Consultation on seeking external assurance on the Quality Accounts of NHS foundation trusts

Deadline for responses: 2 March 2010

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1. Introduction

This consultation document sets out our proposals for seeking external assurance on the Quality Accounts of NHS foundation trusts. Monitor is consulting on these proposals to:

- finalise guidance in relation to quality accounts as anticipated in our consultation document Additional annual reporting requirements for NHS foundation trusts for 2009-10, which was published on 2 November 2009 and closes on 25 January 2010; and
- to increase the level of trust and confidence which the public can place in the Quality Accounts.

This consultation includes:

- proposals for a Director’s Statement of Responsibility in the Quality Accounts, and additional requirements for the Statement of Internal Control;
- external audit requirements on the Board’s arrangements to ensure the Quality Accounts are fairly stated;
- external audit requirements on three performance indicators in the Quality Accounts;
- proposals for the form of audit opinion; and
- proposed timing of implementation.

Following completion of this consultation, and reflecting the responses we receive, Monitor proposes to introduce the requirements in the 2009/10 Annual Reporting Manual (previously called the FT Financial Reporting Manual).

In line with commercial practice on non-financial audit opinions, we are proposing a dry-run of the external audit proposals (state of readiness review) for the 2009/10 Quality Accounts, with full implementation of an external opinion in the 2010/11 Quality Accounts of NHS foundation trusts. A dry-run will involve NHS foundation trusts commissioning their auditors to undertake the scope of work but to report confidentially to the NHS foundation trust Board of Directors and to the Board of Governors. It is anticipated that the findings of the dry-run in 2009/10 will allow us to refine and finalise our proposals for the published audit opinion in the 2010/11 Quality Accounts. We will be working with the Department of Health over the next few months to develop a similar mechanism that will apply to all providers, with the same implementation timetable.

We are keen to hear your views on the details of the proposals. Please complete the consultation response form and return it, with Quality Accounts Assurance in the subject line, to consultation@monitor-nhsft.gov.uk by 5pm on 2 March 2010.
2. **Background**

NHS foundation trusts were required to produce Quality Accounts for the first time within their 2008/09 annual reports.

This was introduced with the intention of:

- increasing accountability to the public for quality, requiring NHS foundation trusts to develop a clear narrative explaining the quality of the care they offer and how they seek to improve, taking account of the views of their local communities;
- engaging boards in leading the quality agenda in their organisations; and
- making early progress: recent legislation means that all organisations providing care to NHS patients must produce Quality Accounts for 2009/10.

In order to increase the level of trust and confidence which the public can place in the Quality Accounts of NHS foundation trusts, and to continue with their development in line with best practice on Corporate and Social Responsibility reporting, we are now proposing to require NHS foundation trusts to obtain an external audit opinion on their Quality Accounts. Our external audit proposals cover an external audit opinion on:

- the arrangements the Board of Directors has put in place to ensure the Quality Accounts are fairly stated; and

We are not proposing an external audit opinion on the inferences and the conclusions drawn from the Quality Accounts.

In addition to the external audit requirements, we are proposing to require NHS foundation trusts to include a Statement of Directors’ Responsibilities with regard to the Quality Accounts and to require NHS foundation trusts to include a summary of the control mechanisms they have in place to assure themselves around the quality of data in their Quality Accounts, within their Statement on Internal Control (SIC).
3. Details of the proposed approach

The proposals for the NHS foundation trust Quality Accounts assurance comprise three elements:

1. **Board assertion**;
2. **External assurance on the arrangements in place to ensure Quality Accounts are fairly stated**; and
3. **External assurance on performance indicators in the Quality Accounts**.

3.1 Board assertion

Our proposals would require NHS foundation trust boards to affirm that the narrative and information reported in the Quality Accounts, and the inferences drawn from them, are fairly stated. In order to achieve consistency across all NHS foundation trusts, we propose that each NHS foundation trust board would be required to include a Statement of Directors’ Responsibilities as part of the Quality Accounts.

In addition, they will be required to detail their systems of internal controls relating to data quality within the Quality Accounts, in their Statement of Internal Controls.

The proposed wording for the Statement of Directors’ responsibilities and an example extract from a Statement on Internal Control are included in Appendix A to this consultation.

