

TRUST BOARD

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| Date of Meeting: 11/09/12 | Agenda Item No: 10.1 | Enclosure: 17 |
| Intended Outcome: | | |
| For noting ✓ | For information | For decision |
| Title of Report: Annual Audit Letter | | |
| Aims: This paper provides the Trust Board with the External Audit's annual Audit Letter for 2011/12 which summarises the Audit Commission's 2011/12 audit of the Trust. | | |
| Executive Summary: The letter attached (appendix 1) from Mrs Jackie Bellard, the Trusts Auditor, from the Audit Commission, summarises the audit of the Trust, highlighting a number of issues. The report covers the audit of the financial statements, the value for money conclusion, the audit of the quality account and the Payment by Results Data Assurance Framework for the 2011/12 financial year <u>Financial Statements</u> As in previous years the financial accounts team prepared the accounts by the required deadline dates but also were significantly stretched in terms of a key member of staff being unavailable immediately after the accounts submission and for the full period of the audit. The impact of this was a delay in the provision of some elements of the working papers and also a loss of key knowledge across all elements of the accounts. The key areas raised by the auditors highlighted <ul style="list-style-type: none"> • Goods Received Not Invoiced (GRNI) – Following the change in financial systems regular processes of resolving queries on some outstanding orders had not been maintained to the level they were when manual systems existed. The result was a potential over statement of expenditure. Systems are now in place to address both the backlog and ensure this does not re-occur • PFI Invoicing – Audit highlighted that there needed to be greater resilience in the systems for checking and authorising invoices associated with the PFI, specifically with regards to in year variations. Revisions to the system have been agreed. • Asset verification – Weaknesses were highlighted in the identification processes and recording of disposals of certain assets within the Trusts asset base. Revisions to the identification and verification process have been agreed to resolve this issue. As noted action is being taken to resolve all of these issues, the detail of which will be discussed in detail at the next Audit Committee along with the Final Accounts Memorandum. <u>Value for Money Conclusion</u> The Audit Commission raised concerns regarding securing value for money in terms of not having sufficiently robust plans for the full delivery of CIP targets in year and the need to be supported by additional income in order for the Trust to achieve its statutory breakeven duty. | | |

The Auditors Value for Money Conclusion was robustly discussed at a previous Audit Committee, and whilst a number of points raised by the Trust were accepted, the Auditors opinion remained that they did not feel as though they could change their overall conclusion.

Quality Account

There were some issues regarding some of the finer details of the quality account which were resolved as the final version was completed. Valuable lessons have been learned in producing the report which will be built on for the current financial year.

Payment by Results Data Assurance Framework

The Audit Commission have highlighted there are a number of outstanding recommendations, many of these have now been completed since the auditors completed their field work in June. The outstanding recommendations will be reported and discussed in more detail at a future Audit Committee.

Overview of key areas for consideration or noting:

The Audit Commission;-

- issued an unqualified audit opinion on the Trust's 2011/12 financial statements
- concluded the Trust did not have proper arrangements to secure economy, efficiency and effectiveness in use of resources
- completed the external review of the Trust's quality account and issued a separate report of their findings
- certified completion of the audit at the end of June 2012

Specific implications and links to the Trust's Strategic Aims:

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| Ensure we provide high quality, safe and effective care for all our patients including meeting essential standards of safety and quality as set out by the CQC | |
| Develop a viable integrated clinical strategy for secondary care services which is sustainable and affordable | ✓ |
| Develop a new healthcare facility in West Cumbria that is fit for the 21st century | |
| Achieve sustainable financial balance through the delivery of the Trust's internal Cost Improvement Programme, securing a viable contract income from our GP commissioners and contributing to the system wide cost reductions | |
| To develop and implement a successful merger or acquisition plan that enables the Trust to become part of an existing NHS Foundation Trust | |

Recommendations:

The Board is requested to note this report.

Prepared by:

Mr Eric Gardiner
Deputy Director of Finance

Presented by:

Mr Alistair Mulvey
Director of Finance / Deputy Chief Executive