

Annual Governance Report

Worcestershire Mental Health Partnership NHS Trust

Audit 2008/09

June 2009

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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.
-

Key messages

This report summarises the findings from our 2008/09 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 to secure value for money in your use of resources.

Financial Statements	Results	Page
Unqualified audit opinion	Yes	6
Financial statements free from error	No	6
Adequate internal control environment	Yes	9
Value for money	Results	Page
Adequate arrangements to secure value for money	Yes	12

Audit opinion

- 1 My work on the financial statements and the directors' remuneration report is substantially complete. I propose issuing an unqualified audit opinion on 11 June 2009 (a draft report is attached at Appendix 1).

Financial statements

- 2 The financial statements submitted for audit contained errors due to non-compliance with the NHS MFA and associated Financial Reporting Standards. Management have amended the financial statements for all errors identified except for those noted in Appendix 3 or where considered trivial.
- 3 Outstanding areas include the provision of information by the Trust to support:
 - the final signed disclosure of the Statement on Internal Control;
 - the signed Directors' Statement of Responsibilities;
 - the final version of the annual report; and
 - a reconciliation of the Income and Expenditure Reserve per the accounts and the underlying system (CARS).
- 4 The Trust's system of internal control has been assessed as adequate and only minor system issues have been identified. These have been reported to the Audit Committee through the progress reports. Where weaknesses have been identified, additional work has been undertaken to ensure that we have the necessary assurance to enable us to provide an unqualified opinion on the accounts.

- 5 I have identified two non-trivial errors. These relate to the indexation of buildings and the impairment of the land and building for Sheffield House I request that you amend the accounts for these errors. If you choose not to do so I will require specific representations on your reasons for not amending this item.
- 6 Overall the Trust has performed adequately in respect of the preparation and audit of 2008/09 Financial Statement.

Value for money

- 7 I have undertaken our Auditors' Local Evaluation and other risk based work as set out in the Audit Plan for 2008/09. My judgements from this work enable me to conclude that arrangements for securing economy, efficiency and effectiveness in the use of resources are adequate.

Audit fees

- 8 The analysis below shows that we were able to contain our audit fee within the totals you had already agreed.

Financial Statements	Planned 2008/09	Actual 2008/09
Total audit fee	£66,405	£66,405
Use of resources (value for money conclusion and ALE)	£40,818	£40,818
Additional risk based work		£10,000*
Additional Services work		
Total audit fee	£107,223	£117,223

* IFRS arrangements review was not in the original plan

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, 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.

9 I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements (pages 4 to 11);
- 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 which management has declined to amend or set out the reasons for not amending the errors (Appendix 3); and
- approve the letter of representation on behalf of the Trust before I issue my opinion and conclusion (Appendix 4).

Financial statements and statement on internal control

The Trust's financial statements and statement on internal control are important means by which the 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

- 10 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.

Errors in the financial statements

- 11 The following are issues that require specific representation from management.

Indexation on fixed assets

- 12 The Trust had an indexation policy for building that stated:

'All land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices. The buildings index is based on indices published by HM Treasury Public Expenditure System.'

- 13 However, zero indexation was actually applied to buildings in the accounts provided for audit.
- 14 The Manual for Accounts guidance (paragraph 3.77), which is based on FRS15, requires that Trusts base property values on an indexed value, where an annual valuation has not been completed.
- 15 The Trust has not applied indexation to its building assets. This is not in accordance with its accounting policy or this requirement.
- 16 The actual impact of applying the indices published by HM Treasury would be to lower the value of buildings (including dwellings) as disclosed at Note 11.1 by £289,000, with an increased charge to the Revaluation Reserve.
- 17 I request that you amend the accounts for this error. If you choose not to do so I will require specific representations on your reasons for not amending this item.

Financial statements and statement on internal control

Impairments

- 18 The Trust has impaired various properties, including both land and buildings. It was noted for a property known as Sheffield House, that the building had been over-impaired by £50,000 and the land by £40,000. This was due to the incorrect valuation figures being used in the calculation of the impairment. The resulting error has led to fixed assets being understated by £90,000, and the impairment charge to the Income and Expenditure Statement being overstated by the same amount. The surplus of the Trust is therefore understated by £90,000.
- 19 I request that you amend the accounts for this error. If you choose not to do so I will require specific representations on your reasons for not amending this item. .

Letter of representation

- 20 Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation I seek to obtain from you, which will be amended to address the issues noted in this report by management for the Audit Committees approval.

Key areas of judgement and audit risk

- 21 In planning our audit we identified specific risks and areas of judgement that we have considered as part of our audit. Our findings are set out in Table 1.