Consultation questions:

1. Do you agree with the proposals to require a statement of Directors’ Responsibilities in the Quality Accounts?
2. Do you have any comments on the proposed wording?
3. Do you agree with the proposals to require a description of the internal controls in place to ensure the accuracy of the Quality Accounts in the Statement of Internal Control?

3.2 External assurance on the arrangements in place to ensure the Quality Accounts are fairly stated

Our proposals will require NHS foundation trust auditors to review the NHS foundation trust’s arrangements for satisfying itself that the Quality Accounts are fairly stated.

In order to provide a basis against which auditors can review arrangements, a set of criteria needs to be established, defining the arrangements that the NHS foundation trust board should put in place.

The proposals for the suggested criteria are included at Appendix B. These are based on International Auditing and Assurance Standards (specifically IASe 3000) and also draw on the standards for data quality published by the local public sector audit agencies and CIPFA. It is expected that these criteria will develop over time as the Quality Accounts become more established.

It is proposed that the NHS foundation trust’s auditor’s assessment of that trust’s arrangements would be based on evidence obtained from the following sources:
i. interviews and discussions with a selection of trust staff, board members and clinicians where appropriate;
ii. document reviews;
iii. analysis of national and local data where available;
iv. the results of relevant internal and external reviews, for example internal audit work and Information Governance Toolkit scores, or Payment by Results reviews;
v. where relevant, current knowledge of the trust and its arrangements; and
vi. walk-through tests of the systems used to produce the data for a small sample of indicators to be specified by Monitor, and the results of testing samples of this data.

Consultation questions:

4. Do the proposed criteria represent a reasonable framework for the arrangements that an NHS foundation trust board should have in place to provide assurance on the data quality of Quality Accounts?
5. Do you have any suggestions for enhancing the proposed criteria?
6. Is further guidance required in relation to the sources of evidence that the auditor should review in forming their opinion on arrangements?

3.3 External assurance on performance indicators in the Quality Accounts

In addition to the auditor’s conclusion on the arrangements in place to ensure the Quality Accounts are fairly stated, it is proposed that the NHS foundation trust’s auditor will provide a limited assurance opinion on the accuracy of three indicators included within the Quality Accounts. To provide this opinion, the auditors will carry out a programme of work to test the effectiveness of the systems and processes generating the data and the accuracy for the underlying data.

Monitor does not propose to define a testing strategy for the indicators selected. This will be for the NHS foundation trust’s auditor to determine as it will in part be determined by the specific systems at each trust. In undertaking their tests to provide an assurance opinion, auditors will need to document the systems used to produce the specified indicators, to gain an understanding of the data collection process, and then test the indicators to gain assurance over the six dimensions of data quality, being:

1. **Accuracy** - Is data recorded correctly and is it in line with the methodology for calculation?
2. **Validity** – Has the data been produced in compliance with relevant requirements?
3. **Reliability** – Has data been collected using a stable process in a consistent manner over a period of time?
4. **Timeliness** - Is data captured as close to the associated event as possible and available for use within a reasonable time period?
5. **Relevance** - Does all data used to generate the indicator meet eligibility requirements as defined by guidance?
6. **Completeness** – Is all relevant information, as specified in the methodology, included in the calculation?
The following indicators are proposed to be tested at each NHS foundation trust, to support the auditor’s work on the trust’s arrangements:

a. Acute indicators:
   i. MRSA;
   ii. Maximum waiting time of 62 days from urgent GP referral to first treatment for all cancers; and
   iii. 18 weeks data.

b. Mental health indicators:
   i. 100% enhanced Care Programme Approach (CPA) patients receiving follow-up contact within seven days of discharge from hospital;
   ii. Minimising delayed transfers of care; and
   iii. Admissions to inpatient services had access to crisis resolution home treatment teams.

All of the suggested indicators are mandated by Monitor to be included within Quality Accounts. As such, mandating which indicators are tested will provide consistency across the audited accounts of all NHS foundation trusts.

Consultation questions:

7. Do you agree with the proposal to mandate the indicators to be tested to ensure consistency in the accounts?
8. Do you agree on the indicators selected?
3.4 Form of Audit Opinion

It is proposed that a ‘reasonable assurance’ opinion will be sought on the Board’s arrangements for preparing and publishing annual Quality Accounts, with a ‘limited assurance’ opinion being sought around the data indicator testing.

