

**PUBLIC**

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| <b>BOD 96/2011</b><br>(Agenda item: 12) |
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**Report to the Meeting of the  
Oxford Health NHS Foundation Trust  
Board of Directors**

**29 June 2011**

**2010/11 ANNUAL STATUTORY ACCOUNTS & ANNUAL REPORT**

**For Information**

**Executive Summary**

The Audit Committee has approved the 2010/11 Annual Statutory Accounts and Annual Report under delegated authority at its meeting on 26 May 2011. The Audit Committee also approved the production of the Accounts on a 'going concern' basis, the CEO's Annual Governance Statement (Statement on Internal Control), the Internal Auditor Opinion and the Trust's Letter of Representation.

A copy of the External Auditors' Annual Governance Report is attached for information.

**Recommendation**

The Board is asked to note the submission of the Annual Statutory Accounts and Annual Report, along with the required certificates and auditor's report to Monitor on 7 June 2011.

**Lead Executive Director:**

Gareth Kenworthy, A/Director of Finance

*A risk assessment has been undertaken around the legal issues that this paper presents and there are no issues that need to be referred to the Trust Solicitors.*

# Annual governance report

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Oxford Health NHS Foundation Trust

Audit 2010/11

**The Audit Commission is a public corporation set up in 1983 to protect the public purse.**

**The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.**

**We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.**

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# Key messages

**This report summarises the findings from my 2010/11 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements for securing economy, efficiency and effectiveness in the use of resources. I also report my limited assurance review of your quality report.**

Table 1: **Key messages - financial statements**

| <b>Financial statements</b>              | <b>Results</b> | <b>Page</b> |
|--|----------------|-------------|
| Unqualified audit opinion                | Yes            | 4           |
| Important weaknesses in internal control | No             | 5           |

Table 2: **Key messages - value for money**

| <b>Value for money</b>   | <b>Results</b> | <b>Page</b> |
|--|----------------|-------------|
| Proper arrangements to secure value economy efficiency and effectiveness | Yes            | 8           |

Table 3: **Key messages - quality report**

| <b>Quality report</b>                  | <b>Results</b> | <b>Page</b> |
|--|----------------|-------------|
| Assurance on content of quality report | Yes            | 9           |

## **Audit opinion**

**1** The audit is substantially complete and on-track to report ahead of the filing date of 6 June 2011. Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements.

## Financial statements

2 The audit of the financial statements has progressed well and issues have been raised with management through a continuous dialogue and resolution tracked through a query log. Those significant matters which remain to be resolved before audit completion are detailed in the financial statements section of this report.

## Value for money

3 My review did not identify any matter that would indicate the Trust did not have in place adequate arrangements for securing economy, efficiency and effectiveness. Accordingly I propose to issue an unqualified certificate.

## Quality report

4 In accordance with Monitor requirements I am required to provide assurance on your Quality Report for 2010/11. I have reviewed the content of the Quality Report and find that it accords with proper practice.

5 The review of selected performance indicators will be completed by 30 June and therefore I will defer the release of my audit completion certificate until this phase of the work is completed.

## Audit fees

6 A summary of the audit fee is shown in table 4 below. The fee relates to work required under the Monitor Audit Code and includes the audit of the financial statements and the external assurance on the quality report.

Table 4: **External audit fee**

Fees for the provision of external audit under the monitor audit code

| Monitor audit code requirement    | Fee 2010/11 | Fee 2009/10 |
|-----------------------------------|-------------|-------------|
| Audit of the financial statements | 60,120      | 75,120      |
| Assurance on the quality report   | 12,500      | 18,500      |
| Total                             | 72,620      | 93,620      |

## Independence

7 I can confirm that I have complied with the Audit Practice Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity.

8 During the year the Audit Commission's Audit Practice undertook non-audit work for the Foundation Trust for a fee of £6,000. In accordance with your instructions we developed a framework which may be used for the provision of reasonable assurance on your arrangements to secure value for money.

# Financial statements

**The Foundation Trust's financial statements and annual governance statement are important means by which the Foundation Trust accounts for its stewardship of public funds. As Directors, you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the statement on internal control.**

## Opinion on the financial statements

**9** Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

## Key areas of judgement and audit risk

**10** In planning my audit I identified specific audit risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 5.

Table 5: **Key areas of judgement and audit risk**

| Issue or risk  | Finding   |
|--|---|
| Integration of Community Health Oxfordshire (CHO)                                | No significant accounting issues identified that have an impact on the 2010/11 financial statements. An appropriate disclosure of events after the reporting date has been made.                              |
| Payroll control procedures   | Internal financial control over payroll processing through the service provider has been secured. However the control of salary overpayments and service performance remains an area of management attention. |
| Disclosures for employees who are members of the local government pension scheme | The Trust has obtained the required actuarial information. However the required recognition and note disclosure remain under discussion.  |

## Errors in the financial statements

**11** I have not identified any material errors. The errors found to date relate mainly to note disclosures and consistency and these are being corrected. I have not identified any errors that have an impact on the Statement of Comprehensive Income.

