cover a full financial year where the change in status occurs on 1 April or a shorter period where the change in status occurs during the financial year. NHS foundation trusts will be required to prepare the final accounts and summarisation schedules for the predecessor NHS trust and meet the deadlines set by the Department of Health.

MONITOR CONSULTATION

This section summarises the main sections of the Consultation:

3 Quality Governance

Trusts, including Foundation Trusts, already have to produce annual Quality Accounts/Report. Foundation Trusts had to undertake a dry run of external assurance on their 2009/10 Quality Reports.

While Monitor is not mandating the use of the quality governance framework, foundation trusts will be expected to have regard to this framework in preparing their Annual Report.

Monitor are proposing to require NHS foundation trusts to continue to

1. include a Statement of Directors' Responsibilities with regard to the Quality Report in their Annual Report and

2. give a summary in their Statement on Internal Control of the control mechanisms they have in place to assure themselves around the quality of data in their Quality Report,

Monitor propose that the Directors Report section of the Annual Report explains any inconsistencies between

- the Statement on Internal Control,
- the self-certifications made to Monitor during the financial year, and
- any CQC reports.

For example, to explain why issues raised in the Statement on Internal Control or in CQC reports were not identified through the self-certification process during the year.

4 Statement on Internal control

Monitor propose that the Statement on Internal Control should include a specific description of the quality governance arrangements, including a confirmation that the trust has assessed its quality governance arrangements and is satisfied it has appropriate quality governance arrangements in place, having had regard to Monitor's quality governance framework.

This is the process we went through to achieve authorisation

Monitor also propose to rename the Statement on Internal Control as the Annual Governance Statement (AGS), following the example of local government. The renaming of the Statement on Internal Control will be subject to approval by HM Treasury.

Monitor note that NHS foundation trusts will require time to arrange a suitable programme of internal audit work to support this assurance on its quality governance arrangements and asks if it is more appropriate to require these reporting changes from the 2011/12 Annual Report due in June 2012, rather than the 2010/11 report due in June 2011

5 Quality Report

In 2010/11 the Quality Report should include

- a Statement of Directors' Responsibilities in respect of the content of the 2010/11 Quality Report for inclusion in the published 2010/11 Quality Report within the Annual Report; and
- a Statement of Directors' Responsibilities in respect of the 2010/11 performance indicators included in the Quality Report to provide to their auditors (this is not required to be published in the 2010/11 Quality Report).

The wording of the Directors Statement is given as appendix A to this document.

Ashford and St Peter's must have sought views from

- *Governors*
- *LINKs*
- *Commissioners*

by May 2011.

Monitor want External limited assurance on the content of the Quality Report to ensure it is in line with Monitor guidance and not inconsistent with other specified information

They propose to require NHS foundation trust auditors to review the content of the NHS foundation trust's Quality Report to ensure that it complies with Monitor's published guidance (as set out in the *NHS Foundation Trust Annual Reporting Manual*) and to ensure it is not inconsistent with other specified information including:

- Board minutes for the 2010/11 financial year and up to the date of signing the opinion (the period);
- Papers relating to the Quality Report reported to the Board over the period;
- Feedback from commissioners/Governors/LINKs
- Feedback from other named stakeholder(s) involved in the sign off of the Quality Report;
- Latest national patient and staff surveys; and
- CQC quality and risk profiles

6 External assurance on performance indicators in the Quality Report

Monitor propose that the NHS foundation trust's auditor will undertake a programme of work to test two performance indicators mandated by Monitor.

1) Either MRSA ***or*** Clostridium difficile (the foundation trust would choose one); and

2) Maximum waiting time of 62 days from urgent GP referral to first treatment for all cancers.

6.1 Local indicator

In addition to the auditor's programme of work to test two performance indicators mandated by Monitor, assurance will also be required over one locally agreed performance indicator from the Quality Report.

Monitor propose that this indicator is agreed by the foundation trust's governors.

Monitor proposes to obtain a published opinion on the locally selected indicator in the future. However for 2010/11 the requirements will be to obtain a 'long form report' (report of findings and recommendations) from an external provider which is shared with the foundation trust's governors and a copy of the report provided to Monitor.

