

---

# Salford Royal Hospitals NHS Trust

---

Annual Audit Letter

Audit 1 April 2006 to 31 July 2006

March 2007

---



supporting nhs trusts

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### Status of our reports to the Trust

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.

### Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

© Audit Commission 2007

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)



## Contents

Purpose of the annual audit letter	4
Responsibilities of the auditor and the Trust	4
Key messages	5
Reports issued during the audit year	6
Closing remarks	6
<b>Appendix 1 – Audit reports issued</b>	<b>7</b>
<b>Appendix 2 – Audit fee</b>	<b>8</b>

## Purpose of the annual audit letter

- 1 We are required by the Audit Commission's Code of Audit Practice to issue an annual audit letter summarising the conclusions from our audit work. This report is addressed to the Board of Directors but is to be made available to the general public.

## Responsibilities of the auditor and the Trust

- 2 The directors are responsible for preparing the financial statements and for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources available to the Trust.
- 3 As external auditors we report on:
  - whether the Trust's financial statements show a true and fair view; and
  - whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 4 For Trusts, such as Salford Royal, that become Foundation Trusts (FTs) part way through a financial year, we are not required, for the part-year leading up to FT status, to carry out any specific audit work in relation to economy, efficiency and effectiveness. We are not required to express an opinion on the arrangements for ensuring economy, efficiency and effectiveness, other than to draw attention to any significant matters identified during the course of our work.
- 5 The scope of the audit is therefore restricted to:
  - an audit of the financial statements for the period; and
  - comment if necessary on the Statement of Internal Control and the 'Annual Report' that the Trust is required to produce for the period up to 31 July 2006.

## Key messages

- 6 The key messages for the Board arising from our audit are that:
  - we have issued an unqualified opinion on the financial statements for the period 1 April 2006 to 31 July 2006; and
  - no matters have come to our attention that we wish to report in relation to economy, efficiency and effectiveness.
- 7 The two key issues to which we referred in our last Annual Audit Letter, on which the Board recognised it needed to focus in the immediate future were:
  - achieving a smooth transition to Foundation Trust status, whilst maintaining effective and efficient operation of hospital services;
  - in relation to the hospital redevelopment scheme:
    - achieving approval of the Full Business Case (FBC); and
    - signing a contract on appropriate terms to secure the planned benefits of the scheme for the people of Salford and the wider community which the hospital serves.
- 8 The Trust has successfully achieved Foundation Trust status as from 1 August 2007. The process for securing approval of the FBC and signing the contract for the hospital redevelopment scheme is progressing towards completion and we will comment on the proposed accounting treatment when the appropriate stage is reached.

## The financial statements

- 9 Our work on the financial statements involved both a review of the Trust's financial systems and a review of the financial statements (the accounts) for the period. Key issues arising from our audit are set out in our in our Governance Report which was discussed with the Audit Committee on 26 January 2007. The Trust's response to recommendations made during the course of the audit is reflected in the report itself and the directors' letter of representation.
- 10 The audit work we carried out on financial systems did not reveal any issues likely to lead to a material misstatement in the accounts. Preparing accounts for a part-year period presented a number of difficulties that do not arise at the normal year end date. We agreed with the directors a number of amendments to make the accounts as meaningful as possible in the context of a part-year period.

- 11 The main change to the accounts was to apply indexation to the value of fixed assets on a pro-rata basis for the four month period. The impact on the accounts was to reduce the net book value of fixed assets as at 31 July 2006 by £7.2 million, from £160.3 to £153.1 million. This compares to the net book value of £148.8 million as at 31 March 2006. This use of pro-rata indexation is the appropriate treatment in our view, as the normal application of an annual indexation factor on 1 April is designed to anticipate the increases in value for the forthcoming 12 months.
- 12 This work is complete and we have issued our audit opinion, stating that the accounts show a true and fair view.
- 13 The challenges of preparing part-year accounts will be repeated to some extent at 31 March 2007, with the added complexity of preparing the accounts to comply with the different requirements of the Foundation Trust regime and against a tighter deadline. We are working with the Trust to help make this process as smooth as possible and so minimise the cost of the audit.

#### **Economy, efficiency and effectiveness in the use of resources**

- 14 From our review of the Statement of Internal Control and the 'Annual Report' for the period 1 April 2006 to 31 July 2006, no matters have come to our attention that we wish to report in relation to economy, efficiency and effectiveness.

#### **Reports issued during the audit year**

- 15 The reports we issued during the year are listed in Appendix 1. All these reports are agreed with management and discussed with the Audit Committee.

#### **Closing remarks**

- 16 The Trust has taken a positive and constructive approach to our audit and I would like to take this opportunity to express my appreciation for the Trust's assistance and co-operation.

**Jackie Bellard**  
**District Auditor**

March 2007

Copies of this report are available on both the Audit Commission's and the Trust's websites:

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

[www.srht.nhs.uk](http://www.srht.nhs.uk)



## Appendix 1 – Audit reports issued

Planned output	Actual date of issue	Addressee
Audit Plan	June 2006	Audit Committee
Governance Report	January 2007	Audit Committee
Opinion on Financial Statements	March 2007	The Board
Annual Audit Letter	Draft issued March 2007	The Board

## Appendix 2 – Audit fee

### Fee for the audit of the accounts 1 April 2006 to 31 July 2006

Fee estimate	Plan	Actual
Accounts/Total audit fee	£70,000	£70,000