

Cover Sheet

Trust Board Meeting in Public: Wednesday 08 May 2024

TB2024.48

Title: **Audit Committee Chair's Report**

Status: **For Information**

History: **This is a regular report to the Board**

Board Lead: **Committee Chair**

Author: **Laura Lauer, Deputy Head of Corporate Governance**

Confidential: **No**

Key Purpose: **Assurance**

Audit Committee Chair's Report

1. Purpose

- 1.1. As a Committee of the Trust Board, the Audit Committee provides a regular report to the Board on the main issues raised and discussed at its meetings.
- 1.2. Since the last report to the Board held in public, the Audit Committee had met on 24 April 2023.
- 1.3. Under its terms of reference, the Committee is responsible for providing assurance to the Trust Board on the Trust's system of internal control by means of independent and objective review of financial and corporate governance and risk management arrangements, including compliance with law, guidance, and regulations governing the NHS.

2. Audit and Counter Fraud

Internal Audit

- 2.1. The Committee considered the draft Internal Audit Report and Head of Internal Audit Opinion.
- 2.2. The Committee approved the Internal Audit plan for 2024/25 and noted the Internal Audit Charter.
- 2.3. BDO presented four final internal audit reports:
 - 2.3.1. Medicines Security (Design Moderate Assurance; Effectiveness: Moderate Assurance);
 - 2.3.2. ED Access Standards – Data Quality (Design: Moderate Assurance; Effectiveness: Moderate Assurance)
 - 2.3.3. HFMA/FGR Action Plan Implementation (Design Moderate Assurance; Effectiveness: Moderate Assurance); and
 - 2.3.4. DSP Toolkit (Overall Risk Assessment: Moderate; Overall confidence level in DSP Toolkit Submission: High).
- 2.4. BDO presented a report which assessed the Trust's environmental sustainability arrangements against BDO's Environmental Sustainability maturity model.
- 2.5. The assessment resulted in four high priority findings, three medium priority findings and two low priority findings.
- 2.6. The Chief Estates and Facilities Officer outlined progress made since the fieldwork for the assessment had been completed in November 2023. This included the closure of many actions in the action plan and the formation of a

Sustainability Group. This Group would focus on closing outstanding actions and building a cross-institutional programme.

External Audit

- 2.7. The Trust's external auditors, EY, reported on the progress of the external audit.
- 2.8. Management presented a progress report showing activity relating to control recommendations made as part of the 2022/23 audit.
- 2.9. The Committee sought assurance that the audit timetable would be delivered and requested regular briefings from management and EY.
- 2.10. The Committee noted the letters sent by EY to the Chair of the Committee and Chief Finance Officer as part of Auditing Standards (ISA 240) requirements to formally update external audit's understanding of management processes and arrangements. A combined response would be prepared.

Counter Fraud

- 2.11. The Trust's Counter Fraud Specialist Advisors, TIAA, presented their regular update report, which included a summary of work undertaken to support compliance with the Government Functional Standard 013 Counter Fraud.
- 2.12. The Committee approved the Counter Fraud Annual Plan 2024/25.

3. Annual Accounts

- 3.1. The Committee continued its preparations for review of the Trust's Annual Accounts by considering:
 - 3.1.1. The Trust's Draft Financial Performance 2023/24;
 - 3.1.2. An initial analysis of the Trust as a going concern, using an approach agreed with EY;
 - 3.1.3. A draft of the Annual Governance Statement 2023/24, with a focus on the Trust's assessment of potential gaps in control;
 - 3.1.4. Updates to judgements and material estimates for the 2023/24 annual accounts;
 - 3.1.5. Register of Interests, Gifts, Hospitality and Sponsorship for members of the Trust Board.

4. Risk, Assurance, Governance and Regulation

Clinical Audit Plan

- 4.1. The Committee discussed the Clinical Audit Plan for 2024/25 and was satisfied with arrangements for oversight and monitoring.

Corporate Risk Register (CRR) and Board Assurance Framework (BAF)

- 4.2. The Committee reviewed the development of the Board Assurance Framework and considered the scoring of in-year and long-term risks.
- 4.3. It was agreed to develop a process by which Non-Executive Directors could comment on changes to the BAF in advance of Trust Board or Audit Committee meetings.

5. Financial Governance

- 5.1. A briefing on the National Cost Collection submission was received. The Committee reviewed the submission process and, following the provision of more detail, agreed to recommend the submission to the Trust Board (Appendix).
- 5.2. The Committee reviewed progress against recommendations on cash management and forecasting. The role of Non-Executive Directors in regular cash briefings would be formalised to mitigate against a conflict of interest.
- 5.3. The Committee received a report that provided a summary of losses and special payments.

