

Annual Audit Letter

November 2005



# Annual Audit Letter

**Poole Hospital NHS Trust**

**Audit 2004-2005**

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# Introduction

## The purpose of this letter

- 1 This Annual Audit Letter to the Board summarises the significant issues and conclusions from our 2004/05 audit, together with our comments on other current issues.
- 2 More detail can be found in the separate reports we have issued this year which are listed in Appendix 1 for information. These reports have been discussed and agreed with officers and presented to the Audit Committee.
- 3 The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.
- 4 Appendix 2 provides information about the fee charged for our audit.

## Background to this letter

- 5 In July 2005, the Healthcare Commission awarded the Trust two stars for performance. Unfortunately, despite meeting all eight key targets, the Trust did not manage to retain the three stars awarded in the previous years, due mainly to a poor score for delayed transfers of care.
- 6 In common with the rest of the NHS, the Trust has faced considerable challenges during the year, including:
  - implementation of Agenda for Change;
  - managing its finances under increased pressure;
  - developing arrangements under the new Payment by Results framework; and
  - preparing for the introduction of the National Programme for IT (NPfIT).
- 7 Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on those significant risks that are relevant to our audit responsibilities.

- 8 Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as shown below.

### **Accounts**

- Whether the accounts give a true and fair view of the financial position of Poole Hospital NHS Trust.

### **Financial aspects of corporate governance**

- How well the Trust manages its finances.
- Whether the Trust has effective financial systems and internal controls.
- How the Trust ensures that its financial transactions remain within its legal powers.
- How well the Trust works to stop or find fraud and corruption and maintain standards of financial conduct.

### **Performance management**

- Does the Trust have adequate arrangements to ensure the best use of the resources at its disposal?

## Key messages

The Trust has performed well in many of the areas reviewed in our audit. It is against this context that the following key messages are made.

### Financial standing

- 9 The Trust is under considerable pressure to manage a £5.8 million gap in its funding. Despite efforts to manage the financial position via the short-term financial strategy, significant risks remain in meeting the savings required, given the Trust's low reference costs of 84 per cent. There is a risk that the statutory duty of reporting financial balance at the year-end may not be met. The financial position has not improved since our previous Annual Audit Letter where we also brought this risk to the attention of the Board.
- 10 The Trust will have to ensure that it can control expenditure within existing budgets and achieve challenging savings targets. Continuing unfunded increases in emergency and elective inpatient activity will also incur additional expenditure, putting achievement of the short-term financial strategy at risk.
- 11 With no long-term financial plan currently in place, issues remain around the sustainability of the Trust's financial position, and many of the financial problems incurred in the current financial year are likely to appear in subsequent financial years. The Board needs to ensure that the Trust:
  - manages, in conjunction with the PCT, emergency and elective inpatient activity;
  - closely monitors implementation of savings plans;
  - takes remedial action where savings are not being delivered; and
  - develops a long-term plan to achieve sustainable financial balance.

### Data quality

- 12 The Trust has effective management arrangements in place to ensure the accuracy of data. There is clear evidence of top-level commitment to improving the quality of information within the Trust.
- 13 We did, however, identify problems with the recording of discharge times of patients from the accident and emergency department which means that wait times reported by the Trust may not be accurate. While the errors found were not advantageous to the Trust, every effort should be made to ensure that discharge times are properly recorded.

## Acute Hospitals Portfolio

- 14 Our data collection exercise provided the Trust with valuable comparative information about its performance in day surgery, accident and emergency and ward staffing. Although there were many areas where the Trust performs better than other Trusts, we identified a number of areas where performance could be improved such as:
- reviewing vacancy rates in accident and emergency;
  - using theatres more effectively;
  - managing the level of cancelled operations; and
  - increasing the level of day surgery carried out at the Trust.

## Implementation of the new consultants' contract

- 15 Although the Trust has continued to make good progress with a strong lead having been taken, we identified areas where further work is needed. Specific areas for development for the Trust are to:
- develop job plans for consultants which support the Trust's objectives and targets;
  - confirm that service requirements match the consultant capacity available;
  - ensure that the benefits of the consultants' contract are identified and formalised into a plan; and
  - use benchmarking to assess consultant productivity.

