

Trust Board: Thursday 3 November 2011

TB2011.64

<b>Title</b>	<b>Annual Audit Letter</b>
<b>Purpose of paper</b>	To receive the Annual Audit Letter from the Trust's external auditors, and the proposed formal response from the Trust.
<b>Board Lead(s)</b>	Mr Mark Mansfield, Director of Finance and Procurement

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Key purpose	Strategy	Assurance	Policy	Performance
Strategic Objectives	All			
Links to Board Assurance Framework/Trust Key Risks/CQC Registration	Financial and Corporate Governance matters referred to throughout the financial year in BAF and TRR.			
Resource and financial impact	As outlined in text.			

**Annual Audit Letter 2010/11****Introduction**

1. This paper introduces the Annual Audit Letter for 2010/11 received from Mr Phil Sharman, Engagement lead at the Audit Commission, the Trust's external auditors.

**Background**

2. The Annual Audit Letter (AAL) is provided by external auditors following the conclusion of the audit of annual accounts. However, the AAL does not confine itself to opinions on the financial accounts alone. This is a key document in the annual review cycle for this and other Trusts.
3. The AAL (Appendix A) was considered by the Trust Audit Committee on 9 September.

**Commentary**

4. The AAL reflects the outcome to the annual audit which has been reported previously to the Board. The letter also considers the current and future challenges faced by the Trust and the outcome to a range of assurance work carried out by the auditors.
5. The Trust has been invited to respond to the Annual Audit Letter and a draft response for approval by the Board is attached at Appendix B.

**Recommendation**

6. The Board is asked to note the Annual Audit Letter and to approve the proposed response from the Trust prepared by the Director of Finance.

**Mr Mark Mansfield**

**Director of Finance and Procurement**

**October 2011**

**The John Radcliffe**  
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To be dated

Phil Sharman  
District Auditor  
Audit Commission  
Unit 5  
Isis Business Centre  
Horspath Road  
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OX4 2RD

Dear Phil

**Re: 2010/11 Annual Audit Letter: Trust Response**

Thank you for your Annual Audit Letter for the Trust in respect of the year ended 31 March 2011.

As you are aware, the Trust's Audit Committee considered the letter at its meeting of 9 September 2011 and the Trust Board will receive the document formally on 3 November 2011.

This letter responds to the recommendations made in your Annual Audit Letter.

I note that an unqualified opinion was issued regarding the Trust's financial statements for 2010/11. With regard to value for money you concluded that the Trust had adequate arrangements to secure economy, efficiency and effectiveness and that the direction of travel towards financial sustainability was positive. However, you provided a qualified opinion with regard to financial resilience, reflecting the extent of the challenges for the organisation going forward.

**Financial Statements: Processes (Recommendations)**

You have recommended that the Trust and the external audit team work together to improve the processes for the delivery of financial statements. We look forward to continuing the work in this area.

As you identify in the annual audit letter, the main area for improvement is in the documentation surrounding capital transactions and reporting of the asset register. The Trust finance department has recently been restructured and this area has been provided with additional temporary and permanent resources. The team has used the output from the internal audit

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**From the Director of Finance and Procurement**  
**Oxford Radcliffe Hospitals**

review of the circumstances which led to the adjustments to financial statements referred to in your letter.

**Financial Statement: Improving Information Systems (Recommendation 2)**

Recommendation 2 in your letter concerns the requirement to improve financial controls in private patient income, elements of creditor payments and accounting for fixed assets.

As outlined above, the area of capital accounting has been strengthened and fixed asset accounting information is the focus of significant attention within the department.

With regard to private patient information there have been significant improvements to credit control following an external review of procedures. The private patients department procedures in the area of debtors have been revised and are now aligned to those seen in the Trust finance department. Credit control is much improved due to the provision of more effective information for debtors clerks and more systematic management of outstanding debts.

