



The Annual Audit Letter for Mersey Care NHS Trust

Year ended 31 March 2014

July 2014

Michael Thomas

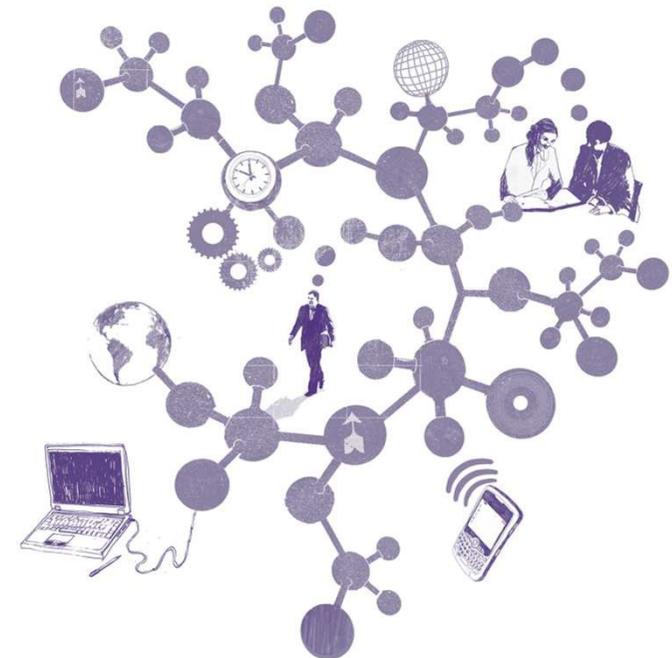
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Section 1: Executive summary

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02. Audit of the accounts

03. Value for Money

04. Quality Account

An unqualified conclusion on all aspects of the audit

Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Mersey Care NHS Trust ('the Trust') for the year ended 31 March 2014:

- auditing the 2013/14 accounts (Section two)
- assessing the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- reviewing the Trust's Quality Account (Section four).

The Letter is intended to communicate key messages to the Trust and external stakeholders, including members of the public.

We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 20 May 2014.

Responsibilities of the external auditors and the Trust

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

The Trust is responsible for preparing and publishing its financial statements, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with our Audit Plan issued on 2 April 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2013/14 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Trust's financial position as at 31 March 2014 and its income and expenditure for the year
- an unqualified conclusion in respect of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified limited assurance report in respect of the Trust's Quality Account
- a group assurance certificate, issued to the National Audit Office, in respect of Whole of Government Accounts which did not identify any issues for the group auditor to consider.

Acknowledgements

This Letter has been agreed with the Executive Director of Resources.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Trust's staff.

Grant Thornton UK LLP
July 2014

Section 2: Audit of the accounts

01. Executive summary

02. Audit of the accounts

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No significant accounting issues

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Trust presented us with draft accounts in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork.

Issues arising from the audit of the accounts

We did not identify any adjustments that affected the Trust's retained surplus position of £422,000.

We requested a small number of adjustments to improve the presentation of the accounts; the Trust agreed to these and they were incorporated in the final audited accounts.

Annual Governance Statement and Annual Report

The Annual Government Statement complied with the requirements of the Manual for Accounts for form and content. The disclosures made in the Annual Governance Statement were consistent with our understanding of the Trust and with information reported by other regulatory bodies.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Committee at the Trust). We presented our report to the Audit Committee on 20 May 2014 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Trust's 2013/14 accounts on 30 May 2014, meeting the deadline set by the Department of Health (DH). Our opinion confirms that the accounts give a true and fair view of the Trust's financial affairs and of the income and expenditure recorded by the Trust.