## Follow-up of previous reviews

- 16 As part of our follow-up work, we also reviewed the Trust's general arrangements for dealing with audit reports and other reviews received from external bodies. We have concluded that in our view the Trust does not have a system in place to ensure that key issues arising from audit reports are included in the risk register.
- 17 The Trust acknowledges that arrangements for ensuring that key issues arising from audit reports are included in the risk register need to be improved. Performance management arrangements are currently under review at the Trust which could provide a method by which implementation of key issues arising from audit reports could be monitored.

## Implementing Payment by Results

- 18 Our review showed that the Trust has dealt successfully with a range of key issues in preparing for Payment by Results and has assessed the potential financial impact of these. However, a number of key actions such as developing arrangements for test checking data, and revising risk sharing arrangements need to be finalised to ensure that Payment by Results can be properly implemented and managed.

## Connecting for health (National Programme for IT) - review of programme management

- 19 Although the Trust has made good progress in its preparations for implementing the National Programme for IT (NPfIT), there are a significant number of issues which still need to be addressed such as:
- establishing a programme setting out how the Trust will manage the implementation of NPfIT;
  - document project plans and establish the level of resources for new systems; and
  - assessing the risks so that these can be properly managed.
- 20 In addition, we have recommended that the risks identified in this review should form part of the Trust's overall risk assessment for the implementation of NPfIT.

## Action for the Board

- 21 The Board should ensure that:
- emergency and elective inpatient activity is managed where appropriate (in conjunction with the PCT);
  - the implementation of savings plans is closely monitored;
  - remedial action is taken where savings are not being delivered;
  - a long-term plan is developed to achieve sustainable financial balance;
  - areas identified for improvement by our Acute Hospitals Portfolio work are followed up and that appropriate action is taken to implement the agreed recommendations, in particular by:
    - reviewing vacancy rates in accident and emergency;
    - using theatres more effectively;
    - managing the level of cancelled operations;
    - increasing the level of day surgery carried out at the Trust;

## 10 Annual Audit Letter | Key messages

- monitor progress in implementing the agreed recommendations resulting from our performance work, in particular:
  - monitor the Trust's assessment of the level of resources required to fully implement the National Programme for IT, and establish a programme for the implementation of NPfIT;
  - ensure actions identified from the review of implementing the new consultants' contracts are implemented and those areas where action is still required to successfully implement Payment by Results are addressed;
- a system is in place to ensure that key issues arising from audit reports are included in the Trust's risk register; and
- discharge times in the accident and emergency department are properly recorded.

## Accounts

We gave unqualified opinions on the accounts of the Trust on 5 July 2005. As in recent years, good quality working papers supported the financial statements, making the final accounts audit process more efficient.

- 22 In March 2005, we carried out a review of the Trust's core financial processes. From our review, we concluded that core processes were adequate and formed a suitable basis for the preparation of the accounts.
- 23 We issued an unqualified opinion on the accounts on 5 July 2005, in time to meet the Department of Health deadline of 15 July. The Trust has continued to produce a high standard of accounts and working papers and we had no issues to report to the Audit Committee.
- 24 The Department of Health is planning to bring forward the timetable for the preparation and audit of the 2005/06 financial statements which will put further pressure on the closedown process.

## Report to those with responsibility for governance in the Trust

- 25 We are required by professional standards to report to those charged with governance (in this case the Chair of the Audit Committee) certain matters before we give an opinion on the financial statements (SAS 610 report).
- 26 We reported to the Audit Committee two issues arising from the audit of the accounts on 23 June 2005.
- 27 The Agenda for Change provision included in the accounts was overstated by an estimated £87,000. The calculation was made based on the level of funding received by the Trust, rather than on a reasonable estimate of what the likely liability would be, and as such did not comply with the requirements of FRS 12 which requires that a reliable estimate should be made of the amount of the obligation.
- 28 In addition, there were uncertainties around the family planning accrual which looked to be overstated by £13,000.

## Financial aspects of corporate governance

### Financial standing

The Trust achieved its key financial targets in 2004/05 but risks remain for 2005/06 and subsequent years. Close monitoring of the financial position will be required to ensure breakeven is achieved.

