







Trust Board Report

Meeting Date:	Monday, 24 September 2012
Title:	Annual Audit Letter
Executive Summary:	See Below
Action Requested:	To note the contents of the Annual Audit Letter
Report of:	Chief Financial Officer
Author: Contact Details:	Kevin Stringer, Chief Financial Officer Tel: 01902 695954 Email: kevin.stringer@nhs.net
Resource Implications:	None
Public or Private: (with reasons if private)	Public Session
References: (eg from/to other committees)	N/A
Appendices/ References/ Background Reading	
NHS Constitution: (How it impacts on any decision-making)	In determining this matter, the Board should have regard to the Core principles contained in the Constitution of: <ul style="list-style-type: none">  Equality of treatment and access to services  High standards of excellence and professionalism  Service user preferences  Cross community working  Best Value  Accountability through local influence and scrutiny

Background Details

1	The Annual Audit Letter is issued by the External Auditors (PricewaterhouseCoopers) summarising the results of the 2011/12 audit.
2	The letter and its contents were discussed at the September Audit Committee and approved for discussion at the Board.
3	The key findings are detailed in the letter, but in summary are:- <ul style="list-style-type: none"> • All of the 7 areas identified in the Audit scorecard were classed as green • The accounts were given an 'unqualified audit opinion' on 8 June 2012 and were prepared on time

Title:

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| | <ul style="list-style-type: none">• No significant issues were identified and the quality of the working papers was high• The Auditors concluded that the Trust's assumption was appropriate that it was a going concern• Work on internal controls identified no significant matters and no areas of concern were identified in the Statement of Internal Control• The auditors issued an unqualified conclusion on the Trust's arrangements for 'use of resources' on 8 June 2012• The Auditors issued an 'unqualified limited assurance' report in respect of the Quality Account |
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Government and Public Sector

***The Royal
Wolverhampton***

NHS Trust

Annual Audit Letter

August 2012

2011/12 Audit



The Board
The Royal Wolverhampton NHS Trust
New Cross Hospital
Heath Town
Wolverhampton
WV10 0QP

14 August 2012

Ladies and Gentleman

We are pleased to present our Annual Audit Letter summarising the results of our 2011/12 audit. We would like to thank all those directors and staff with whom we have had contact for their help and assistance throughout the course of our work during 2011/12.

Yours faithfully

PricewaterhouseCoopers LLP

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to directors or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any director or officer in their individual capacity or to any third party.

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Introduction

The purpose of this letter

The purpose of this letter is to provide a high level summary of the results of the audit work we have undertaken for 2011/12 at The Royal Wolverhampton NHS Trust that is accessible for the Board and other interested stakeholders.

We have already reported the detailed findings from our audit work to those charged with governance, which in the case of the Trust had previously been agreed as being the Trust's Audit Committee, in the following reports:

- Progress Reports (December 2011, February 2012 and April 2012);
- Report on the results of our audit of the 2011/12 financial statements under the requirements of the International Standard on Auditing (ISA) (UK and Ireland) 260 (ISA (UK&I) 260);
- Audit opinion on the 2011/12 financial statements, incorporating our value for money conclusion;
- Audit opinion on the Summary Financial Statements included within the Annual Report;
- 2011/12 External Assurance Report on the Quality Account (which was reported directly to the Trust Board); and
- Limited Assurance Report on the 2011/12 Annual Quality Account.

Scope of work

Our audit work is conducted in accordance with the Audit Commission's Code of Audit Practice (NHS), International Standards on Auditing (UK and Ireland) and other relevant guidance issued by the Audit Commission.

The Trust is responsible for preparing and publishing its financial statements, including an annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming opinions on the statutory financial statements (including reviewing the Trust's Annual Governance Statement) and the summary financial statements included in the Annual Report;
- forming a conclusion on the arrangements that the Trust has in place to secure economy, efficiency and effectiveness in its use of resources; and
- carrying out any other work specified by the Audit Commission, which this year comprised work on:
 - the Trust's Quality Account; and
 - following-up past work on the Payment by Results data assurance framework.

Our 2011/12 audit work has been undertaken in accordance with the Audit Plan that we originally discussed and agreed with the Audit Committee at its meeting in December 2011 and which was subsequently updated in April 2012 as a result of guidance issued by the Department of Health on the accounting treatment to be used for transactions under the Transforming Community Services (TCS) agenda, which reduced the scope of our work in this area.