A reasonable assurance opinion is expected to be achieved on the arrangements in place as the work will be focused on auditing against the specified criteria set out in Appendix B. It is expected that in terms of testing the three performance indicators, a limited assurance opinion will be given as the sample sizes for testing for understatement in some instances may mean the costs outweigh the benefits.

During the consultation period we will continue to work with the NHS foundation trust auditors to finalise the precise wording of the audit opinion which will be included in the Quality Accounts.

Consultation questions:

9. Do the proposed criteria provide sufficient guidance to ensure auditors can provide a ‘reasonable assurance opinion’ over the arrangements in place for preparing and publishing Quality Accounts?

10. Is it reasonable to plan to achieve ‘limited assurance’ over the sample of data tested around the data indicators?

3.5 Timing

While from the perspective of a reader of the Quality Accounts it would be beneficial to have an opinion on the Quality Accounts in 2009/10, it is recognised that there are significant practical difficulties with requiring an external audit opinion of them within the available timeframe. It is also usual in the commercial sector to undertake a state of readiness review, or dry-run, in advance of approving an external audit opinion on non-financial data.

We are therefore proposing to require a dry-run (or state of readiness review) of the proposals in relation to the 2009/10 Quality Accounts, with full implementation of a published audit opinion in the 2010/11 Quality Accounts.

A dry-run of the proposals would require NHS foundation trusts to:

1) Commission their external auditors to undertake a review of arrangements and sample testing of indicators as described in section 3.2 and 3.3 above; and

2) Provide their auditors with a Statement of Directors’ Responsibilities and information for inclusion in the Statement of Internal Control in line with the recommendations in section 3.1 above. It is anticipated that this will be included within the published Quality Accounts but there will be no external audit opinion required.

The deliverable from the work undertaken by the NHS foundation trust’s auditors will be a confidential report addressed to the trust board, which provides details of their findings and recommendations for improvement in preparation for the published audit opinion for the 2010/11 accounts. NHS foundation trusts will be required to provide a copy of the report to their Board of Governors and to Monitor.
It is expected that the confidential report will be agreed by the Audit Committee of the NHS foundation trust at the same time as the ISA 260 report on the annual accounts, with a copy provided to Monitor (in line with the 2009/10 FT FReM timetable for the ISA 260 report of 8 June 2010). Auditors will need to address this reporting requirement within their engagement contract.

Consultation questions:

11. Do you agree with the proposal to implement a dry-run on the 2009/10 Quality Accounts, with a published opinion being sought on the 2010/11 Quality Accounts?

12. Is the scope of the dry-run sufficiently clear?

13. Do you agree with the proposal to include the Statement of Director’s Responsibility and additional wording for the Statement of Internal Control as set out in Section 3.1 of the document within the 2009/10 Quality Accounts, as part of the dry-run?

14. Do you have any concerns with the proposed deadline for submission of the private report from the external auditors?
4. The consultation questions

1. Do you agree with the proposals to require a statement of Directors’ Responsibilities in the Quality Accounts?
2. Do you have any comments on the proposed wording?
3. Do you agree with the proposals to require a description of the internal controls in place to ensure the accuracy of the Quality Accounts in the statement of internal control?
4. Do the proposed criteria represent a reasonable framework for the arrangements that an NHS foundation trust board should have in place to provide assurance over the data quality of Quality Accounts?
5. Do you have any suggestions for enhancing the proposed criteria?
6. Is further guidance required in relation to the sources of evidence that the auditor should review in forming their opinion on arrangements?
7. Do you agree with the proposal to mandate the indicators to be tested to ensure consistency in the accounts?
8. Do you agree on the indicators selected?
9. Do the proposed criteria provide sufficient guidance to ensure auditors can provide a ‘reasonable assurance opinion’ over the arrangements in place for preparing and publishing Quality Accounts?
10. Is it reasonable to plan to achieve ‘limited assurance’ over the sample of data tested around the data indicators?
11. Do you agree with the proposal to implement a ‘dry run’ on the 2009/10 Quality Accounts, with a published opinion being sought on the 2010/11 Quality Accounts?
12. Is the scope of the dry run sufficiently clear?
13. Do you agree with the proposal to include the Statement of Director’s Responsibility and additional wording for the Statement of Internal Control as set out in Section 3.1 of the document within the 2009/10 Quality Accounts as part of the dry run?
14. Do you have any concerns with the proposed deadline for submission of the private report from the external auditors?
5.1. Responding to the consultation

Please use the response form on Monitor’s website www.monitor-nhsft.gov.uk. Please send your completed form, with Quality Accounts Assurance in the subject line, by email to: consultation@monitor-nhsft.gov.uk

If you do not have web or email access, then please write to us at:

Quality Accounts assurance consultation
Monitor
4 Matthew Parker Street
London
SW1H 9NP

or alternatively please fax your response to 020 7340 2401.