Assurance on the performance indicators could be either by

Option A - to mandate that this work is to be carried out by the NHS foundation trust's external auditor

Or
Option B - to allow the foundation trust board to determine the most appropriate form of assurance which may come from external audit, internal audit, peer review or specialist review or a combination of these methods

7 Form of audit opinion

In 2010/11 it is proposed to have a limited assurance opinion on the content of the Quality Report. From 2011/12 the limited assurance opinion will be extended to cover the mandated indicators.

A "limited assurance" opinion is a negative form of expression; e.g. 'based on our work described in this report nothing has come to our attention that leads us to believe the MRSA performance indicator has not been fairly stated in all material respects'.
It is proposed that a limited assurance opinion will be sought on the content of the Quality Report in both 2010/11 and 2011/12 which will be supported by a private report on the key findings and recommendations.

It is proposed that in 2010/11 the outcome of the mandated and any locally selected indicator testing will be provided to foundation trusts in a private report containing the key findings and recommendations. This will be further developed from 2011/12 when a limited assurance opinion will be sought on the results of the mandated performance indicator testing. This will be alongside a private report containing the key findings and recommendations for mandated indicators from the auditors for submission to the Board and the governors of the NHS foundation trust.

8 Timing and reporting

From 2010/11

- a limited assurance opinion on the content of the Quality Report to be published in the Annual Report.
- a long form report addressed to the NHS foundation trust board and board of governors which provides:

  - scope of review;
  - details of the audit findings under each area tested; and -

  recommendations for improvement.

NHS foundation trusts will be required to provide a copy of the long form report to Monitor.

It is expected that the report will be agreed by the Audit Committee of the NHS foundation trust at the same time as the report from the external auditors summarising their findings from the audit of the financial statements, with a copy provided to Monitor.

The Trust will need to agree this reporting requirement within the Auditors' engagement contract

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Timescale Assurance area	2010/11	2011/12
Content of Quality Report	**Limited assurance opinion plus a long form report to state that, based on the auditors' work, nothing has come to their attention that leads them to believe that:** • **The Quality Report does not meet the requirements of the guidance** • **The Quality Report is not consistent with other specified information**	
Indicators – mandated	**Long form report**	**Limited assurance opinion plus a long form report**
Indicators - local	**Long form report**	

9 Other reporting

Not to require inclusion of

- Extended Sustainability metrics but to maintain that set by HM Treasury
- Reporting on the new Equality Duty
- NHS Constitution

Monitor leaves it to local discretion regarding the inclusion of equality and diversity indicators.

The Trust we will need to agree our approach.

10 Conclusion

The Trust will submit a response to the consultation. Views are being sought from relevant managers and the Audit Committee. On 19th January 2011 the Audit Committee considered the consultation paper and agreed to recommend that the response on the source of assurance on the performance indicators (para 6.1 above) should be option B to retain flexibility.

In particular the Board may wish to comment on :

- The timing of the introduction of internal audit assurance on Quality Governance (Para. 4 above)
- The responsibility for the conduct of the external assurance on the Performance Indicators (section 6 above and Audit committee comment)
- The wording of the Directors Statement (appendix A)

Jane Gear
Head of Corporate Affairs

Appendix A

2010/11 DRAFT STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE QUALITY REPORT

The format of the Statement of Directors' responsibilities may be subject to outcomes of consultation.

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) and on the arrangements that foundation trust boards should put in place to support the data quality for the preparation of the Quality Report.

In preparing the Quality Report, directors are required to take steps to satisfy themselves that:

- the content of the Quality Report meets the requirements set out in the *NHS Foundation Trust Annual Reporting Manual*;
- the content of the Quality Report is consistent with internal and external sources of information including:
  - Board minutes and papers for the period April 20**10** to June 20**11**
  - Papers relating to Quality reported to the Board over the period April 20**10** to June 20**11**
  - Feedback from the commissioners dated XX/XX/20**1 1** -

  Feedback from governors dated XX/XX/20**1 1**
  - Feedback from LINks dated XX/XX/20**1 1**
  - The 20**11** national patient survey
  - The 20**11** national staff survey
  - CQC quality and risk profiles dated XX/XX/20**1 1**
- the Quality Report presents a balanced picture of the NHS foundation trust's performance over the period covered;
- the performance information reported in the Quality Report is reliable and accurate;
- there are proper internal controls over the collection and reporting of the measures of performance included in the Quality Report, and these controls are subject to review to confirm that they are working effectively in practice;
- the data underpinning the measures of performance reported in the Quality Report is robust and reliable, conforms to specified data quality

standards and prescribed definitions, is subject to appropriate scrutiny and review; and the Quality Report has been prepared in accordance with
Monitor's annual reporting guidance (which incorporates the Quality Accounts regulations) (published at http://www. monitor-nhsft.gov.uk/annualreportingmanual) as well as the standards to support data quality for the preparation of the Quality Report (available at http://www.monitor-nhsft.gov.uk/annualreportingmanual)).

