Ashford and St. Peter's Hospitals NHS
NHS Trust

TRUST BOARD
28th October 2010

TITLE	Annual Audit Letter 2009/10.
EXECUTIVE SUMMARY	An Annual Audit Letter is issued by the Trust's external auditors, KPMG, each year and is a summary of the reports and audits that they have carried out in the year. In particular reference is made to: ▪ Use of Resources (ALE); and ▪ Financial Statements and Statement of Internal Control. It contains one recommendation under Use of Resources in relation to the review of performance management arrangements and actions plans are in place to address this. There are no new recommendations in relation to the Financial Statements and the Statement of Internal Control. The letter was reviewed and approved by the Audit Committee at its meeting held on 20th October 2010. It will appear on the website of the Audit Commission and following the Trust Board meeting will be placed on the Trust website.
BOARD ASSURANCE (Risk) / IMPLICATIONS	The Board is assured by the Annual Audit Letter that appropriate controls are in place in respect of the Use of Resources and the Financial Statements.
STAKEHOLDER / PATIENT IMPACT AND VIEWS	The Annual Audit Letter will be available to stakeholders and patients via the Trust's website, alongside the Annual Report and Annual Accounts for 2009/10.
EQUALITY AND DIVERSITY ISSUES	None that I am aware of.
LEGAL ISSUES	None that I am aware of.
The Trust Board is asked to:	Note the Annual Audit Letter for 2009/10 from KPMG.
Submitted by:	Paul Doyle, Deputy Director of Finance
Date:	20th October 2010
Decision:	For Noting

KPMG

HEALTHCARE

Ashford & St. Peter's Hospitals NHS Trust

Annual Audit Letter 2009/10

October 2010

AUDIT

AUDIT ▪ TAX ▪ ADVISORY

Introduction

The contacts at KPMG in connection with this report are:

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Background

This Annual Audit Letter ('the letter') summarises the key issues arising from our 2009/10 audit at Ashford and St. Peter's Hospitals NHS Trust ("the Trust"). Although this letter is addressed to the directors of the Trust, it is also intended to communicate these issues to key external stakeholders, including members of the public. The letter will also be published on the Audit Commission website at oneplace.audit-commission.gov.uk. It is the responsibility of the Trust to publish the letter on the Trust's website at www.ashfordstpeters.nhs.uk. In the letter we highlight areas of good performance and also provide recommendations to help you improve performance. We have reported all the issues in this letter to you throughout the year and a list of all reports we have issued is provided in Appendix A.

Scope of our audit

The statutory responsibilities and powers of appointed auditors are set out in the Audit Commission Act 1998. Our main responsibility is to carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the code) which requires us to report on:

Use of Resources (UoR)	We conclude on the arrangements in place for securing economy, efficiency and effectiveness ('value for money') in your use of resources.
Financial Statements including the Statement on Internal Control	We provide an opinion on your accounts.

Fees

Our final fee for 2009/10 was £140,000 excluding VAT (2008/09: £165,000). This includes £18,000 for the Auditors' Local Evaluation (ALE) and £30,000 for performance reviews.

This report is addressed to Ashford and St. Peter's Hospitals 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. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Greg McIntosh who is the engagement lead to the Trust or Trevor Rees, the national contact partner for all of KPMG's work with the Audit Commission. After this, if you still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. You can contact the Complaints Unit by phone (0844 798 3131), by email (complaints@audit-commission.gov.uk), through the audit commission website (www.audit-commission.gov.uk/aboutus/contactus), by textphone/minicom (020 7630 0421), or via post to Pauline Painter, Complaints Unit Manager, Audit Commission , Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR.

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Headlines

Use of Resources	**Auditors' Local Evaluation**	• Our Auditors' Local Assessment of the Trust against the five themes resulted in the following scores *(scored from one to four, where four is the highest)*: - Financial Reporting: 3 - Financial Management: 3 - Financial Standing: 4 - Internal Control: 4 - Value for Money: 3 • All KLOE scores were 3 or above as a result of the assessment for 2009/10.
	Specific risk based reviews	• In 2009-10 we performed a review of performance management arrangements at the Trust. Our review confirmed that processes to monitor corporate and operational level performance have been established. The new arrangements address a number of the key issues the Trust previously faced in relation to performance management, such as infrequent informal monitoring of activity. • One high risk recommendation was raised as a result of this review. This focussed on the requirement to establish a formalised performance management framework setting out the Trust's approach to performance management at both the corporate and operational level. • We undertook a review of your sustainability strategies and the arrangements in place to ensure that statutory criteria in this area will be met. We did not identify any significant areas of concern which impacted upon on conclusion.
	Our conclusion	• We issued an unqualified value for money conclusion for 2009/10. This means that we are satisfied that you have put into place proper arrangements for securing economy, efficiency and effectiveness in your use of resources.