**12** I have not identified any errors that have not been corrected in 2010/11 other than in respect of the recognition and disclosures relating to employees in the Local Government Pension Scheme under IAS 19. This will affect the Statement of Financial Position and Note 12 and I am discussing with the Finance Team the disclosures that need to be made. Appendix 3 also records this matter as an uncorrected misstatement brought forward from 2009/10.

### Recommendation

**R1** Appropriate recognition and disclosure should be made for Trust employees who are members of the local government pension scheme under International Accounting Standard 19.

## Important weaknesses in internal control

**13** My audit did not identify any significant deficiencies in internal control. However, I do also consider whether there are any other control issues which require reporting for the purpose of securing improvement. These other matters are set out in the table 6 below.

Table 6: **Other weaknesses in internal control**

| Description of weakness                             | Potential effect                        | Management action   |
|---|---|---|
| Formalising healthcare contracts with commissioners | Contracts are disputed                  | All material contracts were signed during the reporting period  |
| Authorised signatories for approval of invoices     | Invoices not properly approved          | The Trust will formalise the signatory arrangements   |
| Stocktaking procedures                              | Errors in stock take                    | Formal procedure notes will be prepared and an independent checker will be present at all stock takes |
| IT general controls                                 | Information security may be compromised | A risk and business impact assessment has been undertaken   |

14 These weaknesses are only those I identified during the audit that are relevant to preparing the financial statements. I am not expressing an opinion on the overall effectiveness of internal control.

15 I reviewed your Annual Governance Statement and identified that some mandatory content required by the Annual Reporting Manual had been omitted. Following the inclusion of the required content I have concluded that the AGS accords with proper practice and is consistent with my knowledge of the Trust. Accordingly there are no matters which require my reporting by exception.

## Recommendation

R2 The Trust should ensure that action is taken to implement the recommendations made in my interim audit memorandum.

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### Quality of your financial statements

16 I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statement disclosures.

17 IAS 8 requires that entities disclose the significant accounting estimates and critical judgements made by management in applying the accounting policies and the key sources of estimation uncertainty. The disclosures made in Note 2 to the draft financial statements were limited and management have agreed to expand the note accordingly.

18 The complete set of financial statements comprises the required financial statements and the supporting notes. The note disclosures required under the International Accounting Standards and the Monitor Annual Reporting Manual are extensive and largely prescriptive.

19 The majority of the issues we identified at audit related to note disclosure and consistency errors. These errors have been accepted by management and are being corrected. Table 7 in Appendix 2 summarises these changes for your information.

### Significant matters that were discussed or subject to correspondence with management

20 I have raised the following significant matters with the Director of Finance and I bring these to your attention in terms of open and transparent communication:

- The £8.0m carrying amount held as assets under construction includes £6.2m relating to the Manor House site. Management have raised the potential for impairment in respect of abortive design and construction works being conditional upon the final scheme being finalised and reflecting requested design changes. In accordance with your policies and IAS 16 assets in the course of construction are initially recognised at cost and are measured at fair value as part of the periodic asset valuation or when brought into use. Additionally IAS 36 requires annual

review for impairment. Management have asserted that any abortive costs will only be known when the final scheme design is determined; accordingly no impairment should be recognised. I have requested a management representation on this matter.

- The identification of the appropriate accounting treatment for the transfer of Community Health Oxfordshire. For 2010/11 the transfer has been reported as an event after the reporting period in Note 34. My understanding is that merger accounting is likely to apply to the 2011/12 reporting period.

### **Other significant matters relevant to the financial reporting process**

**21** I am required to audit the financial statements. I also ensure that the financial statements and the information presented in the remuneration report has been properly prepared. In addition I read the annual report and ensure the other information is consistent with the financial statements. I also provide a report on the summary financial statements included in the annual report.

**22** In the Annual Report the Accounting Officers statement of responsibilities has not yet been included. Otherwise I have not identified other significant matters which I wish to bring to your attention.

