

Annual Audit Letter

Oxfordshire and Buckinghamshire Mental Health
Partnership NHS Trust

Audit 2007/08

September 2008



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Summary

Key messages

- 1 This is the last annual audit letter for Oxfordshire and Buckinghamshire Mental Health Partnership NHS Trust. The fact that the Trust has become a Foundation Trust (FT) from April 2008 is testament to the journey and the achievements made by the Trust, not just in 2007/08 but in previous years.
- 2 Our previous audit letters have presented a learning organisation that has made consistent improvements in its financial and governance arrangements. This year is no exception. However, the key success factor has been the organisation's ability to demonstrate that these arrangements are embedded into its everyday operational activities. This strength in depth has also underpinned the Trust's successful foundation trust application.
- 3 The Trust has continued to improve its performance during 2007/08. This is reflected in both the unqualified opinion on the accounts and, as importantly, that the process itself went smoothly. There were also improvements in the scores on the Auditor's Local Evaluation (ALE assessments) and the Trust was assessed at the highest level for its financial standing.
- 4 The achievement of FT status provides challenges as the Trust now operates in a different environment. The timescales for production of the financial statements will be even tighter and the Trust finds itself in a different performance monitoring environment. The achievements of 2007/08 indicate that the Trust is well placed to both develop the opportunities on offer as well as respond to the challenges presented. As your external auditors we have experience of working with many other foundation trusts and will use this knowledge and experience to support your progress as a successful Trust and service provider and we look forward to working with you in future years.

Recommendations

- 5 Our key issues for Trust management are as follows.

Recommendation	
R1	Ensure the Trust continues to build on its robust arrangements to meet the opportunities and challenges of foundation trust status.

Purpose, responsibilities and scope

- 6 This Annual Audit Letter (letter) summarises the key issues arising from our work carried out during the year. I have addressed this letter to the directors and members of the Trust as it is the responsibility of the Trust to ensure that arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. I have made recommendations to assist the Trust in meeting its responsibilities.
- 7 The letter also communicates the significant issues to key external stakeholders, including members of the public. I will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. We would also request that the Trust publishes the letter on its website.
- 8 I have prepared this letter as required by the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.
- 9 As your appointed auditor, I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
 - the Trust's accounts; and
 - whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 10 Also, the Audit Commission uses my assessments to provide scored judgements for the Healthcare Commission to use as part of its Annual Health Check.
- 11 This letter summarises the significant issues arising from both these areas of work and highlights the key recommendations that I consider the Trust should be addressing. I have listed the reports issued to the Trust relating to the 2007/08 audit at the end of this letter.

Audit of the accounts

- 12 I issued an unqualified opinion on the Trust's accounts on 20 June 2008, before the deadline set by the Department of Health for NHS bodies to submit audited accounts. 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 year.
- 13 Before giving my opinion I reported to the Audit Committee as those charged with governance, on the issues arising from the 2007/08 audit. I issued this report on 3 June 2008 and only the most significant issues arising are repeated in this letter.

Accounting issues

- 14 The Trust has continued to build on improvements in previous years so that the overall process for the production and audit of the accounts went very smoothly. Indeed, the process was evidence of the embedded arrangements in place to produce the draft financial statements, allow for their review by management and then respond to our queries. The Trust's arrangements for responding to our queries by routing these through the Finance Programme Manager proved particularly helpful.
- 15 Our experience from working with other foundation trusts is that the transition to the tighter timescales and differing requirements of the production of financial statements can be problematic and place finance departments under pressure. Also, based on experience at other trusts, there is a 'dip' in performance in the initial period following achievement of FT status. We will therefore work with your finance team to share the learning points from FT audits and help support the Trust's transition to FT status.

Trust's use of resources

- 16** I am required to conclude on whether the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money conclusion.
- 17** I am also required to assess how well NHS organisations manage and use their financial resources by providing scored judgements on the Trust's arrangements in five specific themes. This is known as the Auditor's Local Evaluation (ALE). The Audit Commission provides the scores to the Healthcare Commission (HC) to use as part of its Annual Health Check.

Value for Money conclusion

- 18** I concluded that the Trust had proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

Auditor's Local Evaluation judgement (including financial standing)

- 19** I assessed the Trust's arrangements in five themes. I scored each theme from 1 to 4 (1 = inadequate and below minimum standards, 2 = adequate, 3 = performing well and 4 = performing strongly). I will issue a detailed report supporting my assessment and highlighting areas for improvement to the Trust in September 2008.