Audit scorecard

We have set out in the rest of this report what we consider to be the most significant matters arising from our audit. The following scorecard summarises our views across the main areas of our audit using the following key:

Key

- R** Red – significant improvements required
- A** Amber – some improvements required
- G** Green – no or some minor improvements required

Audit Area	Comments
Financial Statements	<p>G Our audit identified no significant issues with respect to the quality of the draft financial statements presented for audit. Working papers to support the preparation and audit of the financial statements were of a high quality. We issued an unqualified opinion on the Trust's financial statements on 8 June 2012. In the context of the wider pressures on the Finance Team, the Trust's accounting performance with respect to the 2011/12 financial statements is to be commended.</p>
Annual Report and Summary Financial Statements	<p>G We reviewed whether the content of the Annual Report complied with the NHS Manual for Accounts and our review identified no significant issues. We issued an unqualified ('consistent with') opinion on the Trust's Summary Financial Statements included within the Annual Report on 26 July 2012.</p>
Financial Standing/Going Concern	<p>G The Trust achieved all of the financial reporting targets that it is required to report upon within the statutory financial statements. There were no material uncertainties related to events and conditions that may cast significant doubt on the Trust's ability to continue as a going concern.</p>
Internal Controls	<p>G We reviewed the Trust's systems of internal financial control for the purposes of our audit and our review of the Annual Governance Statement. Our work identified no significant matters to bring to your attention. We reviewed the Trust's Annual Governance Statement to consider whether it complied with relevant guidance and whether it was misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.</p>
Use of Resources/Value for money conclusion	<p>G We focussed in particular on the impact of the transfer of community services on the Trust from 1 April 2011. Based on this and other work we concluded that the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. We therefore issued an unqualified conclusion on the Trust's arrangements for its use of resources on 8 June 2012.</p>
Quality Account	<p>G Our work concluded that the Quality Account had been prepared in accordance with the relevant regulations and guidance, and that the information contained in the Quality Account was consistent with the Trust's Annual Governance Statement. We therefore issued an unqualified limited assurance report on 29 June 2012.</p>
Payment by Results	<p>G We completed a follow-up of all previous results and recommendations which had been carried out under the Audit Commission's Payment by Results (PbR) data assurance framework to ensure that agreed actions had been carried out and improvements made. We identified that the majority of the agreed actions in response to recommendations made had been completed. Where agreed actions in response to recommendations made had not been fully completed satisfactory progress was being made to implement these.</p>

Audit Findings

Accounts

Audit opinion

We audited the Trust's financial statements in line with approved Auditing Standards in May 2012. We reported the detailed findings from our audit of the financial statements to the Trust's Audit Committee at a meeting on 7 June 2012 and subsequently issued an **unqualified audit opinion** on 8 June 2012.

We summarise below the significant matters arising from our audit of the financial statements.

Accounts preparation

Your draft financial statements were submitted to the Department of Health on time. Our audit identified no material issues with respect to the quality of the financial statements presented for audit although a number of minor disclosure issues were identified which were amended appropriately. These were due principally to a lack of sufficient tailoring of the original financial statements' template to the circumstances of the Trust. The Finance Team recognizes this issue and plans to make improvements in this area for 2012/13.

We agreed in advance what we would need for our audit and this was ready for us when we arrived, and in some cases in advance of the audit; working papers were of a high quality. Key finance staff were available to address any audit queries and the finance team worked hard to meet the timescales in light of the other pressures on the Finance Team, including the continued Foundation Trust assessment; in the context of the wider pressures on the Finance Team the Trust's accounting performance with respect to the 2011/12 financial statements is to be commended.

Accounting issues

Provisions

The financial statements included provisions totalling £1.6 million that had been raised for income which had been received in 2011/12 but for which the associated services had not been delivered by the financial year-end and there was the possibility that these monies would need to be repaid. The £1.6 million was made up of two separate elements; £1.2 million was to be used to reduce Referral to Treatment Times (RTT) and £400,000 was to be used for the delivery of post discharge re-enablement and community PbR tariff.

In previous years the Trust would have deferred this income as at the year-end (in this case as at 31 March 2012). However, due to the release of late guidance in respect of the NHS agreement of balances exercise by the Department of Health, it was not possible for the Trust to defer the income without this resulting in NHS agreement of balances differences. The Trust therefore recognised the income in year but provided in full for its return to the PCT should the Trust fail to deliver the activity associated with the income. The circumstances under which the Trust would need to return monies to the PCT, should it fail to deliver the activity associated with the income, were set out in letters from the PCT to the Trust.