- 29 NHS trusts have a number of key statutory financial duties (summarised in Table 1 below) which the Trust met last year.

**Table 1 Financial performance 2004/05**

Target	Performance	Target met
Break even on income and expenditure	The Trust broke even.	Yes
Achieve a 3.5 per cent capital cost absorption rate (CCAR)	A CCAR of 3.2 per cent. The variance from 3.5 per cent is within the Department of Health's materiality range of 3.0 per cent to 4.0 per cent.	Yes
Keep within the capital resource limit (CRL)	The Trust met its CRL of £8 million. There was no over or underspend.	Yes
Remain within the external financing limit (EFL)	The Trust met its EFL target exactly.	Yes

### 2005/06

- 30 The Trust faces significant pressure in the current year if it is to achieve its statutory financial targets. As part of the original budget setting process, a financial gap of £7.3 million was identified, the majority of which relates to non-recurrent funded developments which will not be available in future years.
- 31 The Strategic Health Authority (SHA) has confirmed that an additional one off payment of £1.5 million will be available to help bridge this gap although this is dependent on the Trust finding the remaining £5.8 million. Although this payment is at present non-recurrent, the Trust is seeking to make it recurrent via discussions with its commissioning Primary Care Trust (PCT) and the SHA.

- 32 The Trust has developed a short-term financial strategy which identifies savings to cover the remaining £5.8 million gap and to ensure that financial balance is achieved by the year-end. Of the £5.8 million savings programme, only £4.2 million is recurrent, leaving £1.6 million which will not be carried forward into 2006/07. In his most recent report to the Board, the Director of Finance reported that to date, £2.5 million of the £5.8 million savings required have been achieved.
- 33 The Trust's net overspend against budgets is currently £132,000. Within this largest overspend is in nursing expenditure and the Trust has introduced strict controls over bank and agency expenditure in an effort to manage the over spend.
- 34 In addition, the Trust faces pressure in managing its activity levels, particularly emergency and elective inpatient activity. The current year budgets have been based on previous years' activity and, as such, any additional activity over and above that of previous years is unfunded and will therefore result in higher costs for the Trust. This could prevent the Trust from achieving its short-term financial strategy.
- 35 Despite the Trust's efforts to manage the financial position, significant risks remain both in achieving the savings required (due to the Trust's low reference costs of 84 per cent), and continuing to meet key national service targets.
- 36 The main focus of the Trust is to manage the current years' financial position to ensure that financial balance is achieved at the year-end. However, with no long-term financial plan currently in place, issues remain around the sustainability of the Trust's financial position, and many of the financial problems incurred in the current financial year are likely to appear in subsequent financial years.
- 37 The Trust will have to ensure that expenditure is controlled within existing budgets and that challenging savings targets will be met if it is to meet its statutory financial target to break even this year. The Trust also needs to develop a longer-term financial strategy to ensure that sustainable financial balance is achieved in the future.
- 38 The Board will need to ensure that the Trust:
- manages, in conjunction with the PCT, emergency and elective inpatient activity;
  - closely monitors implementation of savings plans;
  - takes remedial action where savings are not being delivered; and
  - develops a long-term plan to achieve sustainable financial balance.

## Legality of transactions

- 39 We reviewed the Trust's overall arrangements for dealing with legality issues. Key features of these arrangements include:
- legal roles and responsibilities of officers are clearly set out, and are accepted and understood; and
  - arrangements are in place to ensure that legality issues are properly considered.
- 40 We did not identify any major weaknesses in the Trust's overall arrangements.
- 41 During the year a significant piece of legislation (the Freedom of Information Act) came into force. We reviewed the arrangements that the Trust has in place to comply with the Act and did not identify any major weaknesses. At the time of our audit the Trust was dealing with requests for information in a timely manner.

## Standards of financial conduct and prevention and detection of fraud and corruption

- 42 The Trust has sound arrangements in place to prevent and detect fraud and corruption. During the year the Trust has worked with the Local Counter Fraud Service (LCFS) to produce a fraud response plan and an annual fraud plan which sets out a detailed risk based schedule of work including pro-active elements.

## Systems of internal financial control

- 43 The Trust's standing orders and standing financial instructions form a sound basis to ensure that effective arrangements for internal financial control are in place. In addition, we concluded that Internal Audit complies with NHS Internal Audit standards.