Table 1 ALE scores

Theme	Assessment 2007/08	Assessment 2006/07
Financial reporting	3 out of 4	2 out of 4
Financial management	3 out of 4	3 out of 4
Financial standing	4 out of 4	3 out of 4
Internal control	3 out of 4	3 out of 4
Value for money	3 out of 4	3 out of 4
Overall assessment of the Audit Commission	3 out of 4	3 out of 4

(Note: 1 = lowest, 4 = highest)

Trust's use of resources

- 20 The scores for four of the five areas remain the same as 2006/07 with an improvement to the highest assessment for financial standing. However, there are two specific factors need to be brought out from these figures.
- The Commission has continued to 'raise the bar' in terms of the criteria requirements for 2007/08 over previous years. The Trust has therefore performed well against the areas reviewed as this annual assessment is, each year, 'a harder test'.
 - The approach taken by Trust management in using the ALE process to support the foundation trust application, the level of documentation provided and the consistent strength in depth of the evidence provided to support the key lines of enquiry demonstrates the significant progress made by the Trust in embedding robust arrangements into everyday working practice.
- 21 Foundation trusts are not required to have an annual ALE assessment although many have continued with aspects of this approach as a good means to ensure continued good governance and effective processes. We will work with the Trust to ensure that the benefits of learning from the ALE process are available in areas where as a FT they are beneficial.

Specific risk-based work

- 22 I carried out specific pieces of work as follows.

'Fit for purpose' review of the Finance function

- 23 As part of the movement towards foundation trust (FT) status, we carried out a review of the Trust's Finance function to assess its 'fitness for purpose'. The review focused on the areas of treasury management and prudential borrowing, financial reporting and a high-level review of financial planning. We assessed the Trust as making good progress to be 'fit for purpose' in all three areas. We identified areas where further work was needed and agreed an action plan to enable the Trust to meet the necessary requirements in time for its movement to foundation trust status.

'Fit for purpose' review of the Human Resources function

- 24 We carried out a follow-up review to our original review of the Human Resources (HR) function. This had identified a number of areas where improvements were needed to ensure the service was 'fit for purpose' for FT status. Our follow-up review identified good progress made by the HR service and good management against the recommendations in the original report. The majority of recommendations made were either completed in full or the Trust was making good progress to achieve these in full. We assessed the direction of travel and rate of progress as commendable and anticipated full completion of these by the end of 2008.

Benchmarking of 'best in class' performance indicators

- 25 We have facilitated a series of workshops both within the Trust and to help develop 'best in class' indicators for all areas and all tiers of service delivery to drive performance of the business plan over the next three - five years; produce efficiency savings and productivity gains to support delivery of the medium term financial plan and identify areas for expansion and business opportunities as a foundation trust.
- 26 The benchmarking 'club' has provided a forum for discussion and development of key performance indicators for trusts providing mental health services, particularly at the team and individual clinician level and in setting 'best in class' targets for services improved performance and decision-making in allocation of resources.
- 27 There have been two workshops with attendance by over 40 per cent of mental health trusts. The main benefits from attendees have been that the workshops are helpful in discussions to improve understanding of service delivery and performance both internally within trusts but also with commissioners by providing evidence to help educate commissioners about the services provided. In addition, when setting local targets, comparative data makes it clearer what is realistic and achievable and the indicators are useful as part of the wider development of service line reporting and payment by results.
- 28 Based on the positive response to date, the Audit Commission's Trust Practice will continue to run these workshops.

National Fraud Initiative

- 29 The National Fraud Initiative is a data matching exercise that compares sets of data to identify inconsistencies or other circumstances that might indicate fraud or error. It also helps auditors to assess the arrangements that audited bodies have put in place to deal with fraud.
- 30 The Trust participated in the scheme and this information was shared with the Trust's Local Counter Fraud Services lead and was followed up by the Trust lead for this work. There were no specific issues arising from this as part of our 2007/08 audit work.

Additional services (non-Code work)

- 31 We also undertook a mock Board to Board challenge. This was designed to prepare the Board for the actual challenge which is a key part of the foundation trust application process. It enabled Board members to rehearse the process and use this as a learning experience in preparation for the actual challenge. It also provided us with additional information for the 'fitness for purpose review' of the Finance function.

Closing remarks

- 32** I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I presented this letter at the Audit Committee on 24 September 2008 and will provide copies to all Board members.
- 33** 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 issued

Report	Date of issue
Audit plan	August 2007
Report to those charged with governance	June 2008
Opinion on financial statements	June 2008
Value for money conclusion	June 2008
Final accounts memorandum (incorporating the interim audit memorandum)	August 2008
Auditor's local evaluation	September 2008
'Fit for purpose' review of the Finance function	March 2008
'Fit for purpose' review of the Human Resources function - follow-up	April 2008
Annual audit letter	September 2008

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

Maria Grindley
Engagement Lead
September 2008

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, covering the £180 billion spent by 11,000 local public bodies.

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