



Annual Audit Letter 2016-17

Leeds Community Healthcare NHS
Trust

June 2017

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This report is addressed to Leeds 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 Clare Partridge, 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

Introduction

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2016-17 audit at Leeds 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.

In the letter we highlight areas of good performance and also provide recommendations to help the Trust improve performance. 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 A.

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 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;
- A review of general IT controls in place at the Trust highlighting any control weaknesses and areas for improvement; 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 2016-17 was £43,425 excluding VAT (2015-16: £43,425). This was in line with the fee agreed at the start of the year with the Trust's board.

We have also completed the following piece of non audit work at the Trust during the year:

Tax implications of off payroll payments

Our work involved reviewing the Trust's arrangements for dealing with IR35 changes from April 2017.

The fee for this work was £13,250 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 2016-17.

Value for Money (VFM) conclusion	<p>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.</p>
Value for Money conclusion risk areas	<p>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.</p> <p>Our work identified the following significant risk:</p> <p>Financial standing, including Cost Improvement Plans (CIPs) and contractual performance. The Trust set an initial annual forecast for 2016-17 of a £1.5m surplus, which has been increased to £2.8m during the year. At the start of the year the Trust was overspending against this budget but developed a recovery plan to bring spending back in line by careful management. The focus is on the main area of spend – staffing, and more specifically agency staffing costs, control of overtime and staff recruitment. The Trust faced the challenge to meet its financial position and at the year end achieved the required surplus which was increased to £3.35m which included £490k of additional STF income at the year end.</p> <p>Part of the plan was to achieve the Cost Improvement Programme (CIP) savings of £3.9m, savings of £2.4m were achieved meaning that £1.5m further savings will be required in 2017-18.</p> <p>We have confirmed with Management that contracts with commissioners have been agreed for 2017-18 and we have considered Management’s assessment of the Trust’s ability to continue as a going concern and we are content that it is appropriate. We considered whether any significant one-off items were included within the reported headline result for 2016-17 (including STF funding) and we have no matters of concerns to bring to your attention.</p> <p>Based on the findings of our work, whilst we recognise the significant challenges going forward, we have concluded that the Trust has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>
Financial Statements audit opinion	<ul style="list-style-type: none"> — We issued an unqualified opinion on the Trust’s accounts on 1 June 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. — No significant adjusted or unadjusted audit differences were identified as part of the audit. There were no significant matters which we were required to report to ‘those charged with governance’. — The draft financial statements and supporting working papers and the draft annual report provided by the Trust were of a good quality. The Trust Finance staff responded promptly to any queries raised during our audit work.

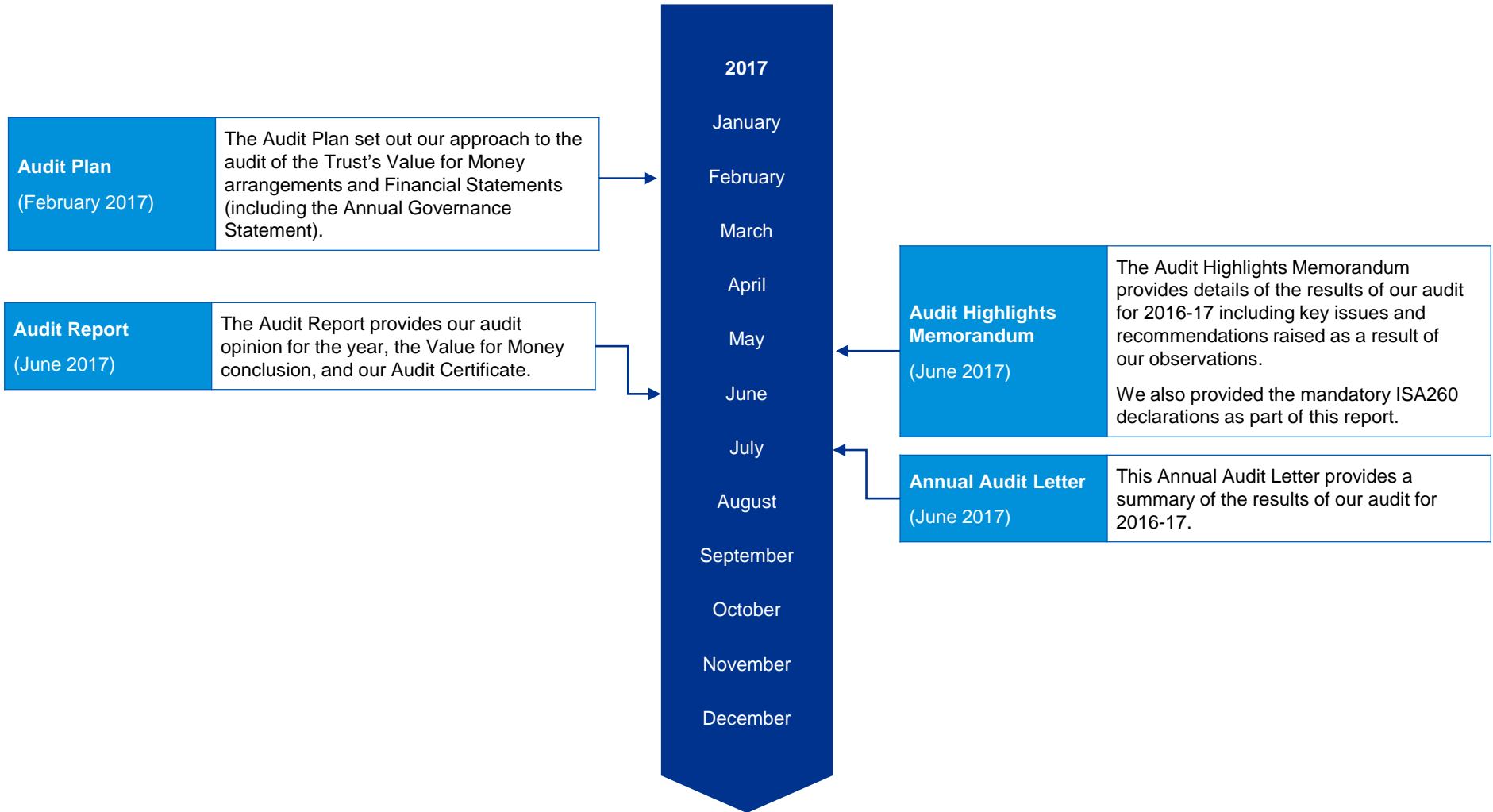
Headlines (cont.)

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 £2.2m (2015-16: £2.2m). — 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 non current assets (property, plant and equipment) which is based on a revaluation exercise completed by the Trust's valuer in 2014-15. We have reviewed the Trust's arrangements for confirming the valuation of PPE at 31 March 2017 and liaison with their valuer and the basis on which the Trust decided that no valuation exercise was required in 2016-17. Given the materiality in value and the judgement involved in determining the carrying amounts of assets we considered this to be an area of significant audit focus for 2016-17. We confirm that there were no significant matters arising from the audit that needed to be discussed with management, although we have agreed with management the approach to be taken to this revaluation consideration in future years.
Annual Governance Statement	<ul style="list-style-type: none"> — 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.
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. We made two lower graded recommendations which management have actioned. — The Trust has been good at implementing agreed audit recommendations from prior years.
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>



Appendices

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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