6. Other Updates on Existing Areas of Focus for the Committee

Digital/Information Governance

- 6.1. The Information Governance Annual Review was presented. This report demonstrated the assurance mechanisms which supported the Information Governance section of the Annual Governance Statement.
- 6.2. The Chief Digital and Partnership Officer briefed the Committee on three data breaches which had been reported to the Information Commissioner's Office and reported to the Trust Board via the Integrated Performance Review.

7. Key Actions Agreed

- 7.1. The Committee would review and approve the responses to EY's letters relating to management processes and arrangements by circulation.

8. Recommendations

- 8.1. The Trust Board is asked to **note** the contents of this report.
- 8.2. The Trust Board is asked to **approve** the Audit Committee's recommendation in the Appendix that the Trust Board delegate authority to the Director of Finance to submit the costing submission on 3rd July 2024.

Cover Sheet

Audit Committee Meeting: Wednesday 24 April 2024

AC2024.39 – Appendix to TB2024.48

Title: National Cost Collection 23-24 Pre-submission planning report

Status: For Decision

**History: Annual Report to comply with NHSE Approved Costing
Guidance; revised post 24 April 2024 Audit Committee meeting
to clarify recommendation**

Board Lead: Chief Finance Officer

**Author: Kate Gale: Head of Finance – Contracts, Costing & Income
Neil Galbraith: Head of Costing, SLR & PLICS**

Confidential: No

Key Purpose: Assurance

Executive Summary

1. As part of the Trust's mandatory National Cost Collection submission (formerly the Reference Cost submission), the Audit Committee is asked to review the costing plan and supporting information provided to ensure that it meets the expected requirements noted in the Approved Costing Guidance, prior to the report going for final approval to the Trust Board.
2. The data collected is the source data for work by the Model Health System. Therefore, the board assurance process has been updated to reflect the importance of cost submissions and raise the profile of costing across the organisation, especially at a senior level.
3. Additionally, the Committee is asked to give approval for the Director of Finance to submit the costing submission on 3rd July 2024.
4. A post submission report will be brought to the Audit Committee outlining the submission made on behalf of the Board.
5. This paper aims to provide assurance that the submission has been prepared as required, to the highest standards given the availability of the required data, so that the Board can provide this assurance to NHSE and enable the Director of Finance to sign off the submission via Chairs Action.

6. Recommendations

The Audit Committee is asked to:

- Provide assurance to the Board and thus to NHSE that the plan for production of the costing data, and the supporting information, meets the expected requirements noted in the Approved Costing Guidance; and
- Recommend that the Trust Board delegate authority to the Director of Finance to submit the costing submission on 3rd July 2024.

National Cost Collection 23-24 Pre-submission planning report

1. Purpose

- 1.1. As part of the Trust's mandatory National Cost Collection submission (formerly the Reference Cost submission), the Audit Committee is asked to review the costing plan and supporting information provided to ensure that it meets the expected requirements noted in the Approved Costing Guidance, prior to the report going for final approval to the Trust Board.
- 1.2. The data collected is the source data for work by the Model Health System. Therefore, the board assurance process has been updated to reflect the importance of cost submissions and raise the profile of costing across the organisation, especially at a senior level.
- 1.3. Additionally, the Committee is asked to give approval for the Director of Finance to submit the costing submission on 3rd July 2024.
- 1.4. A post submission report will be brought to the Audit Committee meeting outlining the submission made on behalf of the Board.
- 1.5. This paper aims to provide assurance that the submission has been prepared as required, to the highest standards given the availability of the required data, so that the Trust Board can provide this assurance to NHSE and enable the Director of Finance to sign off the submission.

2. Background

- 2.1. The Approved Costing Guidance¹ requires an increased level of board assurance as part of the NCC process.
- 2.2. This is the first of two reports being taken to the Audit Committee on the process for producing the National Cost Collection required under the NHS Provider Licence. The second report will update the committee on the submission, including issues which were addressed before the final submission and any areas where the trust is still working to implement the costing standards required under patient-level costing.

¹ [NHS England » Approved Costing Guidance](#) includes the costing principles, healthcare costing standards for England and a range of tools to support the costing process.

3. Plan for production of the costing data

3.1. The Audit Committee is asked to provide assurance that the plan is sufficient to meet the requirements to produce the required costing submission by the deadline date. This includes:

- senior review and sign off to ensure the return has been prepared in accordance with the Approved Costing Guidance;
- that appropriate processes to validate the activity and costing data with services have been undertaken; and
- the information and costing standards gap analysis have both been completed, and any issues addressed as part of the planning process.
- that resources within the team involved in the submission are sufficient to produce the submissions within the planned timetable.

