
Poole Hospital NHS Trust

Annual audit letter

Audit 2006/07

October 2007



External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Trust

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explain 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.

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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

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Summary

Key messages

- 1 This annual audit letter summarises the key issues arising from my audit of Poole Hospital NHS Trust for 2006/07. The Trust has experienced a successful year. In particular:
 - it met its key NHS targets – both national and local;
 - it met its financial targets;
 - it significantly improved its ALE scores in 2006/07 demonstrating improvements in most areas reviewed;
 - it aspires to achieve Foundation Trust status from November 2007; and
 - we gave an unqualified auditors report on the financial statements for 2006/07
- 2 Our work identified some areas in which the Trust could strengthen its performance still further including:
 - continuing to implement our recommendations from the 2005/06 Acute Hospital Portfolio review; and
 - strengthening its information technology and management arrangements.

Purpose, responsibilities and scope

- 3 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 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.
- 4 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. In addition the Trust is planning to publish the letter on its website.
- 5 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.
- 6 Also, the Audit Commission uses my assessments to provide scored judgements for the Healthcare Commission to use as part of its annual health check.
- 7 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 2006/07 audit at the end of this letter.

Audit of the accounts

- 8 I issued an unqualified opinion on the Trust's accounts on 21 June 2007, before the deadline set by the Department of Health. 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.
- 9 On 21 June I reported to those charged with governance (the Audit Committee) any issues arising from the 2006/07 audit. We raised a number of issues in our governance report for which actions have been agreed. These included:
 - valuation of assets prior to disposal;
 - disclosure in the accounts of the profit on disposal;
 - calculation of compliance with the Capital Resource Limit; and
 - need for improved theatre stocktaking procedures.
- 10 These issues influenced our assessment of the Trust's ALE score for financial reporting. ALE scores are discussed in more detail later in this letter.

Trust's use of resources

- 11 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.
- 12 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 areas. 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.
- 13 In addition we also carried out other reviews as follows:
 - processes in place to follow up recommendations from our previous work, in particular the Acute Hospital Portfolio; and
 - information management and technology arrangements.

Value for money conclusion

- 14 I concluded that the Trust had proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources. There are no significant issues to report in this letter.

Auditor's local evaluation judgement (including financial standing)

- 15 I assessed the Trust's arrangements in five areas. We scored each area from 1 to 4 (1= inadequate and below minimum standards, 2 = adequate, 3 = performing well and 4 = performing strongly).
- 16 I issued a detailed report supporting our assessment and highlighting areas for improvement to the Audit Committee in June 2007. Commendably the Trust has made significant improvements since our previous ALE assessment in 2005/06. In addition, since our review this year the Trust has already made additional improvements such as:
 - further work to improve Audit Committee effectiveness;
 - developing 'dashboard' reporting to the Board showing key financial variances and trends; and
 - quarterly reporting of progress against savings targets to the Board.

- 17 The detailed ALE scores are shown in Table 1.

Table 1 ALE scores

Element	Assessment 2006/07	Assessment 2005/06
Financial reporting	2	2
Financial management	3	2
Financial standing	3	2
Internal control	3	2
Value for money	3	2
Overall assessment of the Audit Commission	3	2

(Note: 1=lowest, 4=highest)

- 18 In the context of these good scores, there are no key issues arising from the audit other than the need to ensure that the action plan from October 2006 and June 2007 are implemented and the impact of delivery is assessed. If the Trust should be successful in its application to become a foundation trust, the Trust, as a Foundation Trust will not be subject to ALE and the Trust's score in the Healthcare Commission's use of resources criteria will be provided by Monitor (financial ratios and governance assessment).

Follow up of previous recommendations

- 19 We carried out follow-up work to establish:
- what improvements the Trust has made in the significant service areas reviewed in our Acute Hospitals Portfolio (AHP) work in 2005/06; and
 - if the Trust has now established a robust process to follow up recommendations made by its external auditors.
- 20 Three services were reviewed in 2005/06: admissions management, diagnostic services and medicines management. This year we have considered and reported on progress on a sample of ten of the recommendations made following our review.
- 21 Overall the Trust can demonstrate some good progress against the 2005/06 AHP action plans. In particular:
- waiting times for routine outpatient and GP referred imagining examinations have been significantly reduced;
 - the number of cancelled endoscopy sessions has been reduced; and
 - the pharmacy team has been strengthened.

- 22 However we also believe that there is still further opportunity to progress some of the other recommendations. We also concluded that the Trust's performance management of the AHP action plan has a number of strengths, but that strong performance management at operational level was not evident in all relevant service areas. The actions being implemented and monitored at service level did not always reflect those agreed by the Trust.
- 23 We hope to present our detailed report to the next meeting of the Audit Committee.

Information management and technology

- 24 Work on the Trust's Information Technology (IT) position was carried out to provide a 'snapshot' of the current position of IM&T arrangements within the Trust to help inform planning and highlight issues which needed to be brought to the Trust's attention as it proceeds to Foundation status. Our findings were discussed with the Audit Committee earlier in 2007. The work has helped the new Associate Director of Information Technology to target areas of IT risk and to ensure that the Trust has a robust IT infrastructure to support its clinical service provision.
- 25 We identified opportunities to:
- strengthen the Trust's overall IM&T strategy;
 - develop more robust disaster recovery plans; and
 - clarify IM&T governance arrangements.
- 26 The Trust's Associate Director of IT is currently taking forward many of these issues and the Audit Committee should continue to monitor implementation of the actions identified.

National Fraud Initiative

- 27 The National Fraud Initiative is a computerised data matching exercise designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the current exercise were released to participating bodies in January 2007.
- 28 The Trust is co-operating in this exercise and the Trust's Local Counter Fraud Specialist is following up the data matches identified by the Audit Commission.

Closing remarks

- 29 I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present the letter at the Audit Committee on 18 October 2007 and will provide copies to all Board members.
- 30 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 relating to the 2006/07 audit

Report	Date of issue
Audit plan	July 2006
Auditors' local evaluation – Interim	May 2007
Report to those charged with governance	June 2007
Opinion on financial statements	June 2007
Value for money conclusion	June 2007
Final accounts memorandum	July 2007
Auditors' local evaluation – Final	October 2007
Follow up of previous recommendations	October 2007
Annual audit letter	October 2007

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

Patrick Jarvis
Engagement Lead

October 2007