

# Annual Audit Letter

Oxford Radcliffe Hospitals NHS Trust

Audit 2007/08

September 2008



---

# Contents

<b>Summary</b>	<b>3</b>
<b>Purpose, responsibilities and scope</b>	<b>5</b>
<b>Audit of the accounts</b>	<b>6</b>
<b>Trust's use of resources</b>	<b>7</b>
<b>Closing remarks</b>	<b>11</b>



---

## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
-

# Summary

---

### Key messages

- 1 The Trust is facing a crucial period as it prepares its application for Foundation Trust status. I have seen a continued improvement in the financial position of the Trust and in its financial operation during 2007/08. This is reflected in the good and improved ALE scores for financial reporting, financial management and financial standing.
- 2 I have identified some inconsistencies in the approach to providing evidence for the ALE assessment and this can result in late and patchy evidence in some areas. The risk of this to the Trust is that the ALE judgement and score will only be based on the evidence provided by the agreed deadlines. The Trust therefore needs to ensure that all parts of the organisation are geared up to deliver appropriate and timely evidence.
- 3 I also found that risks remain over the ability of the Trust to demonstrate that it is achieving good value for money in the use of resources. I found it difficult to obtain appropriate and timely evidence to support the achievement of a good value for money assessment. Whilst the Trust performed well against key operational targets during 2007/08 it did not meet the 98 per cent performance level for A&E waits and is taking action to improve performance in this area. I note that the Board reports state that the target was achieved in the first quarter of 2008/09 and that pressures remain in other areas.
- 4 Our work on Board effectiveness has identified how governance arrangements can be improved. Having robust governance and Board reporting arrangements in place will be vital for the Trust's Foundation Trust application.

---

**Recommendations**

5 I make the following recommendations to the Trust Board.

<b>Recommendations</b>	
<b>R1</b>	<p>Ensure that evidence to support ALE judgements is available on a more timely basis across the piece.</p> <p>Implementation benefit</p> <p>Potential to reduce the audit fee and enable us to consider the evidence provided by the Trust in a more considered manner.</p>
<b>R2</b>	<p>Ensure that ALE performance across the Trust is brought up to the standard of the best enabling the Trust to demonstrate that learning can be applied across the Trust.</p> <p>Implementation benefit</p> <p>Potential for better ALE scores.</p>
<b>R3</b>	<p>Develop joint reporting or service line reporting to the Board on financial and operational performance, currently reported separately.</p> <p>Implementation benefit</p> <p>Improved understanding at the Board level the relationships between activity, cost and income. Improved monitoring of key partnership agreements.</p>
<b>R4</b>	<p>The Trust Board should monitor the implementation of the recommendations made in our Annual Governance report and in our risk-based audits.</p> <p>Implementation benefit</p> <p>Improved performance in a number of specific areas.</p>

# Purpose, responsibilities and scope

- 6 This Annual Audit Letter (letter) summarises the key issues arising from our work carried out during the year. I have addressed this letter to the executive and non-executive directors of the Trust as it is the responsibility of the Trust to ensure that arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. I have made recommendations to assist the Trust in meeting its responsibilities.
- 7 The letter also communicates the significant issues to key external stakeholders, including members of the public. I will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). In addition the Trust is planning to publish on its website.
- 8 I have prepared this letter as required by the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).
- 9 As your appointed auditor, I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
  - the Trust's accounts; and
  - whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 10 Also, the Audit Commission uses my assessments to provide scored judgements for the Healthcare Commission to use as part of its Annual Health Check.
- 11 This letter summarises the significant issues arising from both these areas of work and highlights the key recommendations that I consider the Trust should be addressing. I have listed the reports issued to the Trust relating to the 2007/08 audit at the end of this letter.

