

**Mr Phil Sharman**  
District Auditor  
Audit Commission  
Unit 5, Isis Business Centre  
Horspath Road, Cowley  
Oxford, OX4 2RD

**The John Radcliffe**  
Headley Way  
Headington  
Oxford  
OX3 9DU

Tel: 01865 221817

Fax: 01865 222861

Email: [jo.farrar@orh.nhs.uk](mailto:jo.farrar@orh.nhs.uk)

5 November 2009

Dear Mr Sharman

### **Responses to 2008/09 Audit Recommendations**

Thank you for your annual audit letter and reports for the Trust for the year ended 31<sup>st</sup> March 2009. You have made a number of recommendations to which I have provided responses and a summary action plan as Appendix 1 to this letter. I can confirm that the responses and progress update have been considered and approved by the Trust Board.

For your information, the reports issued by you to the Trust during the year include a number of detailed recommendations. A report on progress against these will be brought to the December meeting of the Trust's Audit Committee.

At the Trust's Audit Committee meeting held on Thursday 22<sup>nd</sup> October 2009 I brought a small number of significant matters to your attention. The Trust is currently experiencing significant operational and financial pressure. A number of issues have emerged which appear at odds with the Audit Commission's assessment of the Trust's systems of internal control, including an as yet unquantified issue in relation to the 18 week target; the appropriateness of certain assumptions included with the Trust's 2009/10 Plan; and issues associated with the systems of reporting information.

I will now comment more fully on some of the issues raised within your audit letter and reports:

#### **Valuation of buildings in the annual accounts**

We had to make a substantive change to the draft accounts for the year, to impair the carrying value of buildings. This occurred in the context of a volatile construction market coinciding with substantial change in the accounting requirements for NHS properties. To avoid such issues in the future, the Trust will take advice from a suitably qualified valuer at each year end.

For your information, the Trust has also instructed the Valuation Office to prepare a full revaluation of the Trust's estates as at 1st April 2010 on a modern equivalent asset basis. Any impairments resulting from this will be incorporated in the 2009/10 accounts.

### **Issues related to preparation of the annual accounts and supporting systems**

I recognise your concerns over payroll controls and the lack of annual confirmation of payroll by line managers. From November the finance team will meet with each budget holder on a monthly basis to confirm in writing that payroll and non-pay information included within the budget reports is accurate. These signed returns will be retained within the Finance department.

As you have highlighted, there are control weaknesses relating to the turnaround documents by which departmental managers currently confirm staffing details to the payroll bureau. The Trust is working on a project to replace the present paper turnaround documents with an electronic system. This should significantly strengthen the controls. Manual turnaround documents will be phased out over the remainder of this financial year, with all staff on electronic turnaround by March 2010.

### **Financial position & break-even strategy**

You raise valid concerns about the Trust's financial position and the significant challenges it faces. The current position following completion of the Month 6 forecast is that the Trust has agreed a joint plan with the SHA and PCT to target a revised income and expenditure position of (at worst) a £3m deficit based on the trust receiving non-repayable income support from the SHA. The Trust must also take further action to improve its forecast position.

The Trust has an agreement with the SHA and PCT that it will achieve cumulative balance over the seven years ended 31st March 2012. The Trust continues to work with its commissioners and the SHA to achieve this, although in light of our current position, this will be challenging.

### **Strengthening the Board and corporate management**

The appointment process for a substantive CEO is currently underway. The appointments of a new Medical Director and a substantive Director of Finance will follow. A programme of board development work has also been initiated.

You noted that although the Board and a significant number of senior managers have had risk management training in the last twelve months, we were unable to provide evidence to demonstrate this. Record keeping relating to risk management training will be strengthened and reviewed regularly so that we can target managers who have not received the required training.

## **Sustainability strategy**

The Director of Estates has commissioned a project with the Carbon Trust to measure the carbon footprint of the Trust. The Estates Directorate is also progressing the NHS Good Corporate Citizenship Assessment. Both of these pieces of work are due to complete in November and the outputs from these exercises will be used to for the basis of preparing a sustainable development plan for Board approval by March 2010.

I would welcome the opportunity to discuss these matters with you at our forthcoming meeting. In the meantime, please contact me should you require further assistance.

Yours sincerely

Jo Farrar  
**Interim Director of Finance and Procurement**

DRAFT