Preparation and production of the data

3.2. The Trust implemented the IQVIA costing system at the beginning of 2020. The 2023-24 NCC data submission will be the fourth year the system has been used to produce the NCC data for submission.

3.3. IQVIA holds a significant market share for NHS costing systems, plus it operates a standardised costing model that complies with NHSE's national costing agenda, and the Approved Costing Guidance.

3.4. The previous submissions made using the IQVIA system met the Approved Costing Guidance requirements; and the 2023-24 submission is prepared on the basis that it meets the requirements.

3.5. NHSE have designated the 2023-24 submission as one of minimum change to the requirements placed on trusts and their software suppliers.

3.6. Appendix A outlines the timetable, including major steps and milestones, to submit a compliant NCC dataset.

Validation of the data

3.7. The Trust's Costing team use a number of measures to review the outputs of the exercise, including previous years submissions, liaising with clinical and non-clinical colleagues to resolve issues, improve data collection and correct identified data issues.

3.8. The NCC will be reviewed by Deputy Director of Finance: Performance and Reporting prior to submission.

Submission Gap Analysis

- 3.9. The Trust is required to undertake an assessment of its compliance with the Healthcare Costing Standards. This is known as the Information Gap Analysis. The extended Information Gap Analysis is set out in Appendix B.
- 3.10. The Information Gap Analysis has identified only one shortfall in activity data where NHSE has mandated collection, the Community Services Dataset (CSDS).
- 3.11. The Trust does not currently make a submission for CSDS. This is a known, long-term issue and impacts Community Midwifery, RIPEL (Rapid Intervention for Palliative and End of Life care service) and CRS (Crisis Response Service) schemes. This is not regarded as a major issue for costing purposes as the data has been recorded and submitted, but not in the format of the CSDS.
- 3.12. Additionally, the Trust has data for one specific lab test that comes under the Medical Technologies Innovation fund. The cost of this lab test is the only MedTech activity submitted in the NCC.
- 3.13. Although the Trust would ideally like to submit the MedTech data, NHSE have not mandated the collection of MedTech activity data. Actual usage within the Trust of other MedTech devices is negligible.

Resourcing

- 3.14. The costing team involved in the submission are sufficiently resourced to produce and validate the submissions with the planned timeline.
- 3.15. As the Costing Team expect to submit the NCC on time, the assumption is that other teams who are responsible for providing information and data as part of the production, which includes informatics, management accounts, and financial accounts, are also sufficiently resourced.

4. Approval of the Costing submission

- 4.1. The Audit Committee is asked to give approval for the Director of Finance to submit the costing submission due to be made on 3rd July 2024, via Chairs Action.
- 4.2. The submission will be made in line with the plan outlined in Appendix A. In addition, a final summary report will be prepared for the Director of Finance prior to final sign off.
- 4.3. The second post submission report will update the Audit Committee on the submission progress, issues which were addressed before the final submission and any areas where the Trust is still working to implement the costing standards required under patient-level costing.

5. Conclusion

5.1. This paper aims to provide assurance that the submission has been prepared as required, to the highest standards given the availability of the required data, so that the Trust Board can provide this assurance to NHSE and enable the Director of Finance to sign off the submission.

6. Recommendations

The Audit Committee is asked to:

- Provide assurance to the Board and thus to NHSE that that the plan for production of the costing data, and the supporting information, meets the expected requirements noted in the Approved Costing Guidance; and
- Recommend that the Trust Board delegate authority to the Director of Finance to submit the costing submission on 3rd July 2024.

Appendix A: High level costing plan for production and submission of 2023-24 NCC data

End March 2024	Initial cut of the finance ledger and EPR activity
End April 2024	load pre audit finance ledger
End May 2024	load final activity data set after final submission to SUS
Early June 2024	run costing model through and work with IQVIA software consultant to prepare the submission
w/c June 3rd	Initial review by DDoF
10th June 2024	Submission window opens for DQ validation
w/c June 24th	Final review by DDoF
28th June 2024	Submission window closes
w/c July 1st	Final summary report for DoF
3rd July 2024	Designated day for submission and DoF sign off
8th July 2024	NHSE Validation week
15th July 2024	Trusts may be 'invited' to resubmit if DQ issues found

Appendix B: Information Gap Analysis: Summary of compliance with the Healthcare Costing Standards