## Performance management

- 44 As part of our 2004/05 audit plan we carried out the following work on your performance management arrangements:
- Agenda for Change;
  - implementation of the new consultants' contract;
  - implementing Payment by Results;
  - information management and governance;
  - review of programme management (connecting for health); and
  - follow up of previous reviews.
- 45 We also completed a review of data quality on behalf of the Healthcare Commission, as well as work on the Acute Hospitals Portfolio. Our main findings and conclusions for each piece of work are summarised below.

### Agenda for Change

- 46 We assessed the arrangements that the Trust has in place to manage preparation for implementation of Agenda for Change.
- 47 The Trust has many strengths in managing Agenda for Change, but in order to strengthen arrangements we recommended that the Trust should:
- clarify the financial allocations available to support Agenda for Change;
  - involve staff in the benefits process realisation to raise staff awareness of potential benefits;
  - use the opportunity to improve appraisal and embed Agenda for Change into culture of working; and
  - use performance management to develop ways of assessing value for money which will lead to improved patient services.
- 48 The results were presented to the Trust's Agenda for Change steering group in November, and an action plan was agreed.

### Implementation of new consultants' contract

- 49 Overall, the Trust has successfully implemented the new consultant's contract with around 75 per cent of its consultants opting to accept the new contract. The Trust has continued to make good progress with a strong lead having been taken by the Medical Director supported by clinical directors. There is a clear understanding of consultant capacity, and previous job planning has been used to shape future consultant roles.

- 50 However, there is a need to formalise the approach to service redesign and identify measurable benefits into a structured development plan. The Trust also needs to ensure that the management information systems are able to support performance management of the consultant contract and ultimately to assess value for money.
- 51 Specific areas for development for the Trust are to:
- develop job plans for consultants which support the Trust's objectives and targets;
  - confirm that service requirements match the consultant capacity available;
  - ensure that the benefits of the consultants' contract are identified and formalised into a plan; and
  - use benchmarking to assess consultant productivity.

We have agreed an action plan with the Medical Director to ensure that the recommendations made are implemented.

## Implementing Payment by Results

A number of key arrangements need to be finalised to ensure Payment by Results can be properly implemented.

- 52 In October 2002, the Department of Health issued a paper 'Reforming NHS Financial Flows - Introducing Payment by Results' which set out significant changes designed to encourage and reward efficiency. Payment by Results is a system in which providers are reimbursed by Primary Care Trusts (PCT) for the activity undertaken, adjusted for casemix (the complexity of the treatment provided).
- 53 The audit assessed whether the Trust has complied with Department of Health (DH) guidance during the preparation phase of Payment by Results (PbR), and whether it has put in place the key building blocks necessary for successful implementation. Our review showed that the Trust has dealt successfully with a range of key issues in preparing for Payment by Results and has assessed the potential financial impact of these.

- 54 At the time of our review, there were, however, a number of important arrangements which had yet to be finalised. Table 2 shows the areas where further action is required.

**Table 2 Key issues for the Trust to address**

	<b>Issue to address</b>
Organisational awareness	<ul style="list-style-type: none"> <li>• Make arrangements for reporting PbR activity and related payments to the Board.</li> </ul>
Fit for purpose data	<ul style="list-style-type: none"> <li>• Agree with Poole PCT time limits for coding elective activity, and formal arrangements to validate data submitted by the Trust.</li> </ul>
Financial management	<ul style="list-style-type: none"> <li>• Introduce budget reports that show PbR income and expenditure for each specialty analysing variances against budget income by volume, casemix and cost.</li> </ul>
Contract management	<ul style="list-style-type: none"> <li>• Agree with Poole PCT a specification for monitoring reports, and formal arrangements and timetables for review processes.</li> </ul>
Partnerships	<ul style="list-style-type: none"> <li>• Finalise risk sharing and pooling arrangements with other local hospitals and Poole PCT.</li> </ul>

- 55 An action plan has been agreed setting out the Trust's response to the recommendations made. The Trust has also established a commissioning group which includes representatives from both the Trust and Poole PCT which will review the recommendations made in this report. In addition a new Local Delivery Plan has recently been agreed which will also address some of the issues raised.

