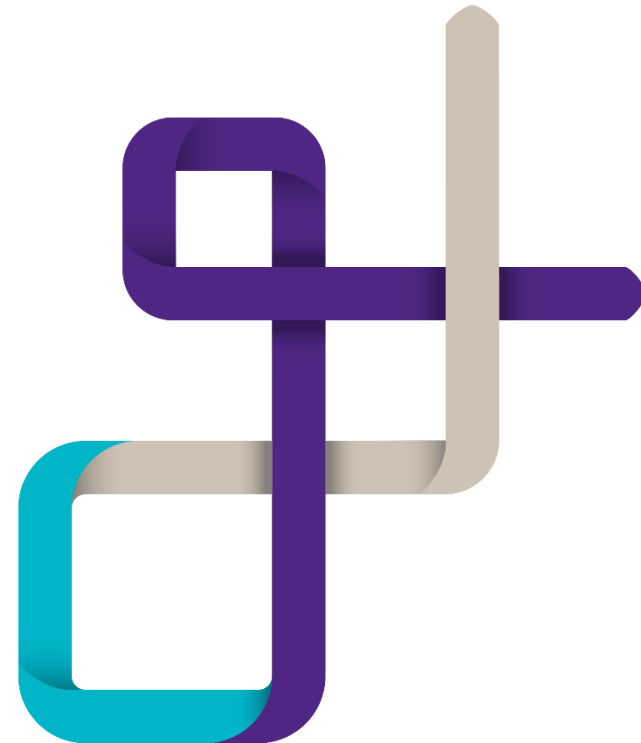


Audit Findings

Year ending 31 March 2018

Liverpool Heart and Chest NHS Foundation Trust

29 May 2018



Contents



Your key Grant Thornton team members are:

Mike Thomas
Director

T: 0161 214 6368
E: mike.thomas@uk.gt.com

Georgia Jones
Manager

T: 0161 214 6383
E: georgia.s.jones@uk.gt.com

Ashling Conway
In-Charge Auditor

T: 0151 224 7237
E: ashling.conway@uk.gt.com

Section	Page
1. Headlines	3
2. Financial statements	4
3. Value for money	12
4. Independence and ethics	15

Appendices

- A. Audit adjustments
- B. Fees
- C. Audit Opinion

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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Headlines

Introduction

This table summarises the key issues arising from the statutory audit of Liverpool Heart and Chest NHS Foundation Trust ('the Trust') and the preparation of the Trust's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	<p>Under International Standards of Audit (ISAs (UK)) 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 expenditure and income for the year; andThe Trust's financial statements, including the audited parts of the Remuneration Report and the Staff Report have been properly prepared in accordance with International Financial Reporting Standards, the NHS foundation trust annual reporting manual 2017/18, and the requirements of the National Health Service Act 2006. <p>We are also required to report whether 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>	<p>Our audit work was completed on site during April and May 2018. Our findings are summarised on the following pages. We have identified no adjustments to the financial statements. The draft accounts presented for audit showed operating expenditure of £131.182m and a year end surplus of £8.4m.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 29 May 2018. These outstanding items include:</p> <ul style="list-style-type: none">finalising of testing results for income, expenditure and assetscompletion of whole of government account audit proceduresreceipt of management representation letter; andreview of the final set of financial statements. <p>We have concluded that the other information published with the financial statements, which includes the Annual Report, is consistent with our knowledge of your organisation and the financial statements we have audited.</p>
Value for Money arrangements	<p>Under the Code we are required to report by exception whether, in our opinion:</p> <ul style="list-style-type: none">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>We have completed our risk based review of the Trust's value for money arrangements. We have satisfied ourselves that Liverpool Heart and Chest Hospital NHS Foundation Trust has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We have nothing to report by exception.</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; andcertify 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 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 and agreed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

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 meeting on 29 May 2018, as detailed in Appendix C. These outstanding items include:

- 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 remains the same as reported in our audit plan. We detail in the table below our assessment of materiality for Liverpool Heart and Chest Hospital NHS Foundation Trust.

	Trust Amount (£)	Qualitative factors considered
Materiality for the financial statements	£2.502m	Previous financial performance of the Trust.
Performance materiality	£1.876m	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	£0.125m	Standard level of 5 per cent used following discussion of previous year audit amendments and to reflect NAO guidance.
Materiality for specific transactions, balances or disclosures		<p>The remuneration report is an item of special interest and sensitivity. We have set a lower level of materiality so that our testing ensures individuals are reported on within the correct bands.</p> <p>Senior manager remuneration £23,300</p>

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

Management's assessment process

Management have prepared a stand alone financial plan for 2018-19. The financial plan includes a forecast SOCI, SOFP, and cash flow up to 31 March 2019.

Income included within the plan is based upon a variety of sources e.g. signed commissioning contracts. The plan also included key assumptions about inflation (both pay and non-pay) which are based on NHSI planning guidance.

Auditor commentary

- Management have concluded that the use of the going concern concept is appropriate. In addition, management did not identify any material uncertainties related to events or conditions which may cast significant doubt about the going concern assumption.
- We are satisfied with the adequacy of management's processes for the preparation of the 2018-19 financial plan. The preparation of the plan was overseen by the Chief Finance Officer and the Trust has a good track record of providing reliable financial forecasts.

Work performed

We evaluated management's assessment of the Trust's ability to continue as a going concern and determine whether or not a material uncertainty exists.

Auditor commentary

- Based on our assessment we concur with management's view of the Trust's ability to continue as a going concern.
- We also agree that no