



Annual Audit Letter 2017-18

Central London Community Healthcare NHS Trust

06 June 2018

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in connection with this
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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.



Introduction

Introduction

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2017-18 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 <https://www.clch.nhs.uk/>.

In the letter we highlight areas of good performance and also provide recommendations to help the Trust improve performance. We have included a summary of our key recommendations in Appendix A. We have reported all the 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:

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|---|--|
| 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 also 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 members of the Executive Team 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 a strong and 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 for 2017-18 was £48,528 excluding VAT (2016-17: £51,651). This was above the fee agreed at the start of the year with the Trust's Audit Committee.

We are currently going through approval with the Trust, to raise an additional fee in relation to the further audit work required due to the number of audit adjustments identified.

We have also completed the following pieces of work at the Trust during the year:

| | |
|----------------|---|
| Title 1 | Dry run assessment of the Trust's 2016-17 Quality Accounts including indicator testing. 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

Headlines

This section summarises the key messages from our work during 2017-18.

| | |
|---|---|
| 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. |
| Value for Money 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 assessment did not identify any significant risks for the Trust. |
| Financial Statements audit opinion | <p>We issued an unqualified opinion on the Trust's accounts on 25 May 2018. 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.</p> <p>A number of adjustments were required to be made to ensure the Trusts accounts accurately classified transactions between NHS and Non-NHS.</p> <p>There was one significant matter which we were required to report to 'those charged with governance', relating to the provision of yearend journals evidence. A high priority recommendation has been raised to address this matter and further details are provided in Appendix A.</p> <p>We note that compared to previous financial years there were a higher number of audit adjustments required and difficulty in obtaining the required documentation to support transactions within the accounts.</p> |
| Financial statements audit work undertaken | <p>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 £4 million (2016-17: £3.8 million).</p> <p>We identified the following risk of material misstatement in the financial statements as part of our External Audit Plan 2017-18:</p> <ul style="list-style-type: none"> — Valuation of Land and Buildings - We identified an audit adjustment to in relation to the valuation of these leasehold assets as we are unable to gain assurance that the methodology applied by management accurately reflects the fair value of these assets at 31 March 2018. — Recognition of Income and Receivables- No significant issues arose as a result of our audit |

Headlines (cont.)

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|-------------------------------------|--|
| Annual Governance Statement | We have also confirmed that the Trust have complied with the Department of Health requirements in the preparation of the Trust's Annual Governance Statement. |
| Whole of Government Accounts | We issued an unqualified Group Audit Assurance Certificate to the National Audit Office regarding the Whole of Government accounts submission with no exceptions. |
| Recommendations | <p>We have raised one high risk recommendation as a result of our 2017-18 audit work. This is summarised in Appendix A.</p> <p>The Trust has been good at implementing agreed audit recommendations from prior years. We have identified only two low priority prior year recommendations that still require further action by management.</p> |
| Public Interest Reporting | 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 2017-18. |



