

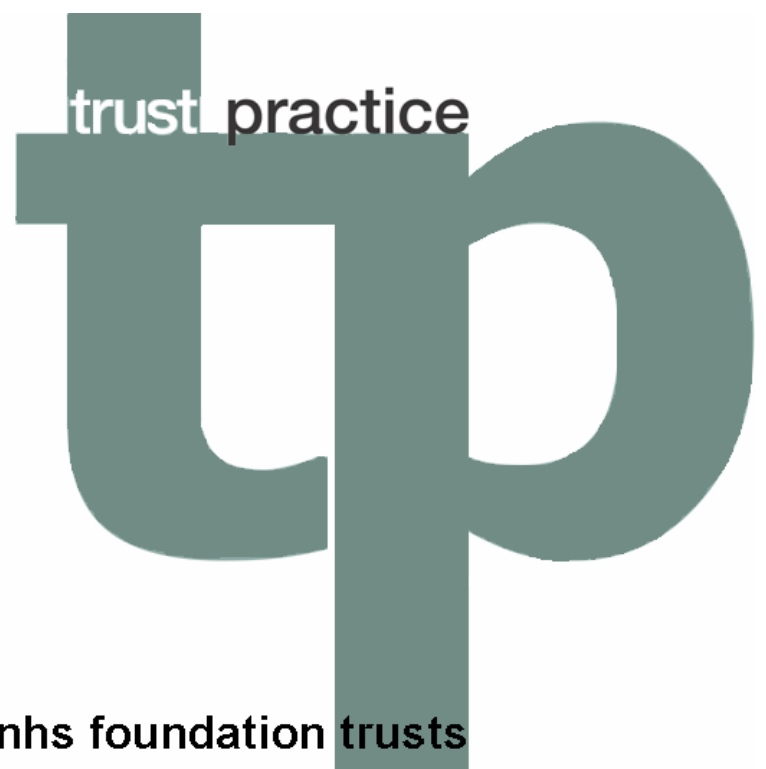
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**2gether NHS Foundation  
Trust in respect of  
Gloucestershire Partnership  
NHS Trust and  
Gloucestershire Partnership  
NHS Foundation Trust**

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Annual Audit Letter  
Audit 2007/08  
July 2008

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External audit is an essential element in the corporate governance of foundation trusts and makes an important contribution to the stewardship of, and process of accountability for, their resources.

The scope of audits of foundation trusts is extended to cover not only the audit of the financial statements but also arrangements to secure value for money. Auditors of foundation trusts may also report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors of foundation trusts derive from the National Health Service Act 2006. Auditors undertake their audits in accordance with Monitor's Audit Code for NHS Foundation Trusts. Under the Code, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

### **Status of our reports to the Trust**

The Engagement Letter, issued by the Audit Commission, explains the respective responsibilities of auditors and of the audited body. Reports prepared by engagement leads are addressed to governors, members, non executive director, directors or officers and are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member, governor, non executive director, director or officer in their individual capacity; or
- any third party.

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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## Key messages

- 1 This Annual Audit Letter summarises the significant issues and conclusions from our audit covering the financial year 2007/08.
- 2 More detail can be found in the separate reports we have issued this year including our Governance Report to 'those charged with governance' (the Governance Committee). These reports have been discussed and agreed with officers and presented to the Governance Committee and are available upon request.
- 3 The Trust was granted Foundation Trust status from 1 July 2007 and as such we were required to carry out a two part audit as follows.
  - An audit under the Audit Commission's Code of Audit Practice for the period 1 April 2007 to 30 June 2007 in respect of Gloucestershire Partnership NHS Trust.
  - An audit under Monitor's Audit Code for NHS Foundation Trusts for the period 1 July 2007 to 31 March 2008 in respect of Gloucestershire Partnership NHS Foundation Trust.
- 4 Our audit has been conducted in accordance with the Letter of Engagement confirming our appointment as your external auditors. The Letter also sets out the respective areas of responsibility of the directors of the Trust and auditors. What we say about the results of our audit should be viewed in the context of that more formal background.
- 5 As your appointed auditor, I am responsible for planning and carrying out an audit that meets the requirements of the relevant codes. We prepared and delivered our Audit plan to meet the statutory requirements of the relevant codes and all Auditing Standards.
- 6 The 2007/08 financial year was a challenging but successful one for the Trust in establishing itself as a foundation trust. The Trust reported a financial surplus of £1.1m at the year end.