### **Letter of representation**

**23** Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation. In addition to the standard representation I am requesting specific disclosures on the following matters:

- The impact of the Trust taking on the contract for Community Health Oxfordshire;
- The development at Manor House site and risk of impairment to the carrying value of assets under construction;
- The continuing treatment of Boundary Brook House as an asset held for sale and subsequent leaseback on operating lease terms.

## Value for money

### **I am required to assess whether the Foundation Trust put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources.**

**24** In auditing the accounts I am required to assess whether the Trust put in place adequate arrangements for securing economy, efficiency and effectiveness in its use of resources. In doing so, I am required to consider:

- your Annual Governance Statement; and
- reports of regulatory bodies.

**25** My review did not identify any significant matter that would lead me to believe that the Foundation Trust did not have in place proper arrangements for securing economy, efficiency and effectiveness.

**26** I therefore propose to issue an unqualified certificate at the conclusion of my audit.

# Assurance on the Quality Report

## **NHS foundation trusts are required to prepare quality accounts for each financial year and seek external assurance over their annual quality report.**

**27** The audit work in relation to quality reports must be done in accordance with the detailed guidance issued by Monitor. As a minimum, auditors must:

- review the content of the NHS foundation trust's quality report to consider whether the quality report has been prepared in line with the requirements set out in the NHS Foundation Trust Annual Reporting Manual and whether it is consistent with the other information sources as set out in that guidance; and
- substantively sample test the performance indicators mandated by Monitor to consider whether they are reasonably stated in all material respects in line with the requirements set out in the NHS Foundation Trust Annual Reporting Manual.

## **Review of the content of the quality report**

**28** Overall, the content of the Quality Report and the Trust's approach to its preparation met required standards. There is a strong commitment within the Trust to meeting the regulator's requirements and to achieving high standards in the production of the required information.

**29** There are some aspects which should be developed in the next Quality Report. The report will then reflect the full range of activity including those services provided by the Trust which were formerly undertaken within Community Health Oxfordshire (CHO).

**30** I judged that this was a reasonable response to the requirements for this year. There are some areas where compliance could be enhanced and I will set these out in my detailed report. These identified enhancements can be reflected upon in reporting for the 2011/12 year.

**31** I am required to issue an independent assurance report to the Board of Governors on the Trust's Annual Quality Report. I have concluded the Quality Report is:

- in line with Monitor's guidance; and
- not inconsistent with the information specified by Monitor.

**32** My limited assurance report will be provided to accompany the reporting pack to Monitor. A draft report is included as appendix 4.

## Testing of performance indicators

**33** I am also due to perform testing of the two performance indicators mandated by Monitor and the one indicator selected by Governors.

**34** The mandatory indicators are:

- Admissions to inpatient services having access to crisis resolution home treatment teams.
- 100 per cent enhanced Care Programme Approach (CPA) patients receiving follow-up contact within seven days of discharge from hospital.

**35** The indicator chosen from amongst those which Governors selected is the number of completed mental health risk assessments.

**36** I will complete this testing during June and include the outcomes in my detailed report to management. As this work forms part of the mandated audit under the new Monitor Code I will defer the release of my audit completion certificate until this phase of the work is completed.

## Next steps

**This report identifies the key messages that you should consider before I issue my financial statements opinion and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.**

**37** I ask the Audit Committee to:

- consider the matters raised in this governance report before approving the financial statements;
- take note of the adjustments to the financial statements which are set out in this report (appendix 2);
- agree to adjust the errors in the financial statements I have identified that management has declined to amend or set out the reasons for not amending the errors (appendix 3);
- approve the letter of representation on behalf of the Trust before I issue my opinion (appendix 4).

**38** I will be pleased to present the report and discuss any matters arising at your Audit Committee meeting on 26 May 2011. The report will then be finalised for inclusion within your submission pack to Monitor.

Phil Sharman

Engagement Lead

26 May 2011

# Appendix 1 Draft independent auditor's report on the Financial Statements

## **Independent auditor's report to the Members Council (Board of Governors) of Oxford Health NHS Foundation Trust**

I have audited the financial statements of Oxford Health NHS Foundation Trust for the year ended 31 March 2011 under the National Health Service Act 2006. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

I have also audited the information in the Remuneration Report that is subject to audit, being:

- the table of salaries and allowances of senior managers and related narrative notes and
- the table of pension benefits of senior managers.

This report is made solely to the Board of Governors of Oxford Health NHS Foundation Trust in accordance with paragraph 24(5) of Schedule 7 of the National Health Service Act 2006. My audit work has been undertaken so that I might state to the Board of Governors those matters I am required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Foundation Trust as a body, for my audit work, for this report or for the opinions I have formed.

