



The Audit Findings for Liverpool Heart and Chest Hospital NHS Foundation Trust

Year ended 31 March 2019

28 May 2019



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Liverpool Heart and Chest Hospital NHS Foundation Trust ('the Trust') and the preparation of the Trust's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Trust's financial statements give a true and fair view of the financial position of the Trust and its income and expenditure for the year; and the Trust's financial statements, and the parts of the Remuneration Report and the Staff Report to be audited, have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and as interpreted and adapted by the Accounts Directions issued under the National Health Service Act 2006, the NHS foundation trust annual reporting manual 2018/19 and the Department of Health and Social Care group accounting manual 2018/19. <p>We are also required to report whether other information published together with the audited financial statements in the Annual Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our final audit work was completed on site during April and May 2019. Our findings are summarised on pages 4 to 10. Audit adjustments are detailed in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion. We are still finalising our audit in a small number of areas including:</p> <ul style="list-style-type: none"> final review of the valuation of land and buildings and the agreed amendments work on the whole of government accounts receipt of the management representation letter; and review of the final set of financial statements. <p>Management has adjusted the accounts to ensure that the new valuation of the Trust's estate does include VAT. There is still an unadjusted misstatement of £1.8m which is not material, and would result in an increase in the Trust's retained surplus position.</p> <p>We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unmodified.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report by exception if, in our opinion, the Trust has not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Trust's value for money arrangements. We have concluded that Liverpool Heart and Chest Hospital NHS Foundation Trust continues to have proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We have nothing to report by exception. Our findings are summarised on pages 11 to 13</p>
Statutory duties	<p>The National Health Service Act 2006 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and To certify the closure of the audit. 	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Trust's business and is risk based, and in particular included:

- An evaluation of the Trust's internal controls environment, including its IT systems and controls;

- Controls testing of the Trust's expenditure systems; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you on 15 January 2019.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee and Board meetings on 28 May 2019. These outstanding items include:

- finalising our review of the valuation of land and buildings
- work on the whole of government accounts
- receipt of management representation letter; and
- review of the final set of financial statements.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan.

We detail in the table below our determination of materiality for Liverpool Heart and Chest Hospital NHS Foundation Trust.

	Trust Amount (£)	Qualitative factors considered
Materiality for the financial statements	£2.623m	<ul style="list-style-type: none">• Control environment and sector the Trust operates within
Performance materiality	£1.967m	<ul style="list-style-type: none">• Previous quality of the working papers and response to audit process. Quality of financial systems and processes and the nature of the Trust's expenditure and income streams
Trivial matters	£0.131m	<ul style="list-style-type: none">• Level at which matters are 'clearly inconsequential'
Materiality for:		<ul style="list-style-type: none">• We design our procedures to detect errors in specific accounts at a lower level of precision for Senior Officer Remuneration and Related Party transactions.
- Senior officer remuneration	2% of senior officer remuneration	
- Related Party transactions	Material to either party	

Significant findings - Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

<p>Management's assessment process</p> <ul style="list-style-type: none">• Review of outturn for 2018/19• Financial plan submitted to NHS Improvement for 2019/20• Savings required for 2019/20 and development of a Cost Improvement Plan• Mitigation of any financial risks	<p>Auditor commentary</p> <ul style="list-style-type: none">• Management's assessment and consideration of the going concern is appropriate.• There is no indication within management's assessment that the Trust's functions will cease in the foreseeable future.• The Trust has met it's statutory duty for 18-19 and delivered a significant surplus.
<p>Work performed</p> <p>We have considered the process management has completed in order to assess the validity of preparing the accounts on a going concern basis.</p> <p>We have assessed the adequacy of management's processes</p> <p>We have considered the reasonableness any assumptions made by management.</p>	<p>Auditor commentary</p> <ul style="list-style-type: none">• Our consideration of management processes has not identified any material uncertainties in relation to going concern.• Our assessment is that it is appropriate that the Trust prepare its financial statements on a going concern basis.
<p>Concluding comments</p>	<p>Auditor commentary</p> <ul style="list-style-type: none">• We intend to give an unmodified audit opinion in relation to going concern.