The consultation period closes at 5pm on 2 March 2010.

5.2. Consultees

This is a public consultation and is open to all to comment. This consultation document has been sent to a wide range of parties including:

- NHS foundation trusts;
- NHS foundation trust auditors;
- Department of Health;
- Foundation Trust Network;
- National Audit Office; and
- Health regulators.

If you have any further suggestions of other interested parties who should be consulted, please contact consultation@monitor-nhsft.gov.uk.

4.3. Next steps

Monitor will consider all the responses to the consultation and a summary of these including Monitor’s response will be published. Both the summary of the responses and the final Annual Reporting Manual will be published on our website www.monitor-nhsft.gov.uk.
Appendix A

DRAFT OF SECTION TO BE INCLUDED IN STATEMENT OF INTERNAL CONTROL

Annual Quality Accounts

The directors of [name] NHS foundation trust are required to satisfy themselves that the trust's annual Quality Accounts are fairly stated. [In doing so we are required to put in place a system of internal control to ensure that proper arrangements are in place based on criteria specified by Monitor, the Independent Regulator of NHS Foundation Trusts].

[Describe example of steps which have been put in place to assure the Board that the Quality Accounts are fairly stated]

For example:

We have appointed a member of the Board, the Director of [xxx], to lead, and advise us, on all matters relating to the preparation of the trust's annual Quality Accounts.

To ensure that the trust's Quality Accounts present a properly balanced picture of its performance over the year we have put in place a non-executive led independent panel, attended by governors and commissioners.

Comments on the training of those involved in collection and reporting of quality metrics.

Comments on the systems in place to review and report the quality metrics to the trust Board.

Review of effectiveness

Describe the process that has been applied in maintaining and reviewing the effectiveness of the systems of internal control in relation to the Quality Accounts.
DRAFT STATEMENT OF DIRECTORS’ RESPONSIBILITIES IN RESPECT OF THE QUALITY ACCOUNTS

The directors are required under the [Health Act 2009] and the [Title] Regulations 20[xx] to prepare Quality Accounts for each financial year.

In preparing these accounts, directors are required to take steps to satisfy themselves that:

- the Quality Accounts present a balanced picture of the NHS foundation trust’s performance over the period covered;
- the performance information reported in the Quality Accounts is reliable and accurate;
- there are proper internal controls over the collection and reporting of the measures of performance included in the Quality Accounts, 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 Accounts is robust and reliable, conforms to specified data quality standards and prescribed definitions, and is subject to appropriate scrutiny and review; and
- the Quality Accounts have been prepared in accordance with relevant requirements and guidance issued by Monitor.

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

By order of the Board

NB: sign and date in any colour ink except black

............................................Date.............................................................Chairman

............................................Date.............................................................Chief Executive
Appendix B

DRAFT CRITERIA BASED ON *Improving information to support decision making: standards for better data quality – A framework to support improvements in data quality* (published in 2007)

1. Governance and leadership
The body has put in place a corporate framework for management and accountability of data quality, with a commitment to secure a culture of data quality throughout the organisation.

Key components:

- **1.1** There is clear corporate leadership of data quality by those charged with governance.
- **1.2** A senior individual at top management level (for example a member of the senior management team) has overall strategic responsibility for data quality, and this responsibility is not delegated.
- **1.3** The corporate objectives for data quality are clearly defined (although this may not necessitate a discrete document for data quality), and have been agreed at top management level.
- **1.4** The data quality objectives are linked to business objectives, cover all the body’s activities, and have an associated delivery plan.
- **1.5** The commitment to data quality is communicated clearly, reinforcing the message that all staff have a responsibility for data quality.
- **1.6** Accountability for data quality is clearly defined and is considered where relevant as part of the performance appraisal system.
- **1.7** There is a framework in place to monitor and review data quality, with robust scrutiny by those charged with governance. The programme is proportionate to risk.
- **1.8** Data quality is embedded in risk management arrangements, with regular assessment of the risks associated with unreliable or inaccurate data.
- **1.9** Where applicable, the body has taken action to address the results of previous internal and external reviews of data quality.
- **1.10** Where there is joint working, there is an agreement covering data quality with partners (for example, in the form of a data sharing protocol, statement, or service level agreement).
- **1.11** The narrative and supporting information in the Quality Accounts present a balanced picture of the trust’s performance.