### **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

My responsibility is to audit the financial statements in accordance with applicable law, the Audit Code for NHS Foundation Trusts and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused

by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trust; and the overall presentation of the financial statements. I read all the information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Oxford Health NHS Foundation Trust's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by Monitor as being relevant to NHS Foundation Trusts.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report subject to audit has been properly prepared in accordance with the accounting policies directed by Monitor as being relevant to NHS Foundation Trusts; and
- the information given in the Annual Report for the financial year on which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the Annual Governance Statement on which I report to you if, in my opinion the Annual Governance Statement does not reflect compliance with Monitor's requirements.

### **Delay in certification of completion of the audit**

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to provide external assurance over the Trust's annual quality report. I am satisfied that this work does not have a material effect on the financial statements.

Phil Sharman  
Officer of the Audit Commission

Audit Commission  
Unit 5 ISIS Business Centre  
Horspath Road  
Oxford OX4 2RD

June 2011

## Appendix 2 Amendments to the draft financial statements

I identified the following misstatements during my audit and management have adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities.

Table 7: **Adjustments to main statements**

| Description                 | Statement of comprehensive income |          | Statement of financial position |                                |
|-----------------------------|-----------------------------------|----------|---------------------------------|--------------------------------|
|                             | Dr £'000                          | Cr £'000 | Dr £'000                        | Cr £'000                       |
| <i>Nature of adjustment</i> | <i>Account entry and value</i>    |          |                                 | <i>Account entry and value</i> |
|                             | 0                                 | 0        | 0                               | 0                              |

Table 8: **Adjustments to note disclosures**

| Account   | Description  |
|---|--|
| Note 2 Critical accounting estimates & judgements | Critical accounting estimates & judgements note should be more specific                  |
| SOCITE  | Prior year comparatives for changes in Taxpayers Equity                                  |
| Note 19 Property Plant and Equipment              | Prior year comparatives for movements in Property Plant and Equipment                    |
| Note 31 Pooled Budgets                            | Note 31.2 BCC - overheads of £101k not taken out of BCC figure                           |
| Note 39.2 Financial liabilities                   | Provisions included within the financial liability note, regarding financial instruments |
| Note 40 Third Party Assets                        | Third party assets 2010 comparative stated as £345.2k instead of £327.8k                 |

## Appendix 3 Unadjusted misstatements in the financial statements

I identified the following misstatements during my audit, including uncorrected misstatements brought forward from earlier years, but management has not adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities and ask you to correct these misstatements. If you decide not to amend, please tell me why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

Table 9: **Unadjusted misstatements**

| Description  | Statement of comprehensive income |          | Statement of financial position                           |                                      |
|--|-----------------------------------|----------|---|--------------------------------------|
|  | Dr £'000                          | Cr £'000 | Dr £'000  | Cr £'000                             |
| <b>Errors carried forward in 2010/11</b>                                   |                                   |          |   |                                      |
| Recognition of net pension liability for employees who are members of LGPS | 0                                 | 0        | Provision for net liability<br>£262<br>I&E reserve<br>£28 | Pension reserve<br>£290              |
| <b>Errors brought forward from 2009/10</b>                                 |                                   |          |   |                                      |
| Recognition of net pension liability for employees who are members of LGPS | 0                                 | 0        | Provision for net liability<br>£262                       | Income & expenditure reserve<br>£262 |

*Source: Actuarial Report*

## Appendix 4 Draft letter of representation

To: Phil Sharman

Engagement Lead  
Audit Commission  
Unit 5 ISIS Business Centre  
Horspath Road  
Oxford OX4 2RD

### **Oxford Health NHS Foundation Trust - Audit for the year ended 31 March 2011.**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other Directors of Oxford Health NHS Foundation Trust the following representations given to you in connection with your audit of the Trust's financial statements for the year ended 31 March 2011.

#### **Compliance with the statutory authorities**

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the NHS Foundation Trust Annual Reporting Manual which give a true and fair view of the financial position and financial performance of the Trust for the completeness of the information provided to you, and for making accurate representations to you as set out in the engagement letter.

#### **Uncorrected misstatements**

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

These misstatements have been discussed with those charged with governance within the Trust and the reasons for not correcting these items are as follows:

#### **Supporting records**

All relevant information and access to persons within the entity as agreed in the engagement letter has been made available to you for the purpose of your audit, and all the transactions undertaken by the Trust have been properly reflected and recorded in the financial statements.

#### **Internal control**

I have communicated to you all deficiencies in internal control of which I am aware.