Appendices

Key recommendations

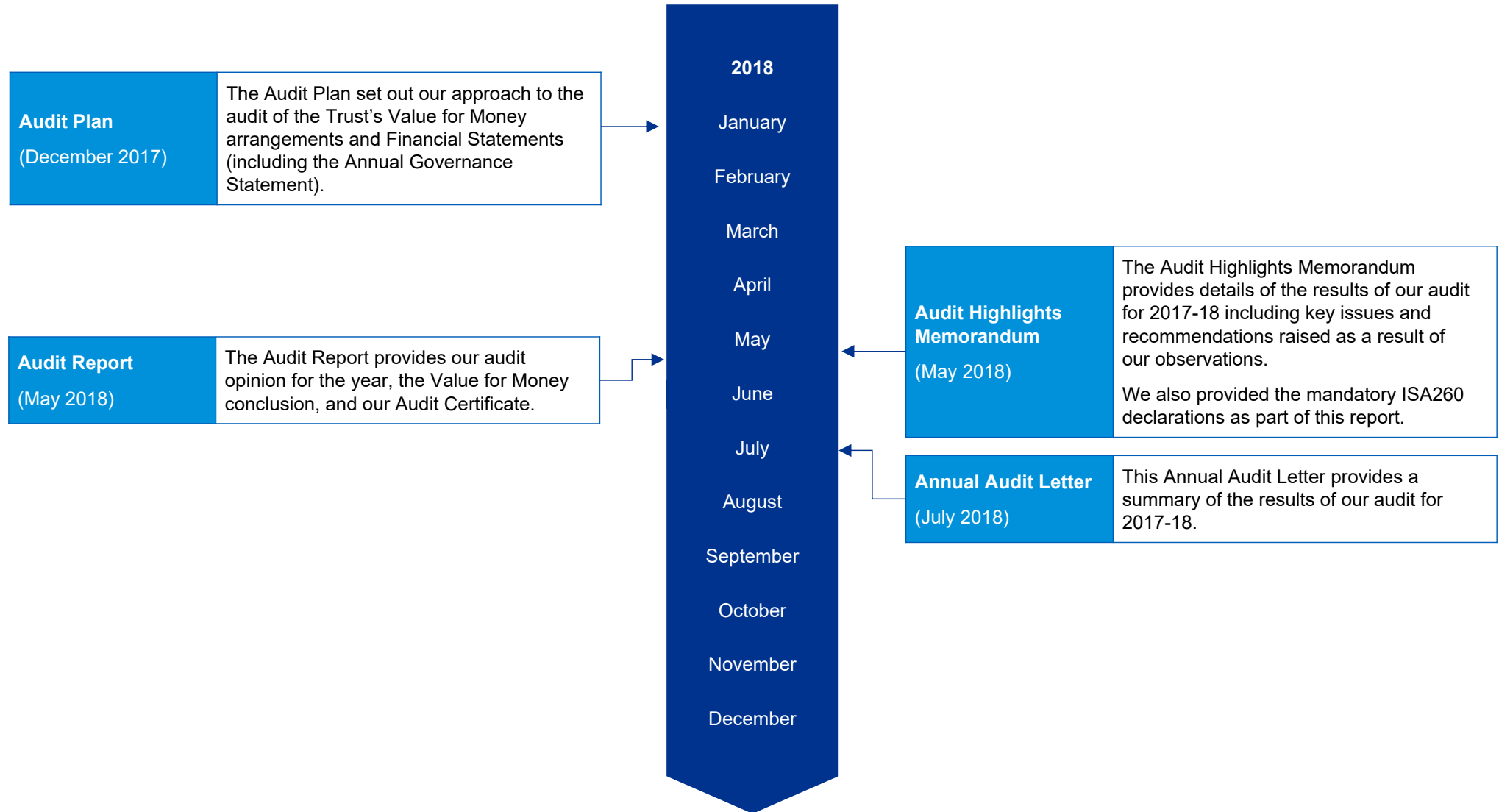
Recommendations raised in 2017-18

This appendix summarises all high risk recommendations raised in 2017-18.

| No. | Risk | Issue, impact and recommendation | Management response/responsible officer/due date |
|-----|------|--|--|
| 1 | High | <p>Year end journals evidence</p> <p>During the 2017/18 audit difficulties were identified in obtaining detailed transaction level breakdowns of yearend adjustments made during the accounts preparation process. In particular difficulties were identified in obtaining granular level breakdowns of:</p> <p>a) the £6.6m manual non-TB adjustment made in relation to NHS Property Services; and</p> <p>b) journals reclassifying transactions between NHS and Non-NHS ranging in value up to £2.1m.</p> <p>We recommend following the financial yearend all journals made into period 12 are required to be reviewed and approved by the Head of Financial Control and Governance. The journal should not be posted unless there is sufficient documentation to support the journal.</p> <p>Where the journal is in relation to a bulk movement of transactions, the Head of Financial Control and Governance should ensure that there is a sufficient granular transaction level breakdowns to support the bulk movement, which can be provided to the audit team upon request.</p> | <p>Agreed</p> <p>A full breakdown has been provided during the audit detailing NHS Property Services Payables by each site, type of cost and which period it related to. We hold separate cost centre for each property site and classify expenditure into separate accounts. Accruals are linked into separate Estates Master file detailing detailed costs and income and reductions/increases due to changes in services. The master file gets reconciled to statements of charges provided by landlords and this drives notifications to landlords with regards to any discrepancy in their charges. Master estate file and reconciliation to statements is being maintained with Estates colleagues.</p> <p>With immediate affect a new property accrual code will be set up and reconciled monthly.</p> <p><i>Head of Financial Control. This action will be implemented with immediate effect.</i></p> <p>As part of the monthly NHS Payable control account reconciliation table will be summarised detailing the exact split of all NHS Payable by the following categories, Business with DHSC, Business with Public Health England, Business with Health Education England, Business with CCGs and NHS England, Business with Special Health Authorities, Business with NDPBs, Business with other DHSC bodies, Business with other WGA bodies.</p> <p><i>Head of Financial Control. This action will be implemented with immediate effect.</i></p> <p>All deferred income will be reconciled monthly and populated in a control account by NHS and Non NHS. This will be reviewed monthly by the Head of Financial and Service Line Management. This action will be implemented with immediate effect.</p> <p><i>Head of Financial and Service Line Management. This action will be implemented with immediate effect.</i></p> <p>Performance indicators will be developed by the Head of Financial and Service Line Management to monitor the quality and accuracy of descriptions and backing documentation supporting journal entries to ensure quality improves, where improvement is not seen this will result in management action.</p> <p><i>Head of Financial and Service Line Management. Immediate Implementation</i></p> |

Appendix B

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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