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Hounslow and Richmond Community Healthcare NHS Trust

Annual Audit Letter 2012-13

July 2013

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This report is addressed to Hounslow and Richmond 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. 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 Tamas Wood 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 are 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 Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR.

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2012-13 audit at Hounslow and Richmond 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 at www.hrch.nhs.uk.

In the letter we highlight areas of good performance and also provide commentary 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 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 the Trust's use of resources.
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 provide a certification to the National Audit Office (NAO) to provide assurance on inputs to the DoH's Resource Accounts. 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>

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 Board 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; 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.

Fees

KPMG were appointed as auditors of the Trust from 1 September 2012. Our fee for 2012-13 was £45,000 excluding VAT (2011-12: £75,000). 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 work at the Trust during the year:

Board Development

Assistance in developing the Board in preparation for an application to become a Foundation trust. The fee for work after 1 September 2012 was £18,000 plus VAT.

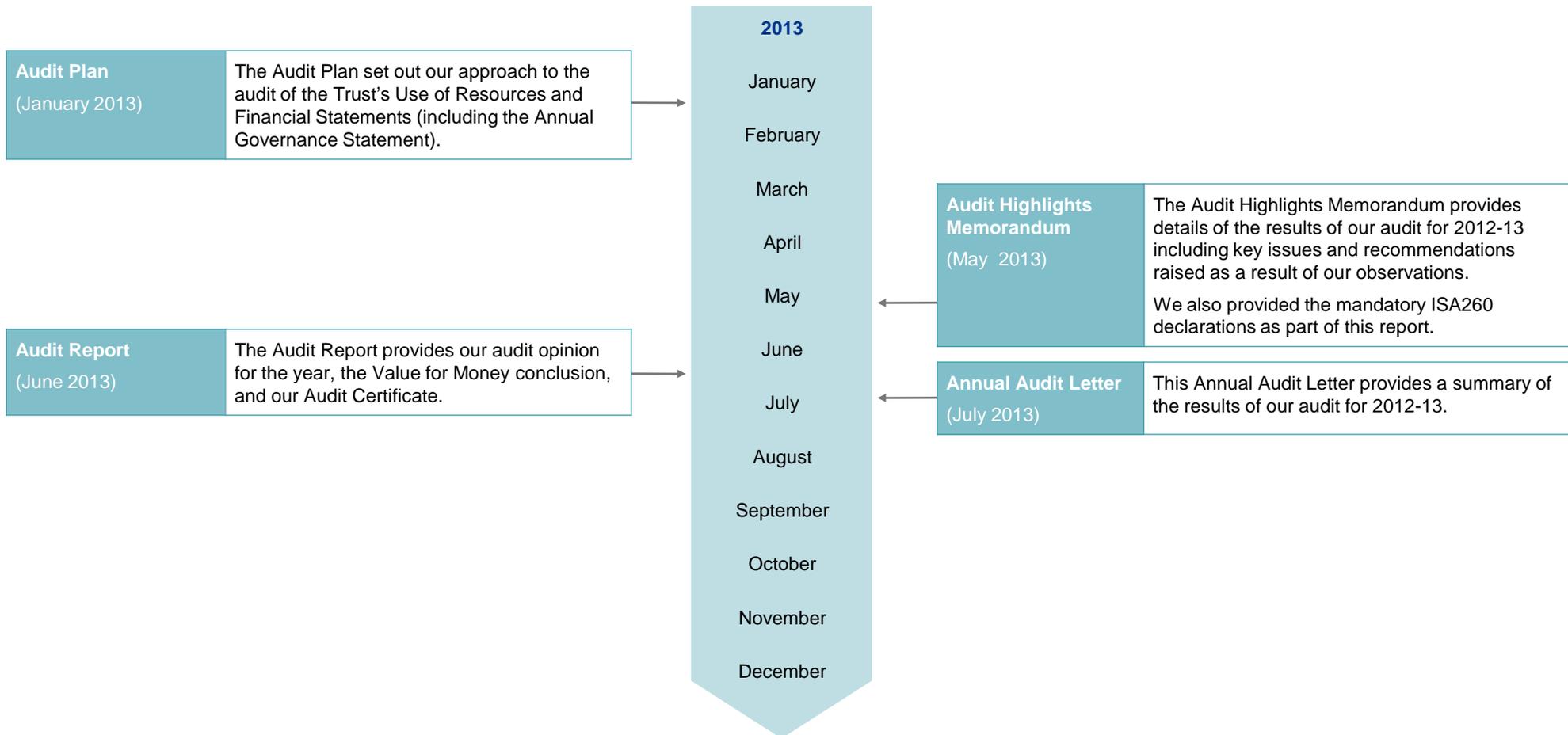
Acknowledgement

We would like to take this opportunity to thank the officers of the Trust for their support throughout the year.

This section summarises the key messages from our work during 2012-13.

<p>Overall financial results and other key messages</p>	<p>The Trust set itself a budget to deliver a £698,000 surplus and achieved a surplus of £704,000 reporting that its Cost Improvement Programme (CIPs) for delivering £3 million of savings had been achieved. Cash balances increased to £6.6 million at 31 March 2013.</p> <p>The Trust has explored with its local partners the possibility of forming an Integrated Care Organisation (ICO) incorporating elements of the Adult Social Care functions currently provided by Hounslow and Richmond London Boroughs with community services. Feasibility studies and modelling is underway. Financially the Trust is planning for two possible outcomes - as an ICO and as a stand alone organisation. Demonstrating it has a sustainable financial position in either scenario will be essential as it applies to become a Foundation Trust.</p>
<p>Use of Resources</p>	<p>We concluded that the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>Our work identified that the Trust's overall arrangements for ensuring financial governance, planning and controlling are sound with financial risks reported regularly to the Board to allow scrutiny and challenge. The Board receives monthly performance reports summarising the year to date financial performance and the progress being made on CIPs which allows it to keep up to date with progress and take prompt action if required. This is supported by the Board Assurance Framework that highlights both financial and non financial risks.</p> <p>The Trust continues to report high reference costs and must accelerate its resolution of the data quality issues associated with these reported costs such that the Trust can identify and address any further productivity and efficiency challenges in the medium term.</p> <p>The Trust's estate arrangements change in 2013-14 as it will receive property, plant and equipment with a value of approximately £21 million from the demised Primary Care Trusts (PCTs). The Trust also used PCT property under memorandums of occupation and leases which have now transferred to NHS Property Services. The Trust should seek to establish formal lease agreements with NHS Property Services for all affected properties.</p>

Financial Statements including the Annual Governance Statement	<p>We issued an unqualified opinion on the Trust's accounts on 6 June 2013. 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>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.</p> <p>There were no significant adjustments made as a result of the audit. We were though required to report to "those charged with governance" (the Audit Committee) that there was an unadjusted audit difference of £424,325 in respect of development costs for the integrated care organisation where we had not been able to fully substantiate the year that the expense relates to.</p> <p>The Trust's working papers to support the financial statements were of a good quality. However, the process for preparing the Annual Report requires strengthening as there were mandatory requirements that were not included in the draft Annual Report including the new requirement to disclose off payroll engagements as well as presentational issues.</p> <p>No significant adjustments were required to the Annual Governance Statement.</p>
Whole of Government Accounts	<p>We issued an unqualified Group Audit Assurance Certificate to the National Audit Office regarding the Whole of Government accounts submission.</p>
Recommendations	<p>We are pleased to report that there are no high risk recommendations arising from our 2012-13 audit work.</p>
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 2012-13.</p>





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