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- My knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- My knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

### **Law, regulations, contractual arrangements and codes of practice**

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Foundation Trust has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

### **Accounting estimates including fair values**

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

### **Related party transactions**

I confirm that I have disclosed the identity of Oxford Health NHS Foundation Trust related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

### **Subsequent events**

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

## Other representations

In addition to the standard representations management make specific disclosures on the following matters:

- The impact of the Trust taking on the contract for Community Health Oxfordshire;
- The development at Manor House site and risk of impairment to the carrying value of assets under construction;
- The continuing treatment of Boundary Brook House as an asset held for sale and subsequent leaseback on operating lease terms.

Signed on behalf of Oxford Health NHS Foundation Trust

I confirm that the this letter has been discussed and agreed by the Board on [date]

Signed

Name

Position

Date

# Appendix 5 Draft Independent Assurance Report on the Annual Quality Report

## **Independent Assurance Report to the Members Council (Board of Governors) of Oxford Health NHS Foundation Trust on the Annual Quality Report**

I have been engaged by the Board of Governors of Oxford Health NHS Foundation Trust to perform an independent assurance engagement in respect of the content of Oxford Health NHS Foundation Trust's Quality Report for the year ended 31 March 2011 (the 'Quality Report').

### **Scope and subject matter**

I read the Quality Report and considered whether it addresses the content requirements of the NHS Foundation Trust Annual Reporting Manual, and consider the implications for my report if I become aware of any material omissions.

### **Respective responsibilities of the Directors and auditor**

The Directors are responsible for the content and the preparation of the Quality Report in accordance with the criteria set out in the NHS Foundation Trust Annual Reporting Manual 2010/11 issued by the Independent Regulator of NHS Foundation Trusts ('Monitor').

My responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to my attention that causes me to believe that the content of the Quality Report is not in accordance with the NHS Foundation Trust Annual Reporting Manual or is inconsistent with the documents.

I read the other information contained in the Quality Report and considered whether it is materially inconsistent with:

- Board minutes for the period April 2010 to April 2011
- Papers relating to Quality reported to the Board over the period April 2010 to April 2011
- Feedback from the Commissioners dated [date] 2011
- Feedback from Governors dated [date] 2011
- Feedback from LINKS dated [date] 2011
- The trust's complaints report published under regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009, dated [date];
- The 2010 national patient survey
- The 2010 national staff survey

- The Head of Internal Audit's annual opinion over the trust's control environment dated 12 April 2011;
- Care Quality Commission quality and risk profiles dated March 2011.

I considered the implications for my report if I became aware of any apparent misstatements or material inconsistencies with those documents (collectively, the 'documents'). My responsibilities do not extend to any other information.

This report, including the conclusion, has been prepared solely for the Board of Governors of Oxford Health NHS Foundation Trust as a body, to assist the Board of Governors in reporting Oxford Health NHS Foundation Trust's quality agenda, performance and activities. I permit the disclosure of this report within the Annual Report for the year ended 31 March 2011, to enable the Board of Governors to demonstrate it has discharged its governance responsibilities by commissioning an independent assurance report in connection with the Quality Report. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Board of Governors as a body and Oxford Health NHS Foundation Trust for my work or this report save where terms are expressly agreed and with my prior consent in writing.

### **Assurance work performed**

I conducted this limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ('ISAE 3000'). My limited assurance procedures included:

- Making enquiries of management;
- Comparing the content requirements of the NHS Foundation Trust Annual Reporting Manual to the categories reported in the Quality Report; and
- Reading the documents [Add details].

A limited assurance engagement is less in scope than a reasonable assurance engagement. The nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

### **Limitations**

It is important to read the Quality Report in the context of the criteria set out in the NHS Foundation Trust Annual Reporting Manual.

## **Conclusion**

Based on the results of my procedures, nothing has come to my attention that causes me to believe that, for the year ended 31 March 2011, the content of the Quality Report is not in accordance with the NHS Foundation Trust Annual Reporting Manual.

Phil Sharman

Officer of the Audit Commission

Audit Commission  
Unit 5 ISIS Business Centre  
Horspath Road  
Oxford OX4 2RD

June 2011

## Appendix 6 Glossary

### **Audit closure certificate**

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

### **Audit opinion**

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

### **Materiality and significance**

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

'Significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

### **Weaknesses in internal control**

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you as a significant deficiency.

### **Limited assurance engagement**

A limited assurance engagement is less in scope than a reasonable assurance engagement. The nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

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Audit Commission

1st Floor

Millbank Tower

Millbank

London

SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946