



Annual Audit Letter 2019-20

Leeds Community Healthcare NHS Trust

7 July 2020

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A. Summary of our reports issued	

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.

Introduction

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2019-20 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 this 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 where appropriate. 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 regularity opinion and Governance Statement	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. We confirm that the Trust has complied with the Department of Health and Social Care (DoHSC) 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.
Value for Money arrangements	We conclude on the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Trust's use of resources.

Fees

Our fee for 2019/20 was £39,500 (218/19: £40,000) excluding VAT. This fee was in line with the fee agreed at the start of the year with the Trust's Audit Committee.

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 2019-20.

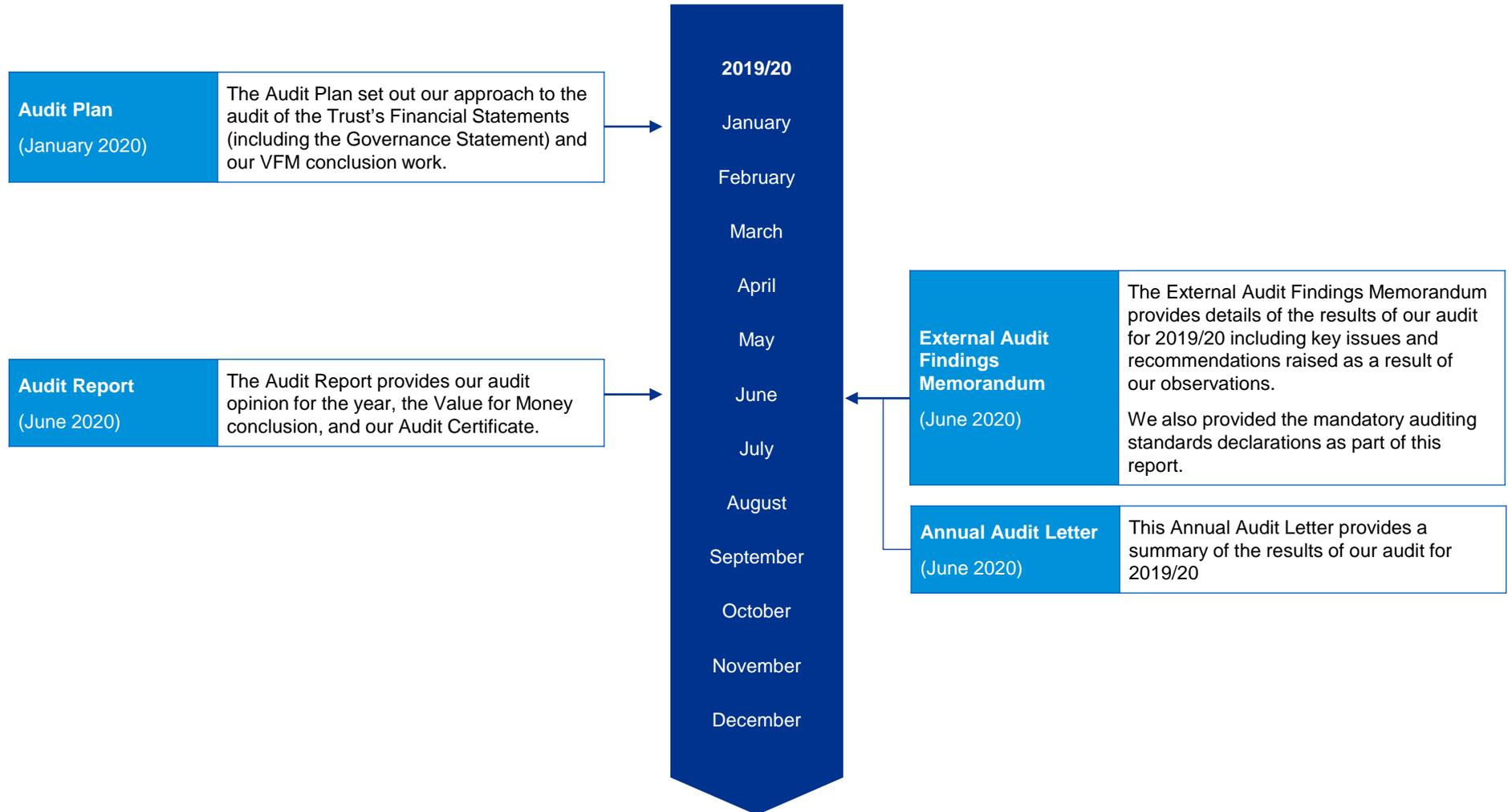
Financial Statements audit opinion	<p>We issued an unqualified opinion on the Trust's accounts on 24 June 2020. This means that we believe the accounts give a true and fair view of the financial affairs of the Trust and of the income and expenditure recorded during the year.</p> <p>Under UK auditing standards (ISA UK&I 260) we are required to provide the Audit Committee with a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.</p> <p>Although the accounting entries had been put through the general ledger correctly, the disclosure of the in year revaluation had not been correctly reflected in Note 17 – Property, Plant and Equipment. This has now been amended to show that accumulated depreciation is nil on revalued assets at 31 March 2020.</p> <p>Note 7.3 Limitation on auditors liability has been updated to show there is a limitation of £1 million for audit work carried out in financial years 2019/20 or 2018/19</p> <p>Note 11.2 the split of future lease payments has been amended, although the total value remains the same.</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 £2,300,000 (2018/19: £2,000,000).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2019/20:</p> <ol style="list-style-type: none">1) Fraud risk from revenue recognition. Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Our audit work focussed on ensuring completeness and existence of Operating Income from Patient Care Activities and Other Income. No issues were identified,2) Fraudulent expenditure recognition. In the public sector, auditors also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). This may arise due to the audited body manipulating expenditure to meet externally set targets. As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition and so the auditor has regard to this when planning and performing audit procedures. Our audit work focussed on ensuring completeness and existence of Operating expenses.3) Valuation of land and building assets. This is significant judgement involved in determining the appropriate basis for the Valuation (EUJ or DRC) for each asset according to the degree of specialization, as well as assumptions used in the overall valuation. We assessed the reasonableness of the Valuer's assumptions as per the Valuation report, the inputs to the Valuer's report and the accounting movements. We identified an error in relation to depreciation disclosure as explained above. This was adjusted for and no further issues were identified.
Governance Statement	<p>We confirmed that the Trust complied with the DHSC requirements in the preparation of the Trust's Annual Governance Statement</p>
Whole of Government Accounts	<p>We issued an unqualified Auditor Statement on the Consolidation Schedules prepared by the Trust for consolidation into the Whole of Government Accounts with no exceptions.</p>

Headlines (cont.)

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	<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. We identified no significant risks in relation to VFM.</p> <p>— The impact of COVID19 on our VFM opinion – given the impact of this was mainly limited to the final two weeks of the financial year, it has not had a significant impact on our VFM opinion for 2019/20.</p>
Recommendations	We are pleased to report that there are no high risk recommendations arising from our 2019/20 audit work.
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 2019/20.

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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