We reviewed the provisions for supporting evidence against the requirements of International Accounting Standard (IAS) 37: 'Provisions, contingent liabilities and contingent assets'. We satisfied ourselves that for both of the provisions the requirements of IAS 37 had been met; our audit of these provisions included a review of communications that had been received by the Trust which confirmed that there was potential for these monies to be required to be repaid should the Trust fail to deliver the associated services.

Deferred income in relation to the Acumentive Project

The Trust was approached by the Department of Health back in 2009/10 to pilot the so-called Acumentive project, which was intended to be rolled out to other NHS organisations upon completion at the Trust.

In 2009/10 the Trust received a payment of £1.0 million from the West Midlands Strategic Health Authority relating to the project, all of which was deferred at the year-end (31 March 2010). A subsequent amount of £1.5 million was received from the Department of Health in 2010/11; both the £1 million and the £1.5 million were deferred as at 31 March 2011. As part of the 2010/11 audit, we reviewed the contract that had been entered into by the Trust with Acumentive which was for £2.1 million excluding VAT.

The Trust continued to account for £2.0 million of the monies received as deferred income as at 31 March 2012, with the Trust recognising a £0.5 million release of income in 2011/12. Initially, we understood that the Trust was planning on releasing income in 2011/12 to match the expenditure that had been incurred during the year. However, as the project developed during 2011/12 it became apparent to the Trust that additional expenditure would be required in order to complete the project which was not included within the original contract. During 2011/12 the Trust reforecast the expenditure to be incurred during the lifetime of the project; based on the actual spend incurred in 2011/12 and the forecast spend going forward to complete the project.

We discussed with the Chief Financial Officer the assumptions and judgements applied by the Trust in the release of deferred income in 2011/12 and at the time of the audit the end date of the project was not certain. Due to the current economic climate the Trust deemed it more prudent to self fund the majority of expenditure incurred in 2011/12 rather than release deferred income to match expenditure incurred, as the Trust believes that over the coming years the funding environment for the Trust will become more challenging and so self funding of the costs to complete the project in future years may not be possible.

During 2011/12 the Trust incurred actual expenditure of £1.8 million against a total reforecast spend for the lifetime of the project of £3.8 million. We undertook sensitivity analysis to compare the release of income in 2011/12 using different assumptions and judgements. This demonstrated that even when different assumptions and judgements were used on how the deferred income could or should be released the difference was not material to the financial statements. This is a judgemental area and the amounts involved are not material to the financial statements. We concluded that the release of £0.5 million had been based on reasonable underlying assumptions in line with generally accepted practice and relevant guidance and that the accounting treatment adopted by the Trust would not result in a material misstatement in the financial statements.

Transforming Community Services (TCS)

The Community Services previously provided by Wolverhampton City PCT were transferred to the Trust as part of the national Transforming Community Services (TCS) initiative on 1 April 2011. The key findings from our work on the TCS transaction can be summarised as follows:

- we reviewed the transfer agreement with the Wolverhampton City PCT and were able to understand and evaluate the nature of the agreement;
- we assessed the control environment in the Community Services parts of the Trust. We identified some minor areas for improvement, such as the need to maintain a register of assets which are requested and replaced for individuals who use low value equipment;
- we reviewed the TCS-related entries in your opening Statement of Financial Position. We satisfied ourselves that your proposed accounting entries were materially correct;
- we reviewed the assets being used for the delivery of the transferred community services to confirm that they had been classified appropriately as finance leases;
- we agreed the equipment assets which transferred to the Trust to a corresponding supporting schedule from the PCT and confirmed that they had been accurately recorded in the Trust's fixed asset register and depreciated in accordance with the Trust's existing accounting policies;
- for the sample of assets selected for physical verification all were found to be in existence; and
- we made some recommendations for improving the disclosures in the draft financial statements in relation to the TCS transaction. These were agreed and implemented by the Trust.

Radiology PFI

The Trust has one PFI scheme in relation to the provision of radiology services. During our 2010/11 audit we identified issues within the Trust's PFI accounting model which resulted in inaccurate values for interest payable, operating expenditure and contingent rentals. None of the misstatements were material to the 2010/11 financial statements.