Table 1 **Key areas of judgement and audit risk**

Issue or risk	Finding
<p>Income and expenditure</p> <p>The Trust incurred a deficit of £5m in 2005/06 to 2006/07, and received a working capital loan from the Department of Health.</p> <p>Achievement of breakeven and repayment of the working capital loan are key to the Trust maintaining its status as a 'going concern' and achieving Foundation Trust status.</p> <p>The audit risk relates to the potential for income or expenditure to be incorrectly stated.</p>	<p>I have reviewed income and expenditure to ensure it is disclosed without material misstatement, and that income and expenditure is recorded in the correct accounting year without material misstatement.</p> <p>In particular, I ensured that the Trust's income monitoring arrangements were designed to capture all income, and that that income reported in year reconciled to the amounts disclosed in the accounts.</p> <p>I have reviewed the modernisation funding received from the PCT, and the confirmed the Trust's repayment of its DoH loan.</p>

Issue or risk	Finding
	<p>No concerns were noted with the recording of these amounts in the accounts, but specific representation has been requested in relation to the nature of the modernisation funding.</p>
<p>Fixed Asset Impairments and revaluations</p> <p>The Trust has revalued its land portfolio, and has considered the need to impair the value of other fixed assets. As assets are material there is a risk that changes will not comply with FRS 11, FRS15 and the MFA.</p>	<p>I have reviewed the basis of the valuation and impairments.</p> <p>I am satisfied that land has been appropriately valued.</p> <p>As outlined in paragraph 11 to 17 the Trust has not applied indexation to its building assets. This is not in accordance with the MFA, the Trust's accounting policies and FRS15. The error is not material.</p>
<p>Revaluation reserve</p> <p>Our audit identified debit balances relating to the Cromwell House assets on your Revaluation Reserve (£507,000) in 2007/08. At that time the Trust was informed that from 2008/09 the NHS accounting regime does not permit any such balances, except where it can be proved that the recoverable amount of the asset remains higher than its re-valued amount.</p> <p>This balance was still with the revaluation reserves as at the 31 March 2009, and has now been amended due to audit, along with £428,000 of other negative revaluation balances.</p>	<p>The Treatment for these type of balances was highlighted in the 2008/09 Manual for Accounts (MFA), as requiring to be treated as a prior period adjustment within note 28, Movements on Reserves. The guidance in the MFA had not been followed.</p> <p>I have reviewed the progress made to transfer this balance to the I&E reserve as required. Unfortunately the Trust had not actioned this transfer and the balance was still with the revaluation reserves as at the 31 March 2009. It has now been amended due to audit, along with £428,000 of other negative revaluation balances. This represents a material change to the accounts as disclosed in the movement on reserves note.</p>
<p>Ownership of Fixed Assets - Elgar unit</p>	<p>Our audit followed up the issues of legal ownership of assets reported as part of the 2007/08 audit. The legal ownership of assets, other than the Elgar Unit, had been clarified as belonging to WMHPT. The Elgar Unit, value £4.1m, is still unclear. Legal title is still being retained by Worcestershire Acute.</p> <p>I have asked for specific representations on these issues.</p>

Financial statements and statement on internal control

Issue or risk	Finding
	<p>It should be noted that we have not yet received confirmation from Worcester Acute regarding the ownership of certain assets. If this confirmation is not received your balance sheet may be materially overstated.</p>
<p>Revaluation Reserve - reconciliation to Fixed Asset Register</p> <p>The Trust's Revaluation Reserve has had a history of not reconciling to the information within the CARS fixed asset system. This could lead to material errors going unnoticed or not being picked up on a timely basis.</p>	<p>I have reviewed the reserves per the accounts to ensure that they reconcile to the information within the CARS system. The Revaluation Reserve per the CARS system is fully reconciled to the Accounts disclosure.</p> <p>However, I noted that the I&E reserve's opening balance of £1,448,000 per the accounts is £1,124,000 different to the opening position per the CARS system of £2,571,000. This means that the closing balance is also unreliable.</p> <p>No reconciliation has been provided as yet, and the difference is material to the accounts.</p> <p>I request that these differences are reconciled prior to the opinion being issued.</p>

Systems of control

- 22 The Trust's system of internal control has been assessed as adequate and only minor system issues have been identified.
- 23 These have been reported to the Audit Committee through the progress reports. Where weaknesses have been identified, additional work has been undertaken to ensure that we have the necessary assurance to enable us to provide an unqualified opinion on the accounts.

Accounting practice and financial reporting

24 I consider the qualitative aspects of your financial reporting. There are two issues I want to raise with you.

Post balance sheet events

25 During the Audit a report was provided to support the valuation of the Elgar Unit. The report had the affect of impairing the asset by £2,600,670. This report was dated as giving the valuation as 31 March 2008, not 2009. The District Valuers visit was in May 2008, and the report was provided on the 4 June 2008.

26 The prior year audit was still on site at this time, and this information was not made available. The Audit Committee met on the 20 June 2008 and agreed a letter of representation that stated that there were no post balance sheet events, and in particular:

- 'since the date the financial statements there have been no significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements'; and
- 'the Trust has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.'