7 The key messages from my letter this year are as follows.

Code area	Audit Commission Code of Audit Practice Gloucestershire Partnership NHS Trust	Monitor's Audit Code for Foundation Trusts Gloucestershire Partnership NHS Foundation Trust
Accounts	I gave an unqualified opinion on the financial statements for the period ended 30 June 2007.	I gave an unqualified opinion on the financial statements for the period ended 31 March 2008.
Economy, Efficiency and Effectiveness	Value for money conclusion not required on part year NHS audits.	I have concluded that you have made proper arrangements for securing economy, efficiency and effectiveness in your use of resources as required under the Audit Code for NHS Foundation Trusts.

## Audit approach

- 8 My objective as your appointed auditor over this last year has been to plan and carry out an audit that meets the requirements of:
  - the Audit Commission's Code of Audit Practice for the period 1 April 2007 to 30 June 2007; and
  - Monitor's Audit Code for NHS Foundation Trusts for the period 1 July 2007 to 31 March 2008.
- 9 Under these Codes I have adopted a risk-based approach to planning my audit and the audit work has focused on your significant risks that are relevant to our audit responsibilities. Central to this are your corporate governance arrangements. Taking these into account, the audit is then structured around the key elements of my responsibilities as shown below.

### Gloucestershire Partnership NHS Trust

- Accounts - whether the accounts give a true and fair view of the financial position of the Gloucestershire Partnership NHS Trust for the period ended 30 June 2007.

### Gloucestershire Partnership NHS Foundation Trust

- Accounts - whether the accounts give a true and fair view of the financial position of the Gloucestershire Partnership NHS Foundation Trust for the period ended 31 March 2008.
- Performance management - whether the Trust has proper arrangements for securing economy, efficiency and effectiveness in the use of resources.

## Accounts

- 10 The Audit Commission's Code of Audit Practice requires external auditors to give an opinion on their financial statements. The main objective is to assess whether they are free from material misstatements and have been prepared in accordance with appropriate professional practices.
- 11 My work on your accounts was supported by a review of the key accounting controls in place at the Trust to ensure that financial information is fully and accurately presented in the statements. As planned, I was able to place reliance on the work of Internal Audit which documented and tested the operation of the key financial system controls during the year. I concluded from this and my own work that the Trust has appropriate arrangements in place, which meant that there was a low risk of the financial information presented in your accounts being materially misstated.
- 12 I issued an unqualified opinion on the Trust's accounts on the 22 February 2008, before the deadline set by the Department of Health (23 June 2008). In my opinion the accounts give a true and fair view of the Trust's financial affairs and of its income and expenditure for the period ending 30 June 2007.
- 13 On 29 January 2008 I reported to the Governance Committee issues arising from our audit. The main issues related to differences in the debtor/creditor amounts agreed with other NHS bodies, which were not considered to be material, and the effectiveness of controls over portable fixed assets. Following our report, the Trust reviewed the value of its equipment and information technology assets and wrote down the value by £279,000.

## Statement on Internal Control (SIC)

- 14 The Accountable Officer's responsibility in respect of internal control for the period ended 30 June 2007 reflects the establishment of an assurance framework required to manage the risks faced by the Trust, including the maintenance of effective systems of internal control. This is supplemented by a statement from Internal Audit that systems are in place and working effectively.
- 15 We reviewed whether the SIC had been prepared in accordance with the requirements specified by the Department of Health and whether it was consistent with the findings from our audit. There were no matters arising which we needed to bring to the attention of those charged with governance.