In creditor payments you have outlined some weaknesses in the control environment which require a substantial change to current procedures. The proposed upgrade to the Oracle ledger will allow the technical systems to support changes to procedure across the Trust. These changes will be implemented following the ledger upgrade.

**Nuffield Orthopaedic Centre Integration (Recommendation 3)**

Integration of the Trust with NOC will take place on 1 November. An integration project has been carried out and the issues outlined in your recommendation have been addressed. Detailed action logs for the project and associated Due Diligence have been completed and are scrutinised on a fortnightly basis at the Integration Executive Group.

**Integrated Business Plan and Financial Strategy (Recommendation 4)**

The business case for the integration of NOC and this Trust has encouraged a process of review for the financial strategy. This process of integration has also produced the Long Term Financial Model (LTFM) for both organisations and the merged Trust. The financial strategy for the organisation develops from this source, although it is largely informed by the work carried out before and referred to in your letter.

The Trust has previously developed outline plans for future years and more recently has engaged in a process of more detailed planning with a wide range of internal stakeholders, principally divisional and clinical directors. This will provide the basis for the delivery of CIPs for 2012/13 onwards.

A CIP programme office is in place and is working with the operations directorate and clinical divisions on this agenda.

Linked to this, and as part of the process of applying for Foundation Trust status, the Trust is developing a revised Integrated Business Plan (IBP) for the merged organisation. The revised IBP shall inform the subsequent iterations of the Medium Term Financial Strategy. A programme office for the FT application has been installed.

**Information Governance and Assurance in Performance Information (Recommendation 5)**

The Trust has continued its work in strengthening information governance and the data quality infrastructure across the Trust. A specific workstream has been carried out, referring to the recommendations made in your reports on the subject. This work has been supported by a team from Central England Audit Consortium, the Trust's internal auditors.

As you are aware, the Trust is expecting to implement Electronic Patient Record Systems from mid-November 2011. This is a major project which relates to a number of the issues raised in your reports. The Trust continues to expect to use the EPR project as a vehicle to improve data quality across all domains and, in particular, the areas addressed in recent external audit reviews.

**Data Quality (Recommendation 6)**

The Trust continues to address the recommendations made in the two reports referred to in recommendation 6. As you are aware, the Trust Audit Committee received the report on the Trust Quality Account at its meeting on 9 September. A series of recommendations were considered and an action plan agreed. In the case of the high priority recommendations the necessary actions have been carried out. Work continues on the medium-term priorities according to the timetable agreed at that meeting.

A report on the Payment by Results data assurance framework was considered by the meeting of the Audit Committee on 18 March 2011. A number of the recommendations were subsequently referred to in the Quality Account report outlined above. The Trust continues to address these matters. With respect to reference costs, the Trust has recently received notification of its performance against the draft national benchmarks for 2010/11 and is using these figures as the basis for a review at specialty level and below of the data quality and processes for delivery of detailed costing information. This work will inform the development of the IBP referred to above.

I look forward to taking forward the issues referred to in your letter in 2011/12.

Yours sincerely

**Mark Mansfield**  
**Director of Finance and Procurement**

# Annual Audit Letter

Oxford Radcliffe Hospitals NHS Trust

Audit 2010/11



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# Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two elements:

- the audit of your financial statements; and
- my assessment of your arrangements to achieve value for money in your use of resources.

In addition I have reviewed the Trust's quality account and reported under the national data assurance framework. I have included only significant recommendations in this report. The Trust has accepted these recommendations.

Key outcome	Key findings
Audit opinion on the financial statements	Unqualified
Conclusion on arrangements to secure value for money	Qualified in respect of financial resilience

## Audit opinion and financial statements

I issued an unqualified opinion on the Trust's 2010/11 financial statements on 9 June 2011. The material audit adjustments did not adversely impact the Trust's reported financial performance and were agreed by management and adjusted prior to approval of the financial statements by the Trust Board. The main area for improvement was the adequacy of supporting documentation for capital transactions. My audit team will work with the Trust's Finance team to ensure improvements identified are embedded in future.

