



Annual Audit Letter 2016-17

Central London Community Healthcare NHS Trust

July 2017

Contents

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A. Summary of our reports issued	

This report is addressed to Central London Community Healthcare NHS Trust (the Trust) and has been prepared for the sole use of the Trust. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Hewitson, the engagement lead to the Trust, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 6948981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Introduction

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2016-17 audit at Central London Community Healthcare NHS Trust (the Trust). Although this letter is addressed to the directors of the Trust, it is also intended to communicate these issues to external stakeholders, such as members of the public. It is the responsibility of the Trust to publish the letter on the Trust's website at www.clch.nhs.uk.

In this letter we highlight areas of good performance and also provide recommendations to help the Trust improve performance. We have reported all issues in this letter to the Trust during the year and we have provided a list of our reports in Appendix B.

Scope of our audit

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. Our main responsibility is to carry out an audit that meets the requirements of the National Audit Office's Code of Audit Practice (the Code) which requires us to report on:

Financial Statements including the Annual Governance Statement	<p>We provide an opinion on the Trust's accounts. That is whether we believe the accounts give a true and fair view of the financial affairs of the Trust and of the income and expenditure recorded during the year.</p> <p>We confirm that the Trust has complied with the Department of Health (DoH) requirements in the preparation of its Annual Governance Statement. We also confirm that the balances you have prepared for consolidation into the Whole of Government Accounts (WGA) are not inconsistent with our other work.</p>
Value for Money (VFM) arrangements	<p>We conclude on the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Trust's use of resources.</p>

Adding value from the External Audit service

We have added value to the Trust from our service throughout the year through our:

- Attendance at meetings with Executives and Audit Committee to present our audit findings, broaden our knowledge of the Trust and to provide insight from sector developments and examples of best practice;
- A proactive and pragmatic approach to issues arising in the production of the financial statements to ensure that our opinion is delivered on time; and
- Building an effective working relationship with internal audit to maximise assurance to the Audit Committee, avoid duplication and provide value for money.

Introduction (cont.)

Fees

Our fee received in 2016-17 was £51,651 excluding VAT. This was in line with the fee agreed at the start of the year with the Audit Committee. During the 2016-17 year, the PSAA approved a fee variation relating to the 2015-16 audit for £2,828. The total fee received in relation to our 2015-16 audit was £54,479 (scale fee £51,651). We completed the following additional work at the Trust during the year:

Review of Quality Accounts

Completion of a dry run assessment of the Trust's quality accounts against NHS Improvement's external assurance requirements. The fee for this work was £12,000 excluding VAT.

Acknowledgement

We would like to take this opportunity to thank the officers of the Trust for their continued support throughout the year.

Headlines

This section summarises the key messages from our work during 2016-17.