---

# Audit of the accounts

- 12 I issued an unqualified opinion on the Trust's accounts on 20 June 2008, before the deadline set by the Department of Health for NHS bodies to submit audited accounts. In my opinion the accounts give a true and fair view of the Trust's financial affairs and of its income and expenditure for the year.
- 13 Before giving my opinion I reported to those charged with governance, in this case the Audit Committee on the issues arising from the 2007/08 audit. I issued this report on 20 June 2008 and only the most significant issues arising are repeated in this letter.
- 14 The improvements reported in the delivery of working papers have continued with the Trust achieving a strong score of 3 with some of the criteria for a score of 4 also met.

---

## Accounting issues

- 15 In our governance report we raised recommendations concerning fundraising for the Children's hospital and how to improve the collection of private patient income. Implementation of our recommendations will help to improve governance and control in these areas.
- 16 I have issued more detailed interim and final account reports. There are no additional issues I wish to bring to the Boards attention.
- 17 I undertook our triennial review of internal audit during 2007/08 and our draft report is with CEAC for their comment. Our main conclusion is that CEAC complies with the Internal Audit Standards in all material respects and provides a satisfactory level of assurance to its audited bodies. We have included recommendations for improvement in an action plan that is currently being discussed with CEAC.

---

# Trust's use of resources

- 18 I am required to conclude on whether the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money conclusion.
- 19 I am also required to assess how well NHS organisations manage and use their financial resources by providing scored judgements on the Trust's arrangements in five specific themes. This is known as the Auditor's Local Evaluation (ALE). The Audit Commission provides the scores to the Healthcare Commission (HC) to use as part of its annual health check.

---

## Value for Money conclusion

- 20 I concluded that the Trust had proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources. I issued an unqualified Value for Money conclusion on 20 June 2008.

---

## Auditor's Local Evaluation judgement (including financial standing)

- 21 I assessed the Trust's arrangements in five themes. I scored each theme from 1 to 4 (1= inadequate and below minimum standards, 2 = adequate, 3 = performing well and 4 = performing strongly). I will issue a more detailed report supporting my assessment and highlighting areas for improvement to the Trust.

---

**Table 1**      **ALE scores**

Theme	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	2 out of 4
Internal control	3 out of 4
Value for money	2 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>2 out of 4</b>

(Note: 1 = lowest, 4 = highest)

- 22 The overall assessment for the Trust has improved as a consequence of the Financial Standing score improving from a score of 1 to a 2 reflecting the improved financial performance of the Trust.

- 23** A key issue arising from the audit is that performance in producing evidence remains variable as does the commitment to provide timely and appropriate evidence to us. We found that the delivery of appropriate evidence on a timely basis varied considerably from the very good areas including financial reporting and elements of financial management to those where timing and detailed content was poor including the asset element of financial management (timing) and some elements of value for money.
- 24** We have worked closely with the Trust throughout the period to ensure that deadlines were clear and to answer queries as they arose. Our deadline for the completion of the field work is the 31 March. This has been the deadline since our annual ALE assessments started in 2005, however we are still being given large amounts of information to review towards the end of March. This makes it difficult for us to review the information provided properly or to resolve queries with the Trust.
- 25** My conclusion following a review of the audit is that where there is the commitment from individuals to achieve good scores this is translated into good evidence to support the achievement of the Key Line of Enquiry (KLOE) - for example Financial Reporting is very close to a 4. However where there is not this commitment much time and effort is spent obtaining the appropriate evidence in the first place and the actual review is compressed into a relatively short period of time.
- 26** The 2008/09 KLOEs have been finalised and are available to the Trust. We would recommend that the Trust reviews these and starts to gather evidence to support its achievement of them as earlier as possible. As usual there have been some revisions to the KLOEs and the Trust needs to be aware of these to ensure that they are able to capture information to support their achievement. The review of progress against the revised KLOEs will be a useful part of the Trust's preparations for its Foundation Trust application.

---

### Specific risk-based work

- 27** I carried out specific pieces of work as follows.
- Improving engagement with patients and the public.
  - Bard effectiveness.
  - Productivity at Consultant level.
  - Reference cost analysis.

