

Annual Audit Letter

Central London Community Healthcare NHS Trust

Audit 2010/11



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Traffic light explanation

Red ■ Amber ◆ Green ●

Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two elements:

- the audit of your financial statements; and
- my assessment of your arrangements to achieve value for money in your use of resources.

I have included only significant recommendations in this report. The Trust has accepted these recommendations.

Key audit risk	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

I issued an unqualified opinion on the Trust's financial statements for the period ended 31 March 2011.

Value for money

I issued an unqualified conclusion stating the Trust had adequate arrangements for securing economy, efficiency and effectiveness in the use of resources.

Current and future challenges

NHS Reform

The Government's NHS Reform programme will have significant implications for all NHS organisations. Although the Government's consultation exercise on the reforms has yet to conclude, for the Trust, this will likely result in significant changes to the commissioning environment, including an emphasis on competition when it benefits patient care and choice, and a greater emphasis on integration of care which will be promoted by Monitor. As a result income streams will be less certain, though there will be more opportunities for income growth, and NHS organisations face the dual challenge of increasing care quality whilst offering better value for money to commissioners.

Integration of Barnet Community Services

The transfer of Barnet Community Services to Central London Community Healthcare was completed on 1 April 2011. The successful integration and transformation of these services will be a key objective for the 2011/12 financial year. It is important that appropriate financial systems are in place to support the production of the annual accounts and governance arrangements remain robust across the whole Trust.

Recommendation

- R1** Ensure the successful integration of Barnet Community Services including:
- the establishment of consistent government arrangements across the Trust; and
 - the integration of financial systems and the maintenance of a clear audit trail for the financial statements.
-

Partnership working

Partnership working is a core element of the Trust's Integrated Business Plan, such as the potential partnership with Adult Social Care in the three inner London Boroughs. Such partnership working is critical to achieving the greater integration of care sought by the NHS reforms. However, partnership working always presents additional risks to the participant organisations, and it is important the Trust creates strong governance arrangements in respect of these partnerships. The Audit Commission Audit Practice also provides external audit services to the three inner London Boroughs and I will draw on this knowledge when assessing the risks at the Trust.

Recommendation

R2 Establish robust governance arrangements where the Trust enters into new partnership arrangements.

Foundation Trust status

The Integrated Business Plan states a commitment to become a 'best of breed' Community Foundation Trust by February 2013. The Trust is positioned well to achieve this. The Trust has budgeted for a surplus of £2.8 million in 2011/12. This includes the Cost Improvement Plan for 2011/12 of £10.9 million of which £0.2m remained unidentified as at June 2011. I will assist the Trust in this journey by providing constructive feedback on the accounts and arrangements for securing value for money, drawing on experience where the Audit Commission Audit Practice provides external audit to other Foundation Trusts and aspirant Trusts.

Quality account

The Health Act 2009 and associated regulations require all NHS healthcare service providers in England to publish an annual quality account about the quality of services they deliver. The Department of Health asked the Audit Commission to make arrangements for auditors to provide assurance on NHS trust 2010/11 quality accounts. However, as a newly established Trust yours was exempt from audit. In 2011/12 it is likely that the Trust's quality account will be subject to audit. There will be learning points from the other audits of quality accounts carried out by the Audit Commission Audit Practice which we will share with management when available.

Financial statements and statement on internal control

The Trust's financial statements and Statement on Internal Control are an important means by which the Trust accounts for its stewardship of public funds.

Overall conclusion from the audit

I issued an unqualified opinion on the Trust's financial statements for the period ended 31 March 2011. Detailed findings and recommendations were reported to the June Audit Committee in my Annual Governance Report. The audit of the financial statements progressed well and I commended the Trust for responding in a timely and comprehensive manner to audit queries. As a result, a substantial amount of the work was completed very quickly. Next year's audit will be more challenging with the inclusion of non-current assets and it is important the Trust retains this positive approach to audit.