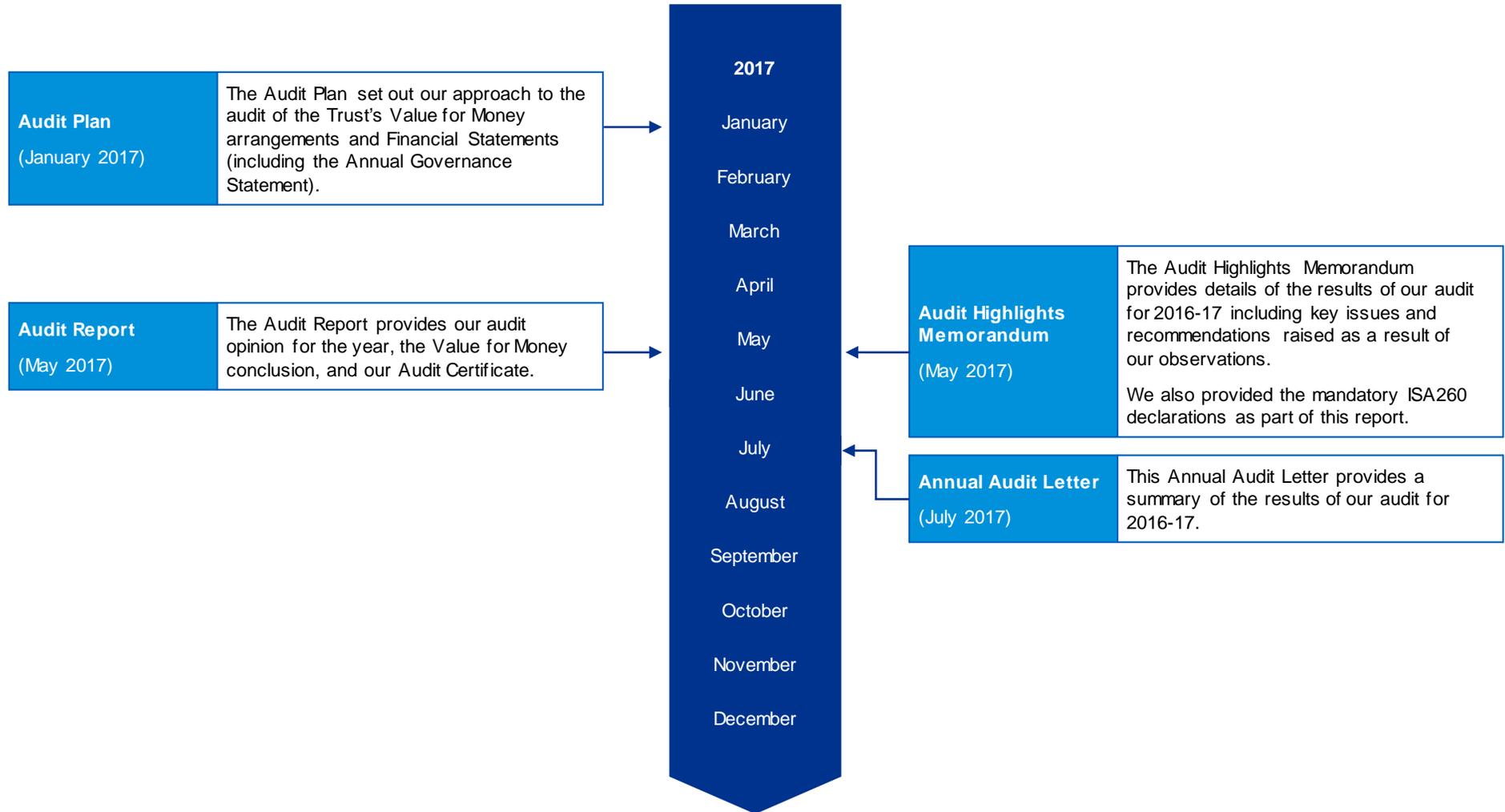
Value for Money (VFM) conclusion	We are required to report to you if we are not satisfied that the Trust has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Based on the findings of our work, we have nothing to report.
VFM conclusion risk areas	We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks. Our work did not identify any significant risks for 2016-17.
Financial statements audit opinion	<ul style="list-style-type: none"> — We issued an unqualified opinion on the Trust's accounts on 31 May 2017. This means that we believe the accounts give a true and fair view of the financial affairs of the Trust and of the income and expenditure recorded during the year. — We identified two unadjusted audit differences totalling £945k relating to a provision for redundancy expenditure, which we do not believe to meet the definition of a provision, and accruals for credit notes for patient care activity. — We identified one significant audit adjustment of £1,997k relating to the classification of non-NHS creditor balances between payables and accrued expenditure. — There were no significant matters which we were required to report to those charged with governance. — We identified changes required to the Cash Flow Statement and other presentational adjustments required in relation to compliance with the Group Accounting Manual (GAM) 2016/17. We noted a smaller volume of presentational adjustments required to the draft accounts than in the prior year. Additionally we experienced fewer delays in the receipt of documentation required following our recommendation in 2015-16 with regards to quality and review of the draft accounts.
Financial statements audit work undertaken	<ul style="list-style-type: none"> — We are required to apply the concept of materiality in planning and performing our audit. We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. Our materiality for the audit was £3.8m. (2015/16: £3.5m). — We identified the following risk of material misstatement in the financial statements as part of our External Audit Plan 2016/17: <ul style="list-style-type: none"> — Valuation of Land and Buildings: We undertook controls and substantive work over the completeness, existence, accuracy, valuation and ownership of the fixed asset balance at 31 March 2017. We performed sample testing in line with our physical verification to confirm accuracy of the GIA (floor measurement) data used by the external valuer for the purposes of the year end valuation and found there to be no variances that would have a material impact on the valuation. We assessed the scope, qualification and experience of the valuer and found both the instructions provided and the valuation basis to be appropriate. We re-performed calculations to confirm that the Trust had applied the accounting treatment for the year end valuations accurately.

Headlines (cont.)

Financial statements audit work undertaken (cont.)	<ul style="list-style-type: none"> — Recognition of NHS Income: We performed work over the valuation and existence of NHS income and receivables. We agreed commissioner and local authority income to signed contracts and obtained assurance over the accuracy of the reported income balances. We assessed the outcome of the NHS agreement of balances exercise, challenging management's assessment of the level of income entitled to, and examined supporting correspondence with counterparties to resolve differences greater than the reporting threshold. We are satisfied with the accuracy of data reported to NHSI used to determine the value of STF funding to be awarded to the Trust and found the Trust to have accurately accounted for their total STF funding award in accordance with the GAM. — Fraud Risk from Revenue Recognition: NHS Income was a significant risk for 2016-17 and we found no material misstatements within our testing relating to income. — Fraud Risk from Management Override of Controls: Our procedures, included testing of journal entries, accounting estimates and significant transactions outside the normal course of business, identified no instances of fraud. We tested a sample of journal entries posted during the financial year to confirm the controls had operated as expected and were transactions in the normal course of business. We undertook testing of the Trust's register of interests and considered the appropriateness of related party transactions and their disclosures within the financial statements.
Annual Governance Statement	<ul style="list-style-type: none"> — We confirmed that the Trust have complied with the Department of Health requirements in the preparation of the Trust's Annual Governance Statement. — We have not identified any inconsistencies between the contents of the Accountability, Performance and Director's Reports and the financial statements. — Adjustments were needed to the part of the Remuneration Report that is required to be audited to ensure that it was materially accurate. We identified the Senior Managers Remuneration disclosure and the Pension Benefits disclosure to be incorrect.
Recommendations	<ul style="list-style-type: none"> — We are pleased to report that there are no new high risk recommendations arising from our 2016-17 audit work. — The Trust has been good at implementing agreed audit recommendations from prior years. We have identified no prior year recommendations that require further action by management.
Public Interest Reporting	<p>We have a responsibility to consider whether there is a need to issue a public interest report or whether there are any issues which require referral to the Secretary of State. We did not issue a report in the public interest or refer any matters to the Secretary of State in 2016-17.</p>

Appendix A

Summary of our reports issued





The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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