Financial performance 2013/14

The Trust's Performance against its financial targets is set out in the table below:

	Target	Actual	Met?
Surplus/ (deficit)	Breakeven	£4,750,000*	Yes
Capital cost absorption rate	3.5%	3.5%	Yes
Capital resource limit	Not to exceed £7,292,000	£7,292,000	Yes
External finance limit (EFL)	Not to exceed £(3,243,000)	£(3,249,000)**	Yes

*The statutory breakeven target excludes impairments as these are deemed to be outside the control of management. The difference between this figure and the reported surplus of £422,000 is impairment charges of £4,328,000.

**The EFL is a cash limit, the negative figure indicates that the Trust is internally generating funds to meet its capital programme. These funds are generated from disposals of surplus assets and operating efficiencies. It is reflected in the increasing cash balances which was previously agreed with the Strategic Health Authority and is now supported by the Trust Development Authority.

Looking forward

The Trust continues to have effective strategic financial planning arrangements in place and these will become increasingly important given the anticipated changes to adult Health and Social Care and Mental health Commissioning priorities for Merseyside.

The Trust has identified new and complimentary markets for its services in the areas of treating addiction and supporting prison and police services. Developing these will help the Trust weather challenges and play a part in integrating key mental health pathways.

The Trust continues to maintain an ambitious Cost Improvement with savings of £9.7 million planned for 2014/15 and a further £38.6 million for the following four years. To achieve these savings the Trust will need to continue to:

- set and monitor challenging annual budgets which are closely aligned to medium term financial plans.
- base its planning assumptions on clearly verifiable data so that it can explain sensitivities and undertake detailed scenario planning.
- integrate workforces and estates strategies with medium term financial planning and long term service planning.

The Trust expects to see significant service development in the next financial year as first the Clock View development comes into use and then the Secure Park takes shape. Governance and project management arrangements will continue to be priority areas for the Trust.

Section 3: Value for Money

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Effective arrangements for securing value for money

Value for Money

Value for Money conclusion

The Code describes the Trust's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Trust has proper arrangements in place for securing financial resilience. The Trust has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Trust has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Trust is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Trust's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance
- Financial planning
- Financial control.

Our work highlighted the Trust has sound arrangements for ensuring it maintains financial resilience and this is reflected in its reported outturn. Challenging economy, efficiency and effectiveness

We have reviewed whether the Trust has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Our work highlighted the Trust continues to challenge economy efficiency and effectiveness within a clear context of its strategic objectives and overall aim to improve outcomes for service users.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Section 4: Quality Account

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Compliant quality account-minimal changes

Quality Account

Introduction

For 2013/14 the Trust is required to obtain external audit assurance on its Quality Account. In order to provide this assurance we have undertaken limited assurance procedures in accordance with guidance issued by the Audit Commission to assess whether:

- the Quality Account is prepared in all material respects in line with the criteria set out in the Regulations
- the Quality Account is consistent in all material respects with the sources specified in the NHS Quality Accounts Auditor Guidance 2013/14 issued by the Audit Commission ('the Guidance')
- the indicators in the Quality Account identified as having been the subject of limited assurance, are reasonably stated in all material respects in accordance with the Regulations and the six dimensions of data quality set out in the Guidance.

Key findings

We provided the Trust with a report setting out the detailed findings of our work on 25 June. The key matters arising from our work are:

- The first draft of the Quality Account presented for audit complied with the regulations in most respects but needed to be updated as fresh performance indicator data became available.
- The first draft of the Quality Account was presented for audit before the Trust had received commentary from stakeholders. It is recognized that the Trust cannot control the timing of this feedback.

Conclusions

We provided an unqualified limited assurance opinion on the Trust's Quality Account, in accordance with requirements, on 25 June.

Appendices

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Trust audit	85,810	74,067

Fees for other services

Service	Fees £
Information Governance review	7,500

The actual fee charged reflects a rebate from the Audit Commission of £11,743 .00.

Reports issued

Report	Date issued
Audit Plan	2 April 2014
Audit Findings Report	20 May 2014
Quality Account Report	25 June 2014
VfM – Financial Resilience Report	13 May 2014
Annual Audit Letter	8 July 2014



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