Significant findings

Risks identified in our Audit Plan	Commentary
<div data-bbox="68 277 712 501"><div data-bbox="68 277 99 311">1</div><div data-bbox="136 272 625 297">ISA240 revenue risk - Revenue recognition</div><div data-bbox="136 301 712 501">Trusts are facing significant external pressure to restrain budget overspends and meet externally set financial targets, coupled with increasing patient demand and cost pressures. In this environment, we have considered the rebuttable presumed risk under ISA (UK) 240 that revenue may be misstated due to the improper recognition of revenue.</div></div> <div data-bbox="136 511 712 691"><div data-bbox="136 511 712 622">We have rebutted this presumed risk for the revenue streams of the Trust that are principally derived from contracts that are agreed in advance at a fixed price. We have determined these to be income from:</div><div data-bbox="136 636 712 691"><ul style="list-style-type: none">• Block contract income element of patient care revenues</div></div> <div data-bbox="136 722 712 808"><div data-bbox="136 722 712 808">We have not deemed it appropriate to rebut this presumed risk for all other material streams of patient care income and other operating revenue.</div></div> <div data-bbox="136 836 712 1008"><div data-bbox="136 836 712 1008">We have therefore identified the occurrence and accuracy of these income streams of the Trust and the existence of associated receivable balances as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter</div></div>	<div data-bbox="727 272 961 297">Auditor commentary</div> <div data-bbox="727 311 2013 454"><div data-bbox="727 311 828 335">We have:</div><div data-bbox="727 339 2013 454"><ul style="list-style-type: none">• evaluated the Trust's accounting policy for recognition of income from patient care activities and other operating revenue for appropriateness and compliance with the DHSC Group Accounting Manual 2018/19• updated our understanding of the Trust's system for accounting for income from patient care and other operating revenue, and evaluated the design of the associated controls.</div></div> <div data-bbox="727 482 2013 682"><div data-bbox="727 482 944 506"><u>Patient Care Income</u></div><div data-bbox="727 511 2013 682"><ul style="list-style-type: none">• used the DHSC mismatch report, we have investigated any unmatched revenue and receivable balances over the NAO £0.3m threshold, corroborating the unmatched balances used by the Trust to supporting evidence;• agreed, on a sample basis, income from contract variations and year end receivables to signed contract variations, invoices or other supporting evidence such as correspondence from the Trust's commissioners• evaluated the Trust's estimates and the judgments made by management with regard to corroborating evidence in order to arrive at the total income from contract variations recorded in the financial statements.</div></div> <div data-bbox="727 711 2013 882"><div data-bbox="727 711 1000 735"><u>Other Operating Revenue</u></div><div data-bbox="727 739 2013 882"><ul style="list-style-type: none">• agreed, on a sample basis, income and year end receivables from other operating revenue to invoices and cash payment or other supporting evidence• Provider Sustainability Funding – agree income recognised in Q1 – Q3 to NHS Improvement notifications and obtain supporting evidence that confirms the Trust has met NHS Improvement requirements for recognising Q4 income;</div></div> <div data-bbox="727 893 1549 922"><div data-bbox="727 893 1549 922">Our audit work has not identified any issues in respect of revenue recognition.</div></div>

Significant findings

Risks identified in our Audit Plan

Commentary

2

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Trust faces external pressures to meet agreed targets, and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determine the criteria for selecting high risk unusual journals
- tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any issues in respect of management override of controls.

3

Valuation of land and buildings

The Trust revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements.

Management have engaged the services of a valuer to assess the current value as at 31 March 2019.

The valuation of land and buildings is a key accounting estimate which is sensitive to changes in assumptions and market conditions.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which is one of the most significant assessed risks of material misstatement, and a key audit matter.


Auditor commentary

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuations were carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Trust's asset register, and
- evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

As we have previously noted, the Trust has engaged a new valuer in 2018/19 and adopted a revised approach to valuing the Trust's estate. That new approach involved the use of an Alternative Site valuation model. We have reviewed and challenged the Alternative Site valuation approach to ensure the method is reasonable and offers 'clear benefits' to patients and staff. In conjunction with management we have identified that VAT has been excluded from the valuation. However in our opinion the evidence provided to support this treatment is not sufficient to support full VAT recovery on a replacement. Management has amended the financial statements to correct the material misstatement and we are satisfied that any residual uncertainty is not material.