Significant weaknesses in internal control

The Trust was subject to a fraud during the year. Management responded positively to this by commissioning an independent review of internal controls, informing the Board and external audit at an early stage, performing additional audit procedures to provide assurance the issue was not more widespread and engaging the Local Counter Fraud Specialist to work with the police and seek redress. As management have accepted and implemented recommendations from the independent review to strengthen controls, I do not view the weakness identified as a risk in future years.

I identified other areas where internal controls could be strengthened which were reported in my Annual Governance Report to the June Audit Committee.

Value for money

I considered whether the Trust is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is that the Trust has proper arrangements to secure, economy, efficiency and effectiveness in its use of resources. My conclusion on each of the two areas is set out below.

Value for money criteria and key messages

Criterion	Key messages
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The Trust was created on 1 November 2010 and up to this date I placed reliance on arrangements in place at the host PCT. Since the Trust came into existence, financial reporting has been transparent and the Board has provided effective scrutiny. Medium term financial plans are being further developed.</p>
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2010/11:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>The Trust was created on 1 November 2010 and up to this date I placed reliance on arrangements in place at the host PCT. The Trust shows an appetite for challenging current ways of working, as evidenced by its consideration of increased partnership working with local authorities. The Trust achieved its budgeted surplus of £2 million in 2010/11. A balanced budget has been set for 2011/12, including a cost improvement plan with minimal unidentified savings. The budget forecasts a surplus of £2.8 million.</p>

Closing remarks

I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present this letter at the Audit Committee in September 2011 and will provide copies to all board members. Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Trust during the year.

Report	Date issued
Audit Plan	March 2011
Annual Governance Report	June 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	June 2011
Final Accounts Memorandum	July 2011
Annual Audit Letter	July 2011

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

Jon Hayes

District Auditor

July 2011

Appendix 1 - Fees

	Actual	Proposed	Variance
Total audit fees	80,000	80,000	0
Total	80,000	80,000	0

Appendix 2 - Glossary

Statement on internal control

Public bodies must provide assurance that they are appropriately managing and controlling their money, time and people. The Statement on Internal Control (SIC) is an important document for communicating these assurances to Parliament and citizens.

The SIC is the means by which the Chief Executive Officer declares his or her approach to and responsibility for, risk management, internal control and corporate governance. It is also used to highlight weaknesses which exist in the internal control system within the organisation. It forms part of the Annual Report and Accounts.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

If I agree that the financial statements give a true and fair view and that the spending and income was regular, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view; or
- I find that some spending or income was irregular.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

Appendix 3 – Action plan

Recommendations

Recommendation 1

Ensure the successful integration of Barnet Community Services including:

- the establishment of consistent government arrangements across the Trust; and
- the integration of financial systems and the maintenance of a clear audit trail for the financial statements.

Responsibility	Chief Executive
Priority	High
Date	March 2012
Comments	<p>Planned integration of Barnet Community Services has taken place and work has now been completed on mapping across Barnet annual work plan into current CLCH governance forums.</p> <p>The integration of financial systems is already well on track with Accounts Payable, Accounts Receivable, Financial Accounts and Financial Management having been fully integrated. The roll out plan for E-Procurement will be completed by the September 2011 deadline and the production of a clear audit trail of all financial statements is already at an advanced stage and is due to be fully completed and reconciled with the NCL Cluster by October 2011. The role out of SNAP has been delayed due to a number of process and control improvements identified in a recent internal audit. It is now planned to role out SNAP in conjunction with E-Procurement.</p>

Recommendation 2

Establish robust governance arrangements where the Trust enters into new partnership arrangements.

Responsibility	Chief Executive
Priority	High
Date	March 2012

Comments

Any future acquisitions or mergers will be assumed into the regular Board and delegated management structure of CLCH. Special partnership arrangements will be entered into with formal governance structures agreed with partners several examples already exist within the Trust. Where such partnerships require clinical or financial oversight these will be provided via the relevant clinical and financial controls as designed by the executive and through the necessary Board committees. The Trust is in the process of concluding a partnership in relation to a variety of social care functions with three central London boroughs; the proposal is that a partnership Board will be established with the status of a formal sub committee of the CLCH Board and the Cabinets of the local authorities and has received Board directive to ensure that there is Non Executive Director over-sight of the process.

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