## Accounts

- 16 Monitor's Audit Code of Practice requires external auditors of foundation trusts to give an opinion on their financial statements. The main objective is to assess whether they are free from material misstatements and have been prepared in accordance with appropriate professional practices.
- 17 My work on your accounts was supported by a review of the key accounting controls in place at the Trust to ensure that financial information is fully and accurately presented in the statements. As planned, I was able to place reliance on the work of Internal Audit which documented and tested the operation of the key financial system controls during the year. I concluded from this and my own work that the Trust has appropriate arrangements in place, which meant that there was a low risk of the financial information presented in your accounts being materially misstated.
- 18 I issued an unqualified opinion on the Trust's accounts on the 10 June 2008, which was ahead of the deadline set by Monitor (16 June 2008). In my opinion the accounts give a true and fair view of the Trust's financial affairs and of its income and expenditure for the nine month period ending 31 March 2008.
- 19 On 10 June 2008 I reported to the Governance Committee that there were no significant issues arising from our audit.

## Annual Report

- 20 Monitor's Code of Audit for Foundation Trusts requires me to review the Trust's annual report, to ensure that the financial information disclosed within it is consistent with that within the audited financial statements. I certified that the financial information was consistent with the financial statements.

### **Economy, efficiency and effectiveness**

- 21 The Audit Code for NHS Foundation Trusts requires me to satisfy myself that you have made proper arrangements for securing economy, efficiency and effectiveness in your use of resources. In order to meet this requirement I need to:
- draw upon my audit work on the Statement on Internal Control as part of the audit of the financial statements;
  - review the results of the work of regulatory bodies, for example the Healthcare Commission; and
  - take into account any work that we have completed on behalf of the Healthcare Commission. (There was no such work in 2007/08)
- 22 We also relied on the Trust's arrangements for ensuring that recommendations arising from audit reviews are implemented and on the arrangements for internal reporting to the Board and sub-committees.

### **Statement on Internal Control (SIC)**

- 23 The Accounting Officer's responsibility in respect of internal control for the period ended 31 March 2008 reflects the establishment of an assurance framework required to manage the risks faced by the Trust, including the maintenance of effective systems of internal control. This is supplemented by a statement from Internal Audit that systems are in place and working effectively.
- 24 We have reviewed whether the SIC has been prepared in accordance with the requirements specified by Monitor and is consistent with the findings from our audit. There were no matters arising which needed to be brought to the attention of those charged with governance.

### **In year financial performance**

- 25 In 2007/08 the Trust reported a surplus of £1.1m. Under the foundation trust regime the Trust is no longer required to achieve year on year financial balance but instead it must meet certain key financial ratios under the terms of its licence set by Monitor. All key ratios were met in the year.

## The fee

26 In the table below I have set out below the audit fee for the year.

**Table 1 Audit fees 2007/08**

	2007/08	2006/07
NHS audit	46,187	78,206
FT audit	47,500	N/A
TOTAL	93,687	78,206

## Closing remarks

- 27 I have discussed and agreed this letter with the Chief Executive and the Director of Finance and Commerce. I presented the letter to the Governance Committee on 16 July 2008 and will provide copies as required.
- 28 Further detailed findings, conclusions and recommendations on the areas covered by our audit are included in the reports issued to the Trust during the year.

**Table 2 Reports relating to the 2007/08 audits**

Report	NHS Trust	Foundation Trust
Audit plan	March 2007	September 2007
Report to those charged with governance	January 2008	June 2008
Opinion on financial statements	February 2008	June 2008
Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in your use of resources	None	June 2008
Final accounts memorandum	None	July 2008
Annual audit letter	July 2008	

- 29 The Trust has taken a positive and constructive approach to our audit and I wish to thank Trust staff for their support and cooperation during the audit.

Richard Lott, Engagement Lead  
July 2008