## Information management and governance

- 56 NHS bodies spend as much as a third of their revenue expenditure on tasks related to the collection, analysis and dissemination of information. However, Information management and Governance is often given little priority by staff and management. In the NHS information is often not available to those who need it on a timely basis, is of poor quality and can contradict information from other sources.

- 57 The aim of the review was to answer questions such as:
- do the Trust's information systems consistently provide accurate, complete and timely information that Trust staff need to do their jobs;
  - is information readily available and easily accessible; and
  - what are the Trust's prospects for improvement through better information management?
- 58 As part of our review, we asked staff to give their views on a range of information governance issues and we compared the Trust's responses to those from other Trusts. There were several areas where this Trust appeared to perform better than other Trusts, for example staff reported that they:
- have confidence in the information provided and have received training to access the information they need;
  - are aware that an information security policy is in place and have had the impact of the Data Protection Act explained to them; and
  - follow agreed information sharing protocols.
- 59 There were only a few areas where improvements could be made, for example:
- by reviewing mechanisms for managing information; and
  - improving the support provided to staff to maximise the use of Trust information technology.
- 60 An action plan has been agreed to address the recommendations made which should help to improve the effectiveness of the information provided and used by the PCT, some of which has been built into the Connecting for Health programme. The Trust is also undertaking an audit to establish whether information distributed to staff is targeted appropriately.

## Connecting for Health - review of programme management

- 61 The National Programme for IT (NPfIT) sets out challenging targets which need to be met within defined timescales.
- 62 We undertook a two stage review as part of this work which included:
- a review of Strategic Health Authority (SHA) programme management arrangements for NPfIT; and
  - a baseline review of the governance arrangements in the Trust and the overall health community.

## Strategic Health Authority

- 63 Overall, the structures and governance arrangements developed by the SHA across the local health community are effective and are in line with best practice for programme management. We have however identified scope for improvement in some areas and have agreed an action plan with the SHA to address these issues which is being taken forward by the Central Health Informatics Executive Group.

## Baseline review of governance arrangements

- 64 The audit assessed the baseline position of the Trust covering areas such as stakeholder engagement, management arrangements and process design and training.
- 65 The Trust has made good progress in its preparations for implementing the National Programme for IT and is in the final wave of implementing the NCRS (National Care Record System). It is also currently implementing both PACS (Picture Archiving and Communication System) and Choose and Book. The Trust recognises that there are a significant number of issues that still need to be addressed and table three sets out those areas where further action is needed.

**Table 3 Implementing NPfIT - areas for improvement**

Stakeholder engagement	<ul style="list-style-type: none"> <li>Develop a plan to engage staff and to communicate how new systems will be implemented.</li> </ul>
Management arrangements	<ul style="list-style-type: none"> <li>Establish a programme setting out how the Trust will manage the implementation of NPfIT.</li> <li>Document project plans for new systems and establish the level of resources needed to implement them.</li> </ul>
Benefits management	<ul style="list-style-type: none"> <li>Identify the benefits from investment in the new systems.</li> </ul>
Risk assessment	<ul style="list-style-type: none"> <li>Assess the risks associated with NPfIT so that these can be properly managed.</li> </ul>

- 66 An action plan has been agreed to address the issues raised. In addition, we have recommended that the risks identified in this review should form part of the Trust's overall risk assessment for the implementation of NPfIT.

## Follow-up of previous reviews

- 67 During the year, we followed up the Trust's progress in addressing the recommendations made in our NHS Plan Implementation Review (2003/04) and its processes for developing the Local Delivery Plan. In addition we also carried out follow-up work on the action plans for previous years' Acute Hospitals Portfolios work for:
- bed management and theatres (2002/03); and
  - pathology, therapy and dietetics (2003/04).
- 68 The Trust has made progress in implementing the improvement recommendations identified, particularly in the area of engaging the public and its stakeholders.
- 69 The Trust has not adopted or implemented care pathways for older people showing signs of dementia or depression. However, the Trust is taking steps towards developing a care pathway for the general care of elderly people and plans to produce a draft pathway by March 2006.
- 70 As part of our follow-up work, we also reviewed the Trust's general arrangements for dealing with audit reports and other reviews received from external bodies. From this work our view is that the Trust:
- does not have systematic arrangements in place for monitoring the implementation of external audit action plans and reporting progress to the Audit Committee; and
  - does not include key issues arising from audit reports in the risk register.
- 71 The Trust acknowledges that arrangements for ensuring that key issues arising from audit reports are included in the risk register need to be improved. Performance management arrangements are currently under review at the Trust which could provide a method by which actions in response to issues raised in audit reports could be monitored. The Board should ensure that a system is in place to ensure that key issues arising from audit reports are included in the trust's risk register.