27 Although it has been established during the 2008/09 audit, that the impairment has been charged to the correct, as long as the Trust can demonstrate the elements of the Elgar Unit that were held as 'Assets Under Construction' as at the 31 March 2008 did not become operational until after that date, the information would still have required disclosure in the 2007/08 accounts as a non-adjusting post balance sheet event. This is required under Financial Reporting Standard 21 (FRS 21).

28 The Audit Committee should satisfy itself that it has is sufficiently sure that there are no issues that require such disclosure for 2008/09, for the purposes of the agreeing the letter of representation to be a correct record of the Board's position for the purposes of the 2008/09 audit of the financial statements.

Modernisation funding

29 The Trust has received £3,600,000 'modernisation funding from Worcester Primary Care Trust as an amendment to the SLA. The Secretary of State for Health, via the 2008/09 Manual for Accounts as made it clear that PCTs should not fund impairments and that such funding is not expected to be included in Trust's accounts. It was noted during the Audit that Board reports referred to this modernisation funding as 'impairment funding'. Impairment funding could be considered as a loan, particularly as impairments of the nature incurred by the Elgar Unit, are now discounted as counting towards the breakeven duty of Trusts.

30 I request that the Board position toward this nature of this funding is clarified in the letter of representation.

Breakeven duty

- 31 On the 16 April the 'Finman' website that issues guidance on accounts preparation was updated for changes to the breakeven duty requirement, and disclosures needed in the 2008/09 accounts. This made allowance for Trusts to amend the noted on breakeven duty to off set impairment costs, so they would not count towards the breakeven duty of the Trust.
- 32 The accounts submitted to the DoH on the 23 April, and for Audit, missed this required amendment. Note 23 has now been amended for this error by £4,686,000, and the Trust are now within the 0.5 per cent tolerance allowed for breakeven duty and are effectively no longer in recovery according to the breakeven requirements of ' Chapter 2 of the detailed guidance for NHS Trusts' on breakeven requirements. The Trust has noticed this error, prior to it being raised as an audit issue.
- 33 The Trust should ensure that a review of the changes to the MFA, including late guidance, is made a part of the close down arrangements for the preparation of the financial statements.

Value for money

I am required to conclude whether the Trust put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. My conclusion is informed by my work on the scored use of resources judgement.

Value for money conclusion

34 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against 12 criteria specified by the Audit Commission. Our conclusions on each of the 12 areas are set out in Appendix 5.

Appendix 1 – Independent auditor’s report

Independent auditor’s report to the Board of Directors of Worcestershire Mental Health Partnership Hospital NHS Trust

Opinion on the financial statements

I have audited the financial statements of Worcestershire Mental Health Partnership Hospital NHS Trust for the year ended 31 March 2009 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service set out within them. I have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Board of Directors of Worcestershire Mental Health Partnership Hospital NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of Directors and auditor

The directors’ responsibilities for preparing the financial statements in accordance with directions made by the Secretary of State are set out in the Statement of Directors’ Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. I report whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. I also report to you whether, in my opinion, the information which comprises the commentary on the financial performance included within the Operational and Financial Review included in the Annual Report, is consistent with the financial statements.

I review whether the directors' Statement on Internal Control reflects compliance with the Department of Health's requirements, set out in 'Guidance on Completing the Statement on Internal Control 2008/09' issued 25 February 2009. I report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the directors' Statement on Internal Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Trust overview, the unaudited part of the Remuneration Report, the Acting Chairman's Welcome Statement and the remaining elements of the Operating and Financial Review. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Appendix 1 – Independent auditor’s report

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust’s affairs as at 31 March 2009 and of its income and expenditure for the year then ended;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England; and
- information which comprises the commentary on the financial performance included within the Operational and Financial Review included within the Annual Report is consistent with the financial statements.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Directors’ Responsibilities

The directors are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Trust’s use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Trust for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to the criteria for NHS bodies specified by the Audit Commission. I report if significant matters have come to my attention which prevent me from concluding that the Trust has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Trust’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for NHS bodies specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Worcestershire Mental Health Partnership Hospital NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Tony Corcoran
Engagement Lead
(Officer of the Audit Commission)

Audit Commission
2nd Floor, No.1 Friars Gate
1011, Stratford Road
Solihull
B90 4EB

[Date]