Costing Standards	Comments
Information requirements	There are no new areas of concern. NHSE are aware of Trust issues around CSDS - Community Midwifery/RIPEL/CRS
CP1 Correct cost quantum	Compliant: Costs submitted are reconciled to the annual accounts and all adjustments for bespoke services such as IMPS agreed with NHSE.
CP2 Clearly identifying costs	Compliant: The finance general ledger trial balance has been adjusted in the costing model to ensure that expenses such as the Elective Recovery Fund have been mapped to the services/schemes. A forensic analysis has been carried out where there are negative balances to ensure there is no detrimental output submitted to NHSE.
CP3 Allocating costs to activities	Compliant: Costs within the costing model are allocated to the appropriate activities and resources as mandated by NHSE.
CP4 Matching costed activities to patients	Compliant: The trust applies a "business as usual" PLICS matching rules first, as local knowledge prevents false positive matches. This effects patients who either attend frequently for a course of treatment or someone with multiple conditions being managed by multiple specialties.
CM1 Medical staffing	Partially compliant: Consultant costs are allocated for each different cost centre in the general ledger using their job plans to create a weighting table. Junior grades are based on historical estimates.
CM2 Incomplete patient events	Partially Compliant: Where an episode of care straddles the financial year end the costing model flags these patients and only the activities that have occurred during the financial year have a cost assigned to them. Costs relating to care outside of the relevant period are then costed in the period they relate to. For these patients the model would have to analyse more than one costing model to be able to see the true cost.
CM3 Non-Admitted Patient Care	Not Compliant: EPR does not record the actual time or the planned slot time. The team have previously validated clinics with clinicians and OSMs. Slots are recorded in the clinic groups as well as the outpatient weights table. Lack of clinical coding is an issue. There is a need for a trust wide review of the weightings applied.
CM4 Emergency care attendances	The Trust is compliant for both units and the Eye Hospital (although the Eye Hospital activity is coded as an outpatient attendance in EPR).
CM5 Theatres & special procedure suites	Not compliant: This is a known issue regarding costing by theatre session and by staff member present. This should be resolved after Surginet embedded until then the trust is unable to comply with this requirement. The current method takes account of the day of the week and the time of day to weight costs utilising the agenda for change uplifts for unsocial hours.

CM6 Critical Care	The Trust is compliant for all units across the trust. Currently the trust is unable to comply regarding the outreach service costs and activity, however this service is immaterial to the trust's costing submission.
CM7 Private patients	Compliant: Where EPR and Compucare (private patient billing system) data allows the trust can separately identify these patients as well as overseas patients. The same principle is applied to non-English patients (Scottish, Welsh etc). All the costs for these patient cohorts are excluded from the return made to NHSE.
CM8 Clinical & commercial services supplied or received	Compliant
CM9 Cancer MDT	Compliant
CM10 Pharmacy & medicines	Compliant.
CM13 Admitted Patient Care	Compliant
CM14 Group Sessions	Compliant: Parentcraft classes which are outside of the scope of the return is the only service that is accounted for in the costing model.
CM16 Sexual Health Services	Compliant regarding the submission of sensitive data. The services are costed at patient level but are sent to NHSE as an aggregate stripped of any patient detail.
CM17 Dental Services	Compliant, in purely costing terms this service is immaterial.
CM19 Wheelchair services	Compliant: With the assistance of the service and their software supplier we are now fully compliant.
CM21 Clinical non pay items	Partially compliant: This standard is a challenge given the absence of bar code technology across the trust. Currently the trust fully utilise the NOC Orthopaedics specialist software which allows us to allocate the costs down to individual nuts and screws. The trust is able to allocate the cost of PbR pass through devices such as ICDs and pacemakers to individual patients.
CM22 Audiology Services	Compliant
CM23 Direct Access	Compliant
CM24 Maternity	Compliant apart from the Community Midwifery service as previously noted.
CM25 Chemotherapy	Compliant - however Chemotherapy activity data needs validation, the matching and completeness are of concern.
CM26 Radiotherapy	Compliant - however the weightings used to allocate different types of costs to different treatments should be updated to take account of advancements in treatments available. For 23/24 the trust has patient level information and cost for the Brachytherapy service regarding the isotopes being utilised.

CM28 Blood Services	Partially compliant. Trust is compliant for blood products supplied via the NBS locally. Currently the trust cannot match NBS specialised blood products to individual clinical haematology patients. The current method allocates costs to patients with a specific range of HRGs that also have the specialty code for clinical haematology and BMT. The cost of circa £1.5m is then allocated using the NCC average cost for each of the HRGs as a weight.
CM35 Education & Training	Compliant
CM36 Rehab	Compliant
CM37 Renal Dialysis	Compliant
CM38 Specialist Palliative Care	Compliant