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Financial Statements including the Statement on Internal Control	**Annual accounts**	• One audit difference was identified and adjusted. As this was below our materiality threshold the adjustment was not reported separately in our Audit Highlights Memorandum. There were no unadjusted audit differences. • There were no significant matters which we were required to report to 'those charged with governance' • We received complete summarisation schedules on 23 April 2010 in accordance with the Audit Commission's deadline. Working papers to support the financial statements were of satisfactory quality and our prepared by client list had been followed.
	Statement on Internal Control	• No significant adjustments were required to the Statement on Internal Control.
	Our conclusion	• We issued an unqualified opinion on your accounts 9 June 2010. 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 have also confirmed that you have complied with your regularity requirements in that in all material respects the expenditure and income have been applied to the purposes intended by Parliament. • We have also confirmed that you have complied with the Department of Health (DH) requirements in the preparation of your Statement on Internal Control.
Recommendations	**High risk recommendations**	• We are pleased to report that there are no new recommendations arising from our 2009/10 audit work. • There are no prior year recommendations that still require further action by management.

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Fraud		• We have a responsibility to consider fraud and we addressed this in our assessment of your controls framework. We have also reviewed your arrangements for the prevention and detection of fraud and corruption, alongside our auditor's local evaluation (ALE) work. This work is complete and has not identified any matters which we wish to draw to your attention.
High profile issues	**PbR Income**	• The Trust achieved a surplus of £6,275k (less net technical adjustments for revaluations and impairments of £4,148k), which is above the planned surplus of £4,825k. • The Trust obtained financial agreement with Surrey PCT ahead of the year end, the value of which was £167,600k for the full year. This included £5,636k of over-performance above the SLA.
	IFRS in NHS	• The Trust was required to produce IFRS financial statements with accounting policies based on those advised by the Manual for Accounts but also tailored to the organisation and appropriately approved. Our work has confirmed that the Trust was able to produce a set of financial statements in appropriate format in line with IFRS and Manual for Accounts requirements.
	Modern Equivalent Asset Valuation	• The Trust employed the District Valuer to revalue assets using the MEAV methodology as at 31 March 2010. The valuations were reported ahead of year end and we have undertaken work to gain assurance over the related balances reported in the accounts. • The result of the revaluation was an overall impairment charge of £41,068k, of which £4,148k was recognised in the Statement of Comprehensive Income as it was not covered by sufficient revaluation reserves. This related to the impairment of the mortuary building following completion of building work in year, and the impairment of relatively new properties which did not have sufficient revaluation reserves to cover the impairment value.

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Changes to next year's value for money work programme

- Given the scale of the pressures facing public bodies in the current economic climate, the Commission has reviewed its work programme for 2010/11 onwards. As part of this exercise, the Commission has been discussing possible options for a new approach to local value for money (VFM) audit work with key national stakeholders. From 2010/11 we will therefore apply a new, more targeted and better value approach to our local VFM audit work. This will be based on a reduced number of reporting criteria specified by the Commission, concentrating on:
  - securing financial resilience; and
  - prioritising resources within tighter budgets.
- We will determine a local programme of VFM audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities. We will no longer make annual scored judgements relating to our local VFM audit work. Instead we will report the results of all the local VFM audit work and the key messages for the audited body in our annual report to those charged with governance and in a clear and accessible annual audit letter.

Future audit arrangements

- In August 2010 the Secretary of State for Communities and Local Government announced proposals to abolish the Audit Commission. The proposed abolition will be from 2012 and the government will seek legislation in this session of Parliament.
- There is no immediate change to the current audit arrangements. This includes the 2010/11 programme for the Payment by Results data assurance framework. This incorporates an audit of 2009/10 reference costs in all acute trusts that the Audit Commission announced on 9 July 2010.
- We will keep you informed about the future audit programme and any changes to audit arrangements.

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Appendix A: Summary of Reports issued

This appendix summarises the reports we issued in 2009/10.

Audit Plan (January 2010)

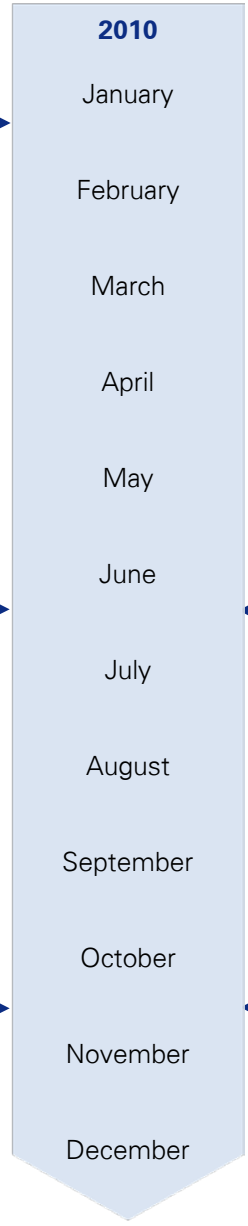
The Audit Plan set out our approach to the audit of the Trust's Use of Resources and Financial Statements (including the statement on internal control).

Audit Report (June 2010)

The Audit Report provides our audit opinion for the year, the Value for Money conclusion, and our Audit Certificate.

Use of Resources Report (October 2010)

The Use of Resources Report provides a summary of the results of our assessment for 2009/10



Audit Highlights Memorandum (June 2010)

The Audit Highlights Memorandum provides details of the results of our audit for 2009/10 including key issues and recommendations raised as a result of our observations.

We also provided the mandatory ISA260 declarations as part of this report.

Annual Audit Letter (October 2010)

This Annual Audit Letter provides a summary of the results of our audit for 2009/10.

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