Appendix 2 – Adjusted amendments to the accounts

The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

Table 2 Adjustments made during the audit process

Adjusted misstatements	Nature of Adjustment
Prepayments £428,000	£428,000 of rates have been identified as being disclosed as prepayments incorrectly, which relate to the 2009/10 year. This should be omitted from the accounts. WMHT have included the same amount in creditors, rather than omit them from the 2008/09 accounts. This is incorrect, as the transaction does not relate to the 2008/09 year as there was no cash transaction.
Income classification £463,000	Income from 'Non-patient care services to other bodies' has been overstated, but 'Other' income has been understated. This was due misclassification of income.
Excess Depreciation transfer £267,000	Excess depreciation not disclosed on correct line of the movements on reserves note. The amendment was to reduce the Transfer of realised profits and increase 'other transfers' between reserves and the corresponding entry in I&E reserve column.
Salary costs -Note 6.1 £675,000	The figures for staff costs at note 6.1 exclude non-executive directors but include executive board members. The Note prepared for the accounts excluded all directors' costs. This has now been amended.
Note 11.4 - deed of Grant (disclosure) £1,300,00	The following disclosure has been added to the accounts at note 11.5. The Trust has a licence for the use of a building (Studdert Kennedy Centre, Worcester) to deliver Mental Health Services, which is part of a joint service delivery with the social services department of the Worcestershire County Council. The licence is for 21 years and commenced in September 2004, the Deed of Grant was for a total of £1.3m, which was paid by Worcestershire Primary Care Trust.
Notes 27.1 and 27.2 - Fair value table omitted disclosure	The fair values tables had not been completed for disclosures of cash values (£265,000) and financial liabilities (£403,000).

Appendix 2 – Adjusted amendments to the accounts

Adjusted misstatements	Nature of Adjustment
Note 4 - Other income omitted disclosure	The MFA requires that 'other income' within note 4 is material additional narrative disclosure needs to be given to comply with the MFA. Other income was £2,369,000, but no additional disclosure had been given.
Note 5 - Other expenditure omitted disclosure	The MFA requires that 'other' expenditure within note 5 is material additional narrative disclosure needs to be given to comply with the MFA. Other income was £709,000, but no additional disclosure had been given.
Note1. - Fixed assets incorrect disclosure	<p>The disclosure at the foot of Note 11.1 stated: Of the totals at 31 March 2009, £12,048k related to land valued at open market value and £32,624k related to buildings valued at open market value and £0 related to dwellings valued at open market value.</p> <p>This is incorrect, only £1,620k of land and £280k of building are covered by valuation in year to open market value. The remainder is at existing use value for buildings. This disclosure needs to be restated.</p>

Appendix 3 – Unadjusted misstatements in the accounts

The following misstatements were identified during the course of my audit and the financial statements have not been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities. If you decide not to do so, please tell us 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 3

Description of error	Accounts effected	Value of error
Omitted indexation on buildings	The Trust has not applied indexation to buildings. The actual impact of applying the indices published by HM Treasury would be to lower the value of buildings (including dwellings) as disclosed at Note 11.1, with an increased charge to the revaluation Reserve of the .	£289,000
Over-impairment of Sheffield House	The Trust has impaired fixed asset buildings in excess of that required based on the DV valuation. The buildings category of fixed assets is therefore understated, and charges to expenditure are overstated.	£90,000

Appendix 4 – Draft letter of representation

To: Tony Corcoran
Engagement Lead
Audit Commission
2nd Floor, No.1 Friars Gate
1011, Stratford Road
Solihull
B90 4EB

Worcestershire Mental Health Partnership Hospital NHS Trust - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of Worcestershire Mental Health Partnership NHS Trust, the following representations given to you in connection with your audit of the Trust's financial statements for the year ended 31 March 2009.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the NHS Manual for Accounts which give a true and fair view the financial position and financial performance of the Trust and for making accurate representations to you.

Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected financial statements misstatements listed 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.

- reason 1 etc.

Supporting records

All the accounting records have 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 accounting records. All other records and related information, including minutes of all Trust Board and sub-committee meetings, have been made available to you.

Appendix 4 – Draft letter of representation

Irregularities

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

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

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; and
- 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.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Trust.

The 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. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For the assumptions made, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events require adjustment to the fair value measurement.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note X to the financial statements we have no other lines of credit arrangements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Trust Board, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Trust has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Appendix 4 – Draft letter of representation

Specific representations:

To be completed in response to the ISA 260 report

Signed on behalf of Worcestershire Mental Health Partnerships NHS Trust

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

Signed

Name

Position

Date

Appendix 5 – Value for money criteria

Code Criteria	Description	Met
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	Yes
2	The body has put in place channels of communication with patients and their representatives, and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	Yes
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to the board.	Yes
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to board members.	Yes
5	The body has put in place arrangements to maintain a sound system of internal control.	Yes
6	The body has put in place arrangements to manage its significant business risks.	Yes
7	The body has put in place arrangements to manage and improve value for money.	Yes
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	Yes
9	The body has put in place arrangements to ensure that its spending matches its available resources.	Yes
10	The body has put in place arrangements for managing performance against budgets.	Yes
11	The body has put in place arrangements for the management of its asset base.	Yes
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	Yes

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, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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