Significant findings – judgements and estimates

	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – £61.888m	<p>Other land and buildings comprises £71.112m of specialised assets, which are required to be valued at depreciated replacement cost (DRC) at year end, on a modern equivalent asset basis. Management have determined the amount of space and location required for ongoing service delivery in the light of their current and projected service needs and have instructed the valuer accordingly. Land is not specialised in nature and required to be valued in existing use value (EUV) at year end.</p> <p>The Trust has engaged Cushman and Wakefield to complete the valuation of properties as at 1 April 2018 with a further desktop valuation as at 31 March 2019. All land and buildings were revalued at 1 April 2018 and further reviewed as at 31 March 2019. The revaluation of properties has resulted in a net increase of £0.604m overall. Cushman and Wakefield carried out the valuation on an Alternative Site basis. That assesses whether if the asset was replaced it would be situated on the existing site, or if appropriate an alternative site which would potentially impact the valuation. The GAM allows this basis of valuation where it is clear that the alternative would offer advantages in serving the target population.</p> <p>The total year end valuation of land and buildings was £71.903m, a net increase of £0.135m from 2017/18 (£71.768m).</p>	<p>We reviewed the detail of your assessment of the estimate, considering:</p> <ul style="list-style-type: none"> the assessment of management's expert, Cushman and Wakefield; the completeness and accuracy of the underlying information used to determine the estimate; the appropriateness of any alternative site assumptions; the reasonableness of the decrease in the estimate; and the adequacy of the disclosure of the estimate in the financial statements. <p>As already noted, together with management, we have noted that the new valuation excluded VAT. The accounting manual is clear that VAT can only be treated as 'recoverable' where there is a clear indication that VAT would be recoverable, such as where an appropriate vehicle is in place that would provide for such a treatment. Management has worked through and we have agreed an adjustment to correct the initial misstatement and reflect the revised treatment.</p>	<p>Amber</p> 

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Trust.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained confirmation of bank balances directly from the Trust's bank to assist in our audit work.
6	Accounting practices	<ul style="list-style-type: none"> We have evaluated the appropriateness of the Trust's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
7	Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management were provided.

Other responsibilities under the Code

	Issue	Commentary
1	Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
2	Auditable elements of Remuneration Report and Staff Report	<ul style="list-style-type: none"> We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the Act, directed by the Secretary of State with the consent of the Treasury. We have audited the elements of the Remuneration Report and Staff Report, as required by the Code. The following issue was identified and amended: <ul style="list-style-type: none"> - There were two instances where expenses figures were incorrect We propose to issue an unqualified opinion
3	Matters on which we report by exception	<p>We are required to report on a number of matters by exception:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the NHS foundation trust annual reporting manual 2018/19 is misleading or inconsistent with the information of which we are aware from our audit The information in the annual report is materially inconsistent with the information in the audited financial statements or apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Trust acquired in the course of performing our audit, or otherwise misleading. If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
4	Review of accounts consolidation schedules and specified procedures on behalf of the group auditor	<ul style="list-style-type: none"> We are required to give a separate opinion on the Trust accounts consolidation schedules and to carry out specified procedures (on behalf of the NAO) on these schedules under group audit instructions. In the group audit instructions the Trust was selected as a sampled component. <p>At the time of writing our work in this area is still in progress.</p>
5	Certification of the closure of the audit	<p>We intend to certify the closure of the 2018/19 audit of Liverpool Heart and Chest Hospital NHS Trust in the audit opinion.</p>

Value for Money

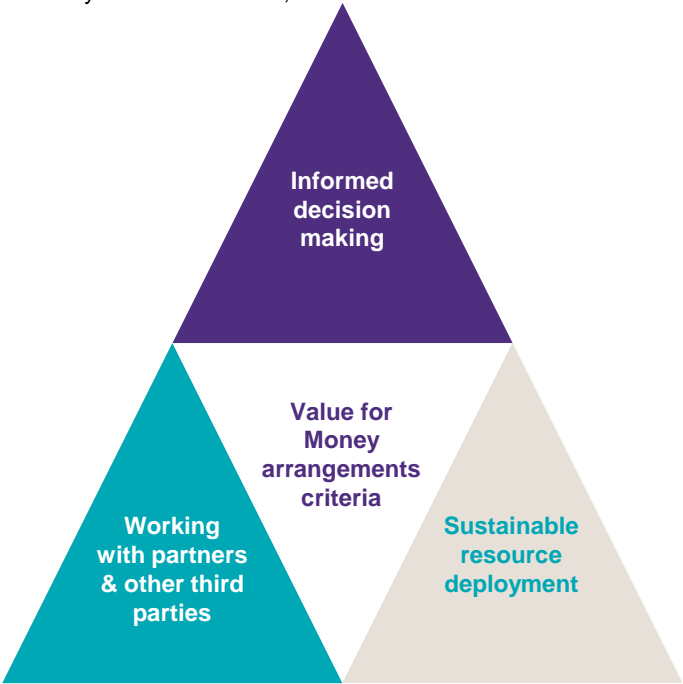
Background to our VFM approach

We are required to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception where we are not satisfied. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Trust. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2019 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated January 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Trust's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Trust's arrangements. In arriving at our conclusion, our main considerations were:

- The financial plan in place for 2019-20 and the assumptions and considerations supporting these;
- Reporting and monitoring of financial performance throughout 2018-19;
- Year end performance against planned financial targets;
- Reporting arrangements.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on page 13.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Trust had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Recommendations for improvement

We discussed findings arising from our work with management and did not identify any recommendations for improvement.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	The Trust continues to operate under significant financial pressures and has a financial plan in place to deliver the agreed target of £9.584m surplus. This surplus position includes £5.592m of Provider Sustainability Funding (PSF) which is national funding received on the condition of delivering the financial plan each quarter. The overall risk for the Trust is around the ability to meet its targets to achieve PSF support funding. In order to achieve the surplus the Trust has to also deliver a Cost Improvement Plan of £3.8m.	<p>The Trust along with the wider Cheshire and Merseyside Health economy, continues to face an increasingly significant financial challenge in 2018/19 and beyond. For 2018/19 the Trust agreed a target delivery plan which included a £9.6m surplus. This was to be made up of a control total of £4.062m surplus plus PSF of £5.592m for delivering that total. The year end outturn was £17.179m surplus, made up of a control total of £6.553m and PSF funding of £10.626m.</p> <p>The improvement in the Trust's financial position came from £388k from Liverpool CCG for capital investment in the digital platform, £867k from NHSI for the gap in Welsh funding, a year-end agreement with specialist commissioners which gave a £500k favourable variance and £850k from the alternative site valuation. As a result the Trust was able to secure an additional £5m of PSF.</p> <p>The Trust achieved recurring CIP of £3,368k against a plan of £3,800k, a shortfall of £432k. The shortfall was partly offset by non-recurring CIPs of £304k, leaving a gap of just £128k. The full-year impact of recurrent delivery was 94% of plan.</p> <p>The Trust has a balanced financial plan for 2019/10 with an agreed control total of £2.839m which includes £1.762m of PSF. The CIP target for 2019/20 is £3.8m. Of this £481k is unidentified at this stage. The Trust has a good record of identifying and delivering savings and expects to be able to identify the savings required to bridge the remaining gap, however this will need close monitoring through the year.</p>	Based on the work we performed to address the significant risk, we are satisfied that the Trust has put in place proper arrangements.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Trust. No non-audit services were identified.

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Statement of Comprehensive Income £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1 We identified from the final valuation report that the valuation was exclusive of VAT. Our view is that alternative site valuations are required to be inclusive of VAT. The Trust has agreed to amend the accounts.	(10,015)	10,015	0
Overall impact	£(10,015)	£10,015	£0

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Board is required to approve management's proposed treatment of all items recorded within the table below

Detail	Statement of Comprehensive Income £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 As above	(1,800)	1,800	(1,800)	
Overall impact	£(1,800)	£1,800	£(1,800)	

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Adjusted?
Note 7.1 Operating Expenses	The audit fee was analysed incorrectly within the note.	✓
Note 45 Related parties	Our work identified that the Charitable Fund had not been included within the disclosure. The Charitable Fund should be disclosed as a related party together with the relevant transactions.	✓
Remuneration report	We have audited the elements of the Remuneration and Staff report, as required by the Code. We identified two instances where expenses figures were incorrect.	✓

Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit Fees

	Proposed fee	Final fee
Trust Audit	45,000	45,000
Charitable Fund	1,225	1,225
Total audit fees (excluding VAT)	£46,225	£46,225

The fees reconcile to the financial statements.

- fees per financial statements - audit services statutory audit £54k which is £45,000 + VAT
- fees per financial statements - other auditor remuneration £5k which is £4,125 + VAT

The charity isn't consolidated and pays its own audit fee therefore the fee for the charity is in the charity accounts

Non Audit Fees

Fees for other services	Fees £'000
Audit related services:	4,125
• Quality Report	
	£4,125