## Data quality

The Trust has effective management arrangements in place to ensure the accuracy of data. There is clear evidence of top-level commitment to improving the quality of information within the Trust.

- 72 The data quality reviews undertaken at acute trusts are important to assess the accuracy and reliability of data which is critical to NHS performance initiatives. The structure of this year's data quality reviews built on our work in previous years on overall data quality arrangements and included:
- an initial self-assessment by the trust; and
  - a review of overall management arrangements and A&E, day surgery and ward records.
- 73 Overall, the Trust has effective management arrangements in place to ensure the accuracy of data and there is clear evidence of top-level commitment to improving the quality of information within the Trust.
- 74 The summary results for the Trust are detailed below.

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**Table 4 Results from Data Quality Audit 2004/05**

Area	Rating
Management arrangements	Good
Accident and emergency (A&E)	Weak
Day surgery	Good
Ward records	Good

- 75 The main area of weakness was in the recording of accident and emergency data. The computer system in place is difficult to use and does not produce a robust audit trail. In addition, our testing revealed errors in recording discharge times, although these were not advantageous to the Trust. The Trust plans to undertake an audit of notes in the A&E department, and to review the processes currently in place.

76 The Trust, however, scored very well in all other aspects of the data quality audit although we made the following suggestions for further improvement.

- Discharge planning for patients could be better structured.
- The actual times of arrival and discharge for day case patients should be recorded, rather than the standard times currently used.
- Formal discharge plan documents should be completed for all patients in line with best practice.
- Full details of pressure sore assessments and reviews should be retained on patients' files.
- the process for identifying signatures needs to be improved as these are often difficult to recognise.

77 Actions agreed with the Trust to address the areas above include:

- incorporating formal discharge plan documents into the discharge policy;
- reminding nurses through senior nurse meetings of the need to include details of pressure sore assessment on patient files; and
- reviewing how actual patient arrival and discharge times can be more accurately recorded via the surgical team.

## Acute Hospitals Portfolio

78 The Acute Hospitals Portfolio is an ongoing programme of data collection covering a range of topics relevant to acute hospital services. It can be a powerful tool for improving services as it offers highly detailed comparisons of performance between services that make a direct impact on patient care. This year's topics were:

- accident and emergency;
- day surgery; and
- ward staffing.

79 These topics were covered in phase 1 four years ago so we were able to assess how the Trust's performance had changed since that time, as well as a comparison of the Trust's services with others nationally. We looked at key indicators from the following perspectives:

- patient experience;
- use and management of resources; and
- capacity.

80 The Trust scored well in the following areas.

#### Accident and emergency (A&E)

- Above average scores for both the quality of the A&E environment and the childrens' facilities provided.
- There are a low number of patients re-attending indicating a high quality of care.

#### Day surgery

- A number of good practice care policies are in place, and the views of patients are actively sought.
- Waiting times are shorter than average.
- A number of patient care protocols are in place.
- The percentage of true day surgery procedures (where a general anaesthetic is needed or a sterile environment) carried out is above average.

#### Ward staffing

- The incidence of pressure sores has reduced.
- An open culture of reporting accident and incident rates is in place.
- The use of temporary (agency) staff is low.
- Nursing costs are average.