2. Policies
The body has put in place appropriate policies or procedures to secure the quality of the data it records and uses for reporting.

Key components:

- **2.1** There is comprehensive guidance for staff on data quality, translating the corporate commitment into practice. This may take the form of a policy, set of
policies, or operational procedures, covering data collection, recording, analysis and reporting. The guidance has been implemented in all business areas.

2.2 Polices and procedures meet the requirements of any relevant national standards, rules, definitions or guidance, for example the Data Protection Act, as well as defining local practices and monitoring arrangements.

2.3 Policies and procedures are reviewed periodically and updated when needed. The body is proactive in informing staff of any policy or procedure updates on a timely basis.

2.4 All relevant staff have access to policies, guidance and support on data quality, and on the collection, recording, analysis, and reporting of data. Where possible this is supported by information systems.

2.5 Policies, procedures and guidelines are applied consistently. Mechanisms are in place to check compliance in practice, and the results are reported to top management. Corrective action is taken where necessary.

3. Systems and processes
The body has put in place systems and processes which secure the quality of data as part of the normal business activity of the body.

Key components:
3.1 There are systems and processes in place for the collection, recording, analysis and reporting of data which are focused on securing data which are accurate, valid, reliable, timely, relevant and complete.

3.2 Systems and processes work according to the principle of right first time, rather than employing extensive data correction, cleansing or manipulation processes to produce the information required.

3.3 Arrangements for collecting, recording and reporting data are integrated into the business planning and management processes of the body, supporting the day-to-day work of staff.

3.4 Information systems have built-in controls to minimise the scope for human error or manipulation and prevent erroneous data entry, missing data, or unauthorised data changes. Controls are reviewed at least annually to ensure they are working effectively.

3.5 Corporate security and recovery arrangements are in place. The body regularly tests its business critical systems to ensure that processes are secure, and results are reported to top management.

4. People and skills
The body has put in place arrangements to ensure that staff have the knowledge, competencies and capacity for their roles in relation to data quality.

Key components:

4.1 Roles and responsibilities in relation to data quality are clearly defined and documented, and incorporated where appropriate into job descriptions.

4.2 Data quality standards are set, and staff are assessed against these.

4.3 The body has put in place and trained the necessary staff, ensuring they have the capacity and skills for the effective collection, recording, analysis and reporting of data.

4.4 There is a programme of training for data quality, tailored to needs. This includes regular updates for staff to ensure that changes in data quality procedures are disseminated and acted on.
4.5 There are corporate arrangements in place to ensure that training provision is periodically evaluated and adapted to respond to changing needs.

4.6 Arrangements for collecting data when NHS foundation trusts are using temporary staff (agency or locums).

5. Data use and reporting

The body has put in place arrangements that are focused on ensuring that data supporting reported information is actively used in the decision making process, and is subject to a system of internal control and validation.

Key components:

5.1 Internal and external reporting requirements have been critically assessed. Data provision is reviewed regularly to ensure it is aligned to these needs.

5.2 Data used for reporting to those charged with governance are also used for day-to-day management of the body’s business. As a minimum, reported data, and the way they are used, are fed back to those who create them to reinforce understanding of their wider role and importance.

5.3 Data is used appropriately to support the levels of reporting and decision making needed (for example, forecasting achievement, monitoring service delivery and outcomes, and identifying corrective actions). There is evidence that management action is taken to address service delivery issues identified by reporting.

5.4 Data which are used for external reporting are subject to rigorous verification, eg internal audit, clinical audit, or checks in local health economy, and to senior management approval.

5.5 All data returns are prepared and submitted on a timely basis, and are supported by a clear and complete audit trail.

5.6 Whether there is evidence of data being triangulated against other sources of information such as patient feedback.

5.7 Consideration of the level of Board reporting of clinical data and evidence of Board challenge.