## **Value for money**

I issued a qualified conclusion on 9 June 2011 stating that the Trust had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources, except in relation to financial resilience. Corporate governance has been strengthened during the year and the overall direction of travel towards financial sustainability remains positive.

## **Data quality and information governance**

I issued a management report on the dry-run assurance review of the Trust's quality account. I found the Trust had put in place arrangements to ensure its quality account was fairly stated and in accordance with the Department of Health's requirements.

The work undertaken under the national data assurance framework concluded the Trust's reference cost submission was materially accurate and overall arrangements to secure data quality met required standards. I also performed a follow-up assessment of clinical coding and found a marked improvement in the quality of data used for payment by results.

## **Current and future challenges**

There are pressures in the health sector and the Trust has a significant change agenda ahead. Transformational change is required to realise future cost improvements and must accompany its integration with another provider trust and readiness to become a foundation trust. The Trust Board and Management Executive are clear about the scale of these challenges and are putting strategies together to take the Trust forward.

# Financial statements and statement on internal control

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The Trust's financial statements and Statement on Internal Control are an important means by which the Trust accounts for its stewardship of public funds.

## Overall conclusion from the audit

I issued an unqualified opinion on the Trust's financial statements on 9 June 2011. Whilst material audit adjustments were required to the financial statements as reported under IFRS, the financial performance measured on an adjusted NHS basis was unchanged at £1.3 million. Other reporting issues related to note disclosures and consistency. The required amendments were agreed with management and corrected prior to approval and adoption of the financial statements by the Board.

## Significant weaknesses in internal control

Most of the working papers provided were good. The main area for improvement in financial reporting is the adequacy and timeliness of supporting documentation for capital transactions and the robustness of the detailed information within the fixed asset register. The Director of Finance has commissioned a review of the circumstances that led to the material adjustments in the financial statements to identify areas for improvement for next year's reporting round. I welcome this review and my team will work with the Trust to ensure these improvements are embedded in future.

My work on the material information systems identified that improvements in financial controls are needed in private patient income, elements of creditor payments, and accounting for fixed assets. The Trust is addressing these issues to improve controls and I will review progress as part of my audit work next year.

## Recommendations

- R1** Deliver in conjunction with external audit improvements to the processes for production of the financial statements and opinion audit.
  - R2** Deliver improvements to the material information systems as part of your programme to improve the overall control environment.
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# Value for money

**I considered whether the Trust is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.**

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. I issued a qualified conclusion on 9 June 2011 stating that the Trust had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources, except in relation to financial resilience. My assessment in each of the two areas is set out below.

## Value for money criteria and key messages

Criterion	Key messages
<p><b>1. Financial resilience</b></p> <p><b>The organisation has proper arrangements in place to secure financial resilience.</b></p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The Trust reported an adjusted retained surplus of £1.3 million in 2010/11 after delivering cost improvements of £43.8 million during the year. Although the Trust was unable to deliver on the entirety of its 2010/11 CIP, it did achieve an impressive 6.6 per cent of expenditure, demonstrating it can make significant progress in meeting demanding savings targets.</p> <p>The accumulated deficit brought forward from 2005/06 and 2006/07 was reduced to £18.3 million at March 2011 and the statutory break-even duty now remains unmet for a period of six years. The availability of internal capital resources and liquidity will be constrained over the next three years by clearing the deficit. Management have assessed the impact of this capital constraint on the developing clinical and business strategy and the implementation of transformational change.</p> <p>The medium-term financial plan (MTFP) requires cost improvements of 7.8 per cent, 6.9 per cent and 7.2 per cent over the next three years. This level of year-on-year savings appears extremely challenging and will not be sustainable through current measures. This has been recognised by the Trust Board and strategies to secure transformational change are in development.</p> <p>The MTFP was developed as a stand alone document for the ORH. Its prime purpose is to provide a financial framework to inform the emerging business and clinical strategy for the Trust.</p>

The proposed integration with the Nuffield Orthopaedic Centre is based on a rational business case approved by both Trust Boards. The merger will require the financial plans for the two entities to be aligned and consolidated into an Integrated Business Plan for the combined Trust going forward. In doing so management should model a range of operating assumptions and consider best and worst case impacts on financial plans.