81 Table 5 sets out those areas where the Trust compared less well to other similar Trusts.

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**Table 5 Acute hospitals portfolio issues 2004/05**

<b>Findings</b>	
<b>Accident and emergency</b>	
Patient experience	<p>The patient experience was generally poor as at the time of our review in that:</p> <ul style="list-style-type: none"> <li>• waiting times for admission, transfer or discharge were worse than in other Trusts and had deteriorated since our original review - only 52 per cent of patients saw a doctor or nurse within an hour which is below the median; and</li> <li>• information available for patients was less widely available than at other Trusts, for example, information about support groups, how to complain and health education.</li> </ul>

<b>Findings</b>	
Management and efficiency	<ul style="list-style-type: none"> <li>• Average workloads for doctors and nurses are low when compared to other Trusts, although this may be attributable to the high level of elderly and trauma patients seen.</li> <li>• The rate at which nurses leave A&amp;E is comparatively high at 19 per cent compared to other Trusts where the average is around 6 per cent - the vacancy rate is also high at 18 per cent.</li> <li>• Average expenditure is comparatively high, but this reflects the additional investment which had recently been made into the department at the time of our review.</li> </ul>
Capacity	<ul style="list-style-type: none"> <li>• Poor clinical and management information systems are in place - the department is therefore unable to obtain routine reports on waiting times which most other Trusts receive</li> </ul>
<b>Day surgery</b>	
Patient experience	<ul style="list-style-type: none"> <li>• Operations cancelled by the hospital are comparatively high at 7.6 per cent - the best performing Trusts cancel less than 3 per cent of operations</li> <li>• Compared to other hospitals, numbers of patients not attending for their operation are below average - this number has increased, however, when compared to the Trust's performance in 2000 which indicates that this Trust has not improved as much as other Trusts.</li> <li>• unplanned stays have increased by 5 per cent (where a patient unexpectedly has to stay overnight) compared to an average 1.5 per cent increase at other Trusts.</li> </ul>
Use of resources	<ul style="list-style-type: none"> <li>• Sixty-two per cent of procedures are carried out as day case surgery - although this has improved, other Trusts are now averaging around 67 per cent.</li> <li>• Theatre usage is lower than average at 52 per cent - there is a comparatively high level of cancellations, and sessions often start late and finish early.</li> <li>• Good quality information is not available to staff which makes it difficult to actively manage performance in day surgery.</li> </ul>
Capacity	<ul style="list-style-type: none"> <li>• There is scope to do more day surgery at the Trust by making better use of available beds, staff and theatres. Staff productivity, for example, at below 10 per cent is in the lower quartile - the median is 12 per cent and the best performing Trusts achieve over 20 per cent.</li> </ul>

<b>Findings</b>	
<b>Ward staffing</b>	
Patient experience	<ul style="list-style-type: none"> <li>High drugs error rates in the upper quartile (where incorrect drugs have been administered) were identified on some wards.</li> </ul>
Use of nursing resource	<ul style="list-style-type: none"> <li>Skill mix of nursing staff is low compared to other Trusts which could affect the quality of patient care.</li> </ul>

- 82** Considerable improvements have been made in many areas since our review, particularly in accident and emergency where the Trust is now meeting the 98 per cent target for patients being admitted, transferred or discharged within four hours. This has, in part, been the result of additional investment in the department.
- 83** The Board should ensure that areas identified for improvement by our Acute Hospitals Portfolio work are followed up and that appropriate action is taken to implement the agreed recommendations.

## Future audit work

- 84 The statutory requirements governing our audit work, are contained in:
- the Audit Commission Act 1998; and
  - the Code of Audit Practice (the Code).
- 85 The Code has been revised with effect from 1 April 2005. Further details are included in our Audit Plan which was agreed with the Audit Committee in June 2005. Key changes include:
- the requirement to draw a positive conclusion regarding the Trust's arrangements for ensuring value for money in its use of resources; and
  - a clearer focus on overall financial and performance management arrangements.
- 86 To achieve consistency and clarity in auditor judgements and to further partnership working with the Healthcare Commission, the Audit Commission has developed the Auditor's Local Evaluation and Reporting Tool (ALERT) framework for auditors to apply at all audits. The audit work undertaken during the year will require separate judgements to be made on the Trust's arrangements in the following areas:
- accounts;
  - internal control;
  - financial management;
  - financial standing; and
  - value for money.
- 87 These elements comprise the Auditor's Local Evaluation (ALE), and performance on each of them will be scored on a scale of one to four, with four being the best.
- 88 We will share details of the judgements made, and the scores, with the Trust. The scores will be accompanied, where appropriate, by recommendations of what the Trust needs to do to improve its performance. The scores will be a key component in the 2006/07 risk assessment and audit plan. Final ALE scores will also be shared with the Strategic Health Authority.
- 89 The ALE assessments are produced for our purposes under the Code, but they will also be shared with the Healthcare Commission to inform its annual assessment of the Trust. The Audit Commission has consulted widely on the ALERT and ALE proposals, including with all PCTs, trusts and SHAs.

