

Trust Board – Private  
29 September 2011

Agenda item: 5.2

## Annual Audit Letter (2010/11)

**For:** Noting and acceptance

**Summary:** This is the annual letter from the external auditors summarising their opinion on the Trust's financial accounts, its financial performance and demonstration of value for money.

The Audit opinion on the financial statements was unqualified – the auditor advises that the quality of accounts produced for audit was good.

The value for money opinion was qualified primarily because of questions over financial resilience (the future financial stability of the Trust), rather than its track record on savings and reference costs (the letter notes the low reference cost index).

The letter refers to the issue of the Section 19 letter (please see legal aspects below).

The rest of the letter is self explanatory.

**Action:** The Board is asked to note and accept the letter.

**Presented by:** Lorraine Clegg (Deputy Chief Financial Officer)

**Author:** Paul Simpson (Chief Financial Officer)

**Notes:**

**Trust objective:** Priority 3: Develop an effective organisation:

**Legal:** Financial performance is subject to Schedule 5 of the NHS Act 2006 which provides the "breakeven duty".

The Trust failed this duty in 2007/08 but received confirmation from the Department of Health (in March 2008) in the form of a loan repayment plan that addressed the requirements of the duty. In 2010/11 the Trust's need to reschedule its last loan repayment means it is no longer meeting that repayment plan and this, plus the risk to the Trust's 2011/12 plan required the auditor to issue a Section 19 (of the Audit Commission Act 1998) to the Secretary of State advising him of the position.

The accounts describe financial statements in respect of the Trust's operations and many of those areas are subject to legal requirements indirectly related to financial reporting. Of those, the most significant concern procurement (the Public Contracts Regulations 2006 and Utilities

Regulations 2006, which incorporate European regulations on competition), the Fraud Act 2006 and employment law (many regulations). Please note comment below in respect of representations to the auditors concerning Trust processes that ensure legal compliance.

**Regulation:**

External audit (the Audit Commission for this Trust) report on compliance with International Auditing Standards and with NHS accounting conventions. The Audit Letter itself is part of the auditor's compliance with the auditing standards

The accounts, their preparation and in year operation of financial systems supports improved governance and meets stated requirements in the NHS Manual for Accounts.