For the immediate year ahead contracts have been agreed with the main commissioners and the Trust has quantified £52.5 million in cost improvements required to meet its financial plan. The process for the establishment of the 2011/12 CIP was subject to a degree of rigour that did not exist in earlier years and is based on a robust challenge of the proposed savings schemes.

## 2. Securing economy efficiency and effectiveness

### The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

I have considered the matters which I raised in previous audit reports and I am satisfied with the progress being made. In particular I am encouraged by improvements to the Trust's corporate governance arrangements.

The appointment of a substantive Chief Executive and Director of Finance and Procurement during the 2010/11 year has given much needed stability to the executive team. I have also noticed changes to the Audit and Finance Committee which will improve the effectiveness of this key Board Committee. The Trust Board and Management Executive are clear about the scale of the challenges ahead and are putting strategies together to take these forward which include the proposed integration with the Nuffield Orthopaedic Centre.

The new management team introduced a new clinically-led restructure in the Trust during 2010/11. The Trust through its divisional restructuring and cost improvement programme has prioritised resources to achieve value for money. The Trust has also made improvements in the quality of information required for decision making. Accordingly I have concluded that overall arrangements to secure economy efficiency and effectiveness are satisfactory.

The overall direction of travel along a planned journey towards financial sustainability remains positive. The qualification of the financial resilience criterion in 2010/11 is reflective of the point reached by the Trust along this pathway and the scale of the challenges ahead. There is scope for the qualification to be lifted provided the Trust can demonstrate a consistent track record of delivery of challenging plans in a difficult financial environment and during competing demands on the senior leadership. The following indicators would be relevant to this assessment:

- delivering the planned £52.5 million CIP for 2011/12;
- achieving the planned in-year surplus for 2011/12 to reduce the accumulated deficit by the planned amount and remaining on course to clear the entire deficit by March 2014; and
- establishing the programme office and developing more detailed plans to realise the CIP programme for 2012/13 and 2013/14.

My work shows the required building blocks are in place so the key test will be delivery of the cost improvements and service transformation. The Trust is committed to taking the necessary steps to meet its targets and improve its financial position. Looking forward, I will need an evidence-based track record of delivery in difficult operating conditions. In my audit for 2011/12 I will therefore need to consider whether:

- the Trust has capacity to deal with the pace and scale of changes resulting from integration with the Nuffield Orthopaedic Centre;
- the cost improvement plan for 2011/12 can deliver the necessary savings and efficiencies, while maintaining and delivering improvements in service delivery. The percentage savings required for 2011/12 is acknowledged as a challenge and my work will focus on delivery of this plan against the wider changes the Trust faces;
- the medium term financial strategies for the merged trust are soundly based as these will underpin the movement to foundation trust status. As part of this I will assess your arrangements for best case/worst case scenario planning; and
- the required transformational changes are taking place within the organisation.

## Recommendations

**R3** Ensure the Trust has adequate capacity to deal with the pace and scale of changes resulting from integration with the Nuffield Orthopaedic Centre including investment in developing the organisational culture, and integrating systems and processes for the new combined Trust.

**R4** Maintain progress in delivering the integrated business and financial strategy necessary to secure financial sustainability over the medium term. In particular ensure that:

- the current cost improvement plan is delivering the required savings and efficiencies, while maintaining and delivering improvements in service delivery;
- the integrated business plan and medium term financial strategy for the new merged trust are based upon valid assumptions with scenario planning for potential operational and financial risks including the impact of capital constraints;
- priority is being given to securing transformational change with the establishment of a programme office and the development of project plans to realise the forward cost improvement programme.