## National risk-based work

- 90 In 2004/05, the Audit Commission highlighted six key national risks which absorb a significant amount of public money and impact comprehensively across the NHS as a whole. Many of these remain high risk areas in 2005/06 and are also high risk locally. For 2005/06 these risks are:
- core financial management;
  - new funding flows;
  - managing resources for improvement;
  - implementing new workforce contracts;
  - information management and technology; and
  - projects within the National Programme for IT.
- 91 We will carry out an initial assessment of the areas as part of the ALERT framework and, where it is appropriate in view of this initial risk assessment, we will perform further detailed work in the national red risk areas to provide evidence to support our audit conclusions.

## Cross-cutting work

- 92 Partnership working with local authorities and other NHS bodies and voluntary bodies is an increasingly important way in which services are delivered. We will also carry out a review cross Dorset and Somerset SHA area to evaluate how these arrangements are being developed, using health inequalities as an indicator.

## Work on behalf of the Healthcare Commission.

- 93 From 1 April 2004, the Healthcare Commission assumed the Audit Commission's national value for money study function in the NHS in England. This may include requesting the Audit Commission, each year, to mandate performance audit work to be carried out at all relevant audited bodies.
- 94 For 2005/06, the Healthcare Commission recognises that audit resources are required to establish a robust baseline assessment of the arrangements which inform the ALE scores, since they are to be used by the Healthcare Commission to inform its assessment of organisational performance. This work takes the place of any other specific reviews, such as data quality, for 2005/06.

## Audit fee

- 95 The Audit Commission's Standing Guidance for Auditors requires auditors to communicate to those charged with governance a breakdown of fee income – over the three Code of Audit Practice elements plus all non-audit work and certification work. Details of the planned and actual fees are set out in Appendix 2.

## Closing remarks

- 96 This letter was discussed and agreed with the Chief Executive and Director of Finance and a copy of the letter was presented to the Trust's Audit Committee on 10 November 2005.
- 97 The audit has covered a wide range of the Trust's arrangements and activities, providing assurance in key areas and also supporting the Trust's continuing improvement and development.
- 98 As always, the Trust has taken a positive and constructive approach to the audit and I would like to take this opportunity to express my appreciation for the assistance and co-operation provided during the course of the audit.

## Availability of this letter

- 99 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk) and also on the Trust's website.

Simon Garlick  
District Auditor  
November 2005

## Appendix 1 – Reports issued during the year

**Table 6**

<b>Report title</b>	<b>Date issued</b>
Audit Plan	September 2004
Agenda for Change	January 2005
Consultant Contract Implementation	May 2005
Review of Core Processes and Corporate Governance Arrangements	May 2005
Data Quality	May 2005
Acute Hospitals Portfolio (Phase 4)	May - June 2005
NPfIT Diagnostic	June 2005
Report to Those Charged with Governance on the Financial Statements 2004/05 (SAS610)	July 2005
Matters Arising From the Review of the Financial Statements	August 2005
Information Management and Governance	September 2005
VFM follow-up	October 2005
Annual Audit Letter	November 2005

We also provided the Audit Committee with regular reviews of our progress against the Audit Plan.

## Appendix 2 – Audit fee

The proposed fee for the 2004/05 audit was set out in our audit plan agreed at the start of the audit. The table below shows the planned and actual fees.

**Table 7      Audit fee update**

<b>Audit area</b>	<b>Plan 2004/05</b>	<b>Anticipated actual 2004/05</b>
Accounts	£18,590	£18,590
Financial aspects of corporate governance	£21,301	£21,301
Performance	£52,700	£52,700
<b>Total</b>	<b>£92,591</b>	<b>£92,591</b>