28 Key issues arising from the work in these areas are as follows.

### Improving engagement with patients and the public

Current plans to strengthen engagement with the public and patients need to be implemented. In particular, the Trust Board needs to continue to demonstrate strong leadership and commitment to improving customer care and patient engagement through regularly reviewing and driving progress on the new Customer Care Strategy. There needs to be timely delivery of the initiatives identified by a joint workshop of users and staff such as improvements in reception services, and in written and verbal information provided to patients and families. The Trust also needs to ensure that users and user groups continue to be involved in the Trust's bid for Foundation Trust status, building on existing involvement and also increasing the inclusion of underrepresented groups.

### Board effectiveness

Governance arrangements need strengthening if the Trust is to meet the requirements of the Foundation Trust application process and there needs to be a move to a more 'business like' manner. For example there needs to be a review of the interaction of the Trust Board and sub committees with the Board directing and reviewing sub committee performance and we understand that a revised structure is in the process of being implemented.

Other issues to address include:

- papers should clearly link to Trust objectives;
- the action required should be clear and followed up;
- there needs to be more challenge from non-executives; and
- all groups should have a clear purpose and should annually appraise themselves.

During the currency of our review the Trust has implemented a number of changes including streamlining its committee structure and improving how follow up action from Board meetings is recorded and monitored.

### Productivity at Consultant level

The Trust does not routinely share and monitor the relative productivity within consultant-led teams to support improvements in efficiency. Although the use of the web-based systems should help to promote greater consistency for job planning and appraisals, current processes do not address unexplained variations in productivity of consultant-led teams.

Our review in three specialities identified Trust wide improvements required in the information supporting consultant job planning and appraisals and ensuring the outcomes from across specialities link into the planning of future services.

### Reference cost analysis

Our analysis of the 2006/07 reference costs highlighted some areas that would benefit from further investigation. For example whilst non-elective inpatients shows good performance with an index of 89 (with 100 being the average costs) it does mask some wide variances in performance. For example obstetrics services are provided well below average costs whilst Cardiac is above. The Trust has also completed some work in this area with similar findings. The Trust needs to determine if these are due to errors in cost apportionment or to performance.

The outpatients reference cost index was 133 in 2006/07 compared to 67 in 2005/06 suggesting either a big change in performance or the way costs are allocated. There is also substantial variance between the best and worse performing specialties. The Trust is aware of problems with out patient costing and the recording of activity and has plans to review how outpatient activity is costed and allocated.

---

### National Fraud Initiative

- 29 The National Fraud Initiative is a data matching exercise that compares sets of data to identify inconsistencies or other circumstances that might indicate fraud or error. It also helps auditors to assess the arrangements that audited bodies have put in place to deal with fraud. CEAC, as the Trust's counter fraud provider, has undertaken work to filter and check the 10,000 data matches identified. This work did not identify any data matches that indicated any monetary loss to the Trust.

---

# Closing remarks

- 30 I have discussed and agreed this letter with the Chief Executive and the Director of Finance on 22 September 2008. Arrangements are in place to circulate a copy to all Board members by 30 September 2008 and I will present this letter at the Audit Committee on 9 October 2008 and will provide copies to all Board members.
- 31 Further detailed findings, conclusions and recommendations on the areas covered by our audit are included in the reports issued to the Trust during the year.

---

**Table 2     Reports issued**

<b>Report</b>	<b>Date of issue</b>
Audit plan	March 2007
Interim audit memorandum	May 2008
Report to those charged with governance	June 2008
Opinion on financial statements	June 2008
Value for money conclusion	June 2008
Specific risk based work: <ul style="list-style-type: none"><li>• Improving engagement with patients and the public (workshop event)</li><li>• Board Effectiveness</li><li>• Productivity at Consultant level</li><li>• Reference cost analysis</li></ul>	March 2008 July 2008 August 2008 April 2008
Final accounts memorandum	2008
Auditor's local evaluation	September 2008
Annual audit letter	October 2008

- 
- 32 The Trust has taken a positive and constructive approach to our audit. I wish to thank the Trust's staff for their support and cooperation during the audit.

Maria Grindley  
Engagement Lead  
October 2008

---

# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, covering the £180 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

---

## Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2008

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

---