# Other audit and assurance work

## Improving data quality and information governance

My work on data quality during the year confirmed improvements are being made and identified scope for further development in the reporting of financial and non-financial performance information. The work undertaken on data quality is reported in the following section and covers:

- review of arrangements to support non-financial performance information and the 2010/11 quality account;
- Payment by results data assurance framework: reference costs mandatory review; and
- Payment by results data assurance framework: discretionary clinical coding review.

My work identified a number of areas where improvements are being made in your information governance arrangements. A key priority for the Trust going forward will be embedding an upward flow of assurance to support both financial and non-financial performance information. This will come through further strengthening assurance frameworks and financial controls so that executive management are confident there are robust arrangements to support the reporting of financial and non-financial information.

## Recommendations

- R5** Review and further strengthen information governance and assurance frameworks and controls over the flow of financial and non-financial performance information from source through to executive management and the Board.
- R6** Ensure that action is taken in response to specific recommendations on improving data quality as reported in:
- the 'dry-run' assurance review of the Trust Quality Account; and
  - the review of Reference Costs under the national data assurance framework.

## Review of arrangements to support non-financial performance information and the 2010/11 Quality Account

I reviewed the Trust's arrangements to support the preparation of the Quality Account to assess the robustness of compilation and reporting of non-financial performance information. This included an assessment of data quality for selected performance indicators.

The Trust has reviewed its information governance arrangements and is making progress in ensuring data quality is robust. Objectives for ensuring data quality are included in the Trusts Business Plan and are set for all activities. In response to earlier concerns identified by the Trust effort has been directed to improving systems and processes; and monitoring the quality of reported non-financial performance information.

The Trust had properly identified the information required to support the Quality Account reporting. Plans are in place to strengthen the required assurances to the Board. Overall I concluded that the Trust had put in place arrangements to satisfy itself that the Quality Account was:

- fairly stated; and
- in accordance with the Department of Health's requirements.

I reached the following conclusions on the three performance indicators reviewed:

Performance indicator	Key messages
Recording of cases of MRSA	Systems design ensures the data is accurate, valid, reliable, timely, relevant and complete. Arrangements for the collection and reporting of this indicator are robust. The indicator as reported in the Quality Account is correctly disclosed.
Maximum waiting time of 62 days from urgent GP referral to first treatment for all cancers	Systems design ensures the data is accurate, valid, reliable, timely, relevant and complete. Arrangements for the collection and reporting of this indicator are robust. The indicator as reported in the Quality Account is correctly disclosed.
Maximum 18 week waiting time from GP referral to commencement of treatment	The Trust undertook a detailed and extensive review of the data quality and robustness of underlying records. I identified improvements from this review but my sample testing identified: <ul style="list-style-type: none"> <li>■ one case incorrectly included in indicator; and</li> <li>■ one error in calculation – no effect on waiting time.</li> </ul>

There is a constructive approach to improve the use of the Quality Account to demonstrate delivery of good quality services. Trust management has agreed an action plan to address the improvement areas identified from my work. I will review progress in these areas as part of my audit for 2011/12.

#### **Payment by results data assurance framework: reference costs**

I reported the findings from the data assurance framework for payment by results, commissioned through Oxfordshire Primary Care Trust, which reviewed the data quality underpinning your reference cost return. The audit aimed to:

- form a view on the data quality and therefore accuracy of the 2009/10 reference cost submission; and
- identify issues and areas where action can improve the quality of reference cost submission data.

The review concluded that the Trust's reference cost submission in 2009/10 was materially accurate. We looked at four areas that support arrangements for good quality reference costs and found that all four areas were meeting or exceeding minimum requirements.



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## Assessment of reference cost data quality arrangements

Area assessed	What we were looking for	Findings
Engagement	Senior level engagement in and support for the data quality of reference costing data.	Performing adequately
Activity reporting	Arrangements to support recording all relevant activity right at final submission.	Performing well
Approach to costing	Arrangements to ensure a robust approach to costing.	Performing well
Data capture systems	The organisation's IT systems provide adequate functionality and controls to ensure the production of robust activity and costing information.	Performing adequately

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### *Audit Commission*

Audit testing confirmed the Trust had not materially under or over reported its total costs. Also the Trust had not materially overstated reported activity which agreed to underlying data. Reported cost allocations were broadly in line with cost allocations made by other trusts indicating the Trust was adhering to the costing manual.

### **Payment by results data assurance framework: clinical coding follow-up**

The Trust commissioned an external review of the accuracy of clinical coding in 2010/11. The review was in response to the 2009/10 Payment by Results (PbR) Data Assurance Framework report and reviewed in-patient coding in the following specialities: General Medicine, Neurosurgery and Clinical Haematology. The main findings were:

- clinical coding accuracy has improved; in particular, procedure and diagnosis error rates reduced from 21.6 per cent in 2009/10 to only 4.2 per cent;
- there were no instances in General Medicine causing the HRG to change this year (compared with a 25 per cent error rate in 2009/10); and
- in Neurosurgery the quality of case notes, and lack of electronic discharge summaries for GPs, still requires addressing. The skill of clinical coders interpreting case notes contributed to the low error rate, not the underlying quality of information in this speciality.

Overall, the follow-up review found a marked improvement in the quality of data used for payment by results. The margin of financial error, measured using HRGs, reduced significantly from 15.3 per cent (compared to an SHA average of 9.9 per cent) in 2009/10 to just 3.0 per cent in 2010/11. Maintaining high quality clinical records and accurate coding is essential in ensuring the Trust is properly rewarded for healthcare activity under the payment by results contracting regime.

## Follow up on prior year reports

I reviewed the action taken by Trust management in response to audit reports issued in previous years. I concluded there is generally good engagement by management on the findings of my reports with evidence of substantive action taken to implement recommendations. This has improved over time with more evidence of active management action to address recommendations in more recent years. In some cases, the significance of the recommendations means that these form part of a longer term programme of improvement over more than one year.

However I also identified some areas with limited progress, either in agreeing to or implementing recommendations. There is merit in executive management following-up some specific reports where there remains clear scope to improve performance.

I have recommended the Trust implement a formal system for tracking implementation of external audit recommendations for the current programme of work and for those areas in previous years where recommendations are extant and not completed.

# Current and future challenges

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The Trust continues with a significant change agenda in 2011/12 as it integrates with another provider trust as well as the requirements to deliver significant cost improvements. This is while also moving forward with the application to become a foundation trust from April 2014. These developments occur at a time of significant structural change for the wider NHS and the increased pressure on public sector financial resources. The Trust has to ensure its services continue while the new arrangements take shape. At the same time the NHS as a whole needs to make efficiency savings of some £20 billion. This is an extremely challenging agenda and raises specific risks that I need to consider as your appointed auditor.

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Economic downturn and pressure on the public sector – the change agenda

The continuing economic pressures, constraints on public finances and the tightening financial position faced by the Trust will have an impact on the Trust's healthcare activities. Addressing these will require delivery of a plan of transformational change and I referred to the challenges facing the Trust in my VFM conclusion earlier in this letter.

The Trust has considered a number of audacious plans to transform services to both meet savings targets and ensure delivery of high quality services in the movement to foundation trust status. The Trust will undertake a fundamental review of services to assess how these can be run more cost-effectively. These findings will have a limited financial impact on 2011/12.

Trust management need to balance the shorter-term imperative of achieving cost savings with the longer-term transformation to more cost effective services. These twin challenges show no sign of diminishing.

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Merger with the Nuffield Orthopaedic Centre (NOC)

The merger with the NOC provides opportunities for efficiencies as well as risks resulting from the merger of two different organisational cultures. I will review the arrangements for the merger of the key information and finance systems for the two trusts as part of my 2011/12 audit.

The Trust is restructuring the Finance function drawing from the resources of both trusts. This presents an opportunity to develop a Finance team that will deliver the transition to foundation trust status and further strengthen corporate governance arrangements within the Trust.

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FT timetable

The Trust is developing its savings plans in tandem with becoming a foundation trust from April 2014. This sets a demanding agenda for change that goes beyond mere achievement of cost savings but the shaping of an organisation 'fit for purpose' to deliver as a foundation trust.

Clearly the development and implementation of your integrated business and financial plan will also serve as the route-map to becoming a foundation trust. I will continue to monitor progress against your foundation trust timetable in the light of the other changes and pressures facing the Trust and the wider health and local economies.

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# Closing remarks

I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present this letter at the Audit Committee on 9 September 2011 and will provide copies to all board members. My detailed findings, conclusions and recommendations in the areas covered by the audit are included in the reports issued to the Trust during the year.

Reports delivered as part of my core work	Date issued
Opinion audit plan	December 2010 reported to March 2011 Audit Committee updated plan reported to May 2011 Audit Committee
Interim opinion memorandum	March 2011 reported to May 2011 Audit Committee
Annual governance report	June 2011 reported to June and July 2011 Audit Committees
Auditor's report giving an opinion on the financial statements	June 2011
Follow up on prior year reports	April 2011 reported to May 2011 Audit Committee
Data Assurance Framework: reference costs data quality audit	March 2011 reported to May 2011 Audit Committee
Review of non-financial performance information	December 2010 reported to March 2011 Audit Committee
External assurance on the Quality Account	July 2011 reported to September 2011 Audit Committee

**Report commissioned by the Trust additional to my core audit****Date issued**

Payment by results data assurance framework: clinical coding

December 2010

reported to March 2011 Audit Committee

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I can confirm the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence. The final audit and assurance fees for the Trust for 2010/11 are set out in appendix 1.

The Trust has taken a positive and constructive approach to my audit. I wish to thank directors and staff for their support and co-operation during the audit process.

Phil Sharman  
*Engagement Lead*

September 2011

# Appendix 1 - Fees

Item	Actual	Proposed	Variance
Statutory audit fee	297,800	297,800	0
Payment by results – national programme	N/A	N/A	N/A
<b>Total audit fee</b>	<b>297,800</b>	<b>297,800</b>	<b>0</b>
Assurance on quality account	15,000	15,000	0
<b>Total mandatory work</b>	<b>312,800</b>	<b>312,800</b>	<b>0</b>
Non-audit work – PbR follow-up review	20,300	20,300	0
<b>Total audit and assurance work</b>	<b>333,100</b>	<b>333,100</b>	<b>0</b>

Fees are shown before VAT.

The fees for the national data assurance framework are levied upon the Primary Care Trust by the Audit Commission and therefore the direct cost of this work does not fall upon the provider NHS Trust.

The Trust also participated in the 2010/11 National Fraud Initiative that is billed centrally by the Audit Commission.

# Appendix 2 - Glossary

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## **Statement on internal control**

Public bodies must provide assurance that they are appropriately managing and controlling their money, time and people. The Statement on Internal Control (SIC) is an important document for communicating these assurances to Parliament and citizens.

The SIC is the means by which the Chief Executive Officer declares his or her approach to and responsibility for, risk management, internal control and corporate governance. It is also used to highlight weaknesses which exist in the internal control system within the organisation. It forms part of the Annual Report and Accounts.

## **Audit opinion**

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

If I agree that the financial statements give a true and fair view and that the spending and income was regular, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view; or
- I find that some spending or income was irregular.

## **Value for money conclusion**

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.



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