The directors confirm to the best of their knowledge and belief they have complied with the above requirements in preparing the Quality Report.

By order of the Board

NB: sign and date in any colour ink except black

.....Date Chairman

APPENDIX B

PROFORMA ANNUAL GOVERNANCE STATEMENT

(previously named the Statement on Internal Control (SIC) with proposed amendments made in red/underlined text)

[The wording which is not in square brackets in this pro forma Annual Governance Statement (AGS) should be replicated in every AGS; the words in square brackets should be amended as appropriate to the body in question.]

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 XYZ 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 XYZ NHS Foundation Trust for the year ended 31 March [200X] and up to the date of approval of the Annual Report and accounts.

Capacity to handle risk

[Describe the key ways in which:

- leadership is given to the risk management process; and
- staff are trained or equipped to manage risk in a way appropriate to their authority and duties. Include comment on guidance provided to them and ways in which you seek to learn from good practice.]

The risk and control framework

[Describe the key elements of the risk management strategy, including the way in which risk (or change in risk) is identified, evaluated, and controlled. Include

mention of how risk appetites are determined. Explicitly describe the key elements of the quality governance arrangements, including how the quality of performance information is assessed and how assurance is obtained routinely on compliance with CQC registration requirements. ***Explicitly include how risks to data security are being managed and controlled as part of this process. Include a brief description of the organisation's major risks,*** including significant clinical risks, ***separately identifying in-year and future risks, how they are/will be managed and mitigated and how outcomes are/will be assessed.***]

[Describe key ways in which risk management is embedded in the activity of the organisation. *For example, set out the ways in which equality impact assessments are integrated into core trust* business or how incident reporting is openly encouraged and handled across the trust.]

[Describe the key elements of the way in which public stakeholders are involved in managing risks which impact on them.]

The foundation trust is fully /is not fully compliant with the CQC essential standards of quality and safety.

As an employer with staff entitled to membership of the NHS Pension Scheme, control 139 measures are in place to ensure all employer obligations contained within the Scheme regulations 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 developed an Adaptation Plan to support its emergency preparedness and civil contingency requirements, as based on the UK Climate Projections 2009 (UKC P09), to ensure that this organisation's obligations under the Climate Change Act are met.

Review of economy, efficiency and effectiveness of the use of resources

[Describe the key process that has been applied to ensure that resources are used economically, efficiently and effectively, including some comment on the role of the board, internal audit and any other review or assurance mechanisms.]

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 Foundation Trust Annual Reporting Manual*.

[Brief description of steps which have been put in place to assure the Board that the Quality Report presents a balanced view and that there are appropriate controls in place to ensure the accuracy of data

These 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 (comments on the systems in place to review and report the quality metrics)]

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, clinical audit and the executive managers and clinical leads within the NHS foundation trust that have responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the Quality Report attached to this Annual report and other performance information available to me. My review is also informed by 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, the audit committee [and risk/clinical governance/quality committee, if appropriate] and a plan to address weaknesses and ensure continuous improvement of the system is in place.

[Describe the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control, including some comment on the role and conclusions of:

- the board;
- the audit committee;
- if relevant, the risk/clinical governance/quality committee/risk managers/risk improvement manager;
- clinical audit;

- internal audit; and
- other explicit review/assurance mechanisms.

Include an outline of the actions taken, or proposed to deal with any significant internal control issues and gaps in control, if applicable. Describe the process that has been applied in maintaining and reviewing the effectiveness of the systems of internal control in relation to the Quality Report. Comment on weaknesses or gaps in assurance and disclosure of the actions that the trust board will undertake to address them including timescales involved.]

Conclusion

[state either that no significant internal control issues have been identified or make specific reference to those significant internal control issues which have been identified in the body of the AGS above.