At the request of the Trust, we undertook an early review of the Trust's updated PFI accounting model for 2011/12 and satisfied ourselves that its underpinning assumptions were consistent with accounting standards. The accounting entries of the Trust's model were compared to the outputs of a model prepared by PwC's PFI accounting experts and they were found to be consistent.

In our 2010/11 audit we also identified that capital spend included in the 2010/11 accounts had been overstated by £1.024 million. This was due to a delay in the purchase of an MRI scanner. The Trust advised us at the time that the proposed purchase of an MRI scanner was unlikely to occur until 2012/13. As a result, the Trust reversed all depreciation charged relating to the MRI scanner in respect of both 2010/11 and 2011/12. However, the reclassification of the asset from fixed assets to deferred assets was not performed. The Trust attempted to make this adjustment after it had been identified during the audit. However, this would have resulted in differences between the summarisation schedules and the accounts. Therefore, the Trust decided not to make the change in the 2011/12 financial statements and left the item as an unadjusted misstatement.

Misstatements and significant audit adjustments

As referred to above, we identified one unadjusted misstatement which related to the reclassification of a PFI asset from property, plant and equipment to prepayments for £1.024 million. The proposed adjustment had no Income and Expenditure impact. After considering our ISA 260 report, the Trust's Audit Committee decided not to adjust the accounts for the unadjusted item because it would result in validation errors in the summarisation schedules. We considered the qualitative and quantitative aspects of the unadjusted item and concluded that, should the Trust decide not to adjust for this misstatement, this would not adversely impact on our audit opinion.

As part of our audit we identified a small number of items where the Trust decided to adjust the financial statements; as a result the Trust's reported surplus position and net asset position increased by £6,000.

Annual Report and Summary Financial Statements

The NHS Manual for Accounts requires NHS bodies to publish, as a single document, an annual report and accounts. The Annual Report consists of a Directors' Report, based on the requirements of Chapter 5 of Part 15 of the Companies Act 2006, and a Remuneration Report based on Chapter 6 of Part 15 of the Companies Act 2006. The accounts can either be the full statutory accounts or a set of summary financial statements.

Auditors are required to review the Annual Report for consistency with the information in the statutory financial statements. We are also required to consider whether the content of the Annual Report meets the requirements set out by the NHS Manual for Accounts and whether the Summary Financial Statements included in the Annual Report are consistent with the Trust's statutory financial statements.

Our initial review of the draft Annual Report identified some instances of non compliance with the NHS Manual for Accounts. After discussing these matters with the Trust, and reviewing the amended version we were able to issue an unqualified ('consistent with') opinion on the Trust's Summary Financial Statements on 26 July 2012.

Financial standing/Going concern **Financial standing**

The Trust is responsible for ensuring that it has arrangements in place to secure its financial standing. One of our key responsibilities as auditors is to fully consider the financial standing of the Trust. Where there are significant doubts as to the Trust's ability to meet its statutory financial duties we are required to take appropriate steps to ensure that the Trust's accounts fully reflect such matters and to draw any concerns in relation to financial standing to the attention of management, the Board and in certain circumstances, to external parties.

The Trust's performance in 2011/12 in relation to the financial reporting targets that the Trust is required to report upon within the statutory financial statements is summarised below:

Performance Target	2011/12 Performance	Achieved
To achieve its statutory duty to break-even	The Trust reported an in-year break-even adjusted surplus* of £9.3 million and a cumulative surplus of £17.9 million.	✓
To absorb the cost of capital	Achievement of the 3.5% prescribed absorption rate.	✓
To remain within the Capital Resource Limit	The Trust reported an underspend of £0.4 million against its Capital Resource Limit.	✓
To remain within the External Financing Limit	The Trust undershot its notified External Financing Limit by £2.8 million.	✓

*The break-even adjusted surplus is calculated by deducting or including a small number items of income and expenditure as mandated by Department of Health guidance.

Going concern

There were no material uncertainties related to events and conditions that may cast significant doubt on the Trust's ability to continue as a going concern. In addition to the points noted above, we noted:

- sound performance against the 2011/12 Cost Improvement Plan (CIP) by delivering savings of £13.3 million against a target of £14.1 million;
- the Trust is forecasting that it will achieve a surplus in 2012/13 of £4.5 million; and
- as at 31 March 2012 the Trust had available cash balances of £15.7 million.

We concluded that in overall terms the Trust had sufficient resources available to meet its commitments for at least a 12-month period after the date of our audit opinion. We therefore concluded that the use of the going concern assumption was appropriate in the preparation and presentation of the financial statements.

Current year position

As at the end of June 2012 the Trust was reporting:

- a cumulative 2012/13 surplus position of £0.4 million, which is £0.6 million below the plan;
- no changes to the annual estimated forecast outturn (to 31 March 2013) of £4.5 million; and
- an annual cost improvement programme (CIP) of £15.3 million (£14.1 million in prior year), of which £4.5 million (£5.6 million in prior year) had been identified and withdrawn from budgets. Of the remaining programme the Trust has identified £0.7 million as high risk (£1.4 million in prior year), £9.9 million as medium risk (£6.9 million in prior year) and £0.2 million as low risk (£0.3 million in prior year).

We will continue to monitor the Trust's financial resilience and performance against budget and against its cost improvement plans as a routine part of our 2012/13 audit procedures.

Our use of resources/value for money conclusion

Our Use of Resources Code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

In accordance with guidance issued by the Audit Commission, in 2011/12 our conclusion was based on two criteria:

- the organisation has proper arrangements in place for securing financial resilience; and
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We were not required to reach a scored judgement in relation to these criteria and the Audit Commission did not develop 'key lines of enquiry' for each criterion. Instead, we determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

Our Audit Plan set out our tailored local programme of audit work which focussed on reviewing the Trust's arrangements for the transfer of the community health services (previously provided by Wolverhampton City Primary Care Trust) to the Trust on 1 April 2011.

Transforming Community Services (TCS)

As part of reaching our use of resources/value for money conclusion we considered the impact of the transfer of community services on the Trust from 1 April 2011. In line with guidance issued to us by the Audit Commission, we considered the steps taken by the Trust to manage the transfer, post 1 April 2011, and particularly focused upon the steps taken by the Trust to secure financial resilience and value for money in respect of the transfer.

Our work identified no issues regarding the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources with regard to the transfer of community services. In reaching this conclusion we considered the steps taken by the Trust to manage risks associated with the TCS transfer effectively during the financial year. In particular, we noted:

- our previous review of the Trust's arrangements for planning the transfer (undertaken as part of our 2010/11 audit work) identified no concerns. The project was found to be supported by robust governance structures and risks were being managed;
- the Trust took the decision not to 'bolt on' community services. Instead the Trust revised its management and service grouping structure in order to integrate community services within existing divisions. This approach has worked well;
- governance arrangements were in place during 2011/12 which monitored how in practice community services were being integrated into the Trust. These arrangements had evolved and developed to ensure that they remained fit for purpose;
- CIP schemes relating to services transferred under TCS were delivered during the 2011/12 financial year and services were delivered within budget; and
- performance management arrangements (including the Board Performance Report and Quality and Safety Report) were updated for 2011/12 to include key performance indicators relating to those services transferred under TCS.

Other planned risk based use of resources/value for money work

We considered the views expressed by regulators in order to identify any issues that may have impacted our use of resources/value for money conclusion; we also maintained a watching brief on the impact of the night time closure of the Accident and Emergency Department at Mid-Staffordshire Hospital NHS Foundation Trust on the Trust's performance. We identified no significant issues that would have had an adverse impact upon our use of resources/value for money conclusion.

Use of Resources Conclusion

Based on the findings of all our work we concluded that you had put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. We therefore issued an unqualified conclusion on the Trust's arrangements for its use of resources on 8 June 2012.

Internal Controls

Accounting systems and systems of internal control

It is the responsibility of the Trust to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. We review these arrangements for the purposes of our audit of the financial statements and our review of the annual governance statement. Our work identified no significant matters to bring to your attention.

Annual Governance Statement (AGS)

This statement was new for this year, replacing the previous statement on internal control and was required by the Department of Health to be included in the Annual Report and Accounts, which is consistent with the requirements of the Treasury Financial Reporting Manual (FReM) which in turn refers to further guidance in the Treasury's document 'Managing Public Money'.

The aim of the AGS is to give a sense of how successfully the Trust has coped with the challenges it faces and of how vulnerable the organisation's performance is or might be, drawing on evidence on governance, risk management and controls. We reviewed the AGS to see whether it complied with relevant guidance and whether it was misleading or inconsistent with what we know about the Trust. We found no areas of concern to report in this context.

Quality Account

All NHS bodies which provide healthcare are required by the Health Act 2009 and associated regulations to publish an annual Quality Account which is available to the public. The Quality Account is a report about the quality of services provided by an NHS healthcare service. The Department of Health (DH) determined that the Quality Accounts published by NHS Trusts in 2011/12 should be subject to external audit review as in 2010/11. The DH agreed with the Audit Commission that Trust auditors would carry out work on the Quality Account in 2011/12 and issue:

- a “limited assurance” conclusion that nothing has come to our attention which suggests that your Quality Account has not been prepared in line with the regulations; and
- a report which:
 - follows up the recommendations we made in respect of one of the indicators we reviewed in 2010/11;
 - sets out our recommendations following testing of two of the indicators which the DH has said you will have to report in the 2012/13 Quality Account; and
 - reports on the work undertaken in relation to one local indicator.

We carried out this work in line with guidance issued by the Audit Commission. Our work comprised:

- a review of the content of the Quality Account against the regulations, based on checklists produced by the Audit Commission to support auditors when undertaking this work;
- detailed testing of three performance indicators included in the Quality Account, based on the Audit Commission’s guidance for the selection of indicators and testing to be undertaken, these were:
 - Incidence of Clostridium Difficile infections;
 - Percentage of patients risk-assessed for venous thromboembolism (VTE); and
 - Incidence of healthcare acquired pressure ulcers.
- a review of whether the Annual Governance Statement reflected compliance with DH’s guidance and was consistent with other information that we were aware of from our audit of the financial statements; and
- confirming that a Statement of Directors’ Responsibilities was signed by the Trust and included in the Quality Account.

Our findings in respect of the work on the three performance indicators can be summarised as follows:

Performance indicator	Findings
Incidence of Clostridium Difficile infections	No issues identified
Percentage of patients risk-assessed for venous thromboembolism (VTE)	Our testing identified that on two occasions the Trust under recorded assessments. Steps have been taken to resolve these matters and the Trust’s reporting tools have been updated.
Incidence of healthcare acquired pressure ulcers	No issues identified

We completed our work in June 2012 and concluded that:

- no issues had come to our attention that led us to believe that the Quality Account had not been prepared in accordance with the regulations; and
- we identified no issues of concern relevant to the Quality Account when we reviewed the Annual Governance Statement.

We reported the detailed findings from our audit of the Quality Account to management on 29 June 2012. As a result of our work, we were able to provide an unqualified limited assurance report in respect of the content of the Quality Account.

Payment by Results (PbR) Data Assurance Framework

In line with Audit Commission requirements, for 2011/12, we completed a follow-up of all previous results and recommendations that had arisen as a result of work carried out under the assurance framework to ensure that agreed actions had been implemented and improvements made.

We were required to follow-up the progress made on agreed actions in response to the recommendations and areas for improvement made in the PbR Data Assurance Framework reviews of the:

- 2010/11 clinical coding audit of admitted patient care activity (inpatients audits);
- 2010/11 data quality review of outpatient data; and
- 2009/10 reference cost submission which was undertaken in 2010/11.

The Audit Commission required that as auditors we:

- reviewed the progress on agreed actions in response to the recommendations made in the most recent reports in each of the three areas of work as outlined above;
- reviewed the issues identified in the reference costs review that impacted on data quality; and
- reported for each recommendation whether the recommendation was:
 - completed; or
 - not completed within timescale; or
 - satisfactory progress had been made and it was reasonable to expect it to still be in progress because the action completion date had not been passed at the time of the follow-up; or
 - unsatisfactory progress had been made on the recommendation and it was not reasonable to expect it to still be in progress.

The following table summarises our findings:

Area Assessed	No. of Recommendations	Complete	Complete But Not Complete Within Timescale	Satisfactory Progress Made	Unsatisfactory Progress Made
Inpatients	9	4	5	-	-
Outpatients	5	4	1	-	-
Reference Costs	4	2	-	2	-

This work was not carried out as part of our audit of the Trust, it was carried out for the Audit Commission as part of its work undertaken on behalf of PCT auditors. We submitted the findings and action plan that we agreed with the Trust's representatives to the Audit Commission at the beginning of February 2012; the Audit Commission formally reported the results of this work to the Trust in May 2012.

Summary of recommendations

During the course of our audit work we have made a number of recommendations to the Trust. These have been discussed and agreed with management. None of these recommendations are significant enough to warrant reporting in this letter. However, we will continue to report to the Trust's Audit Committee on the Trust's progress in implementing the agreed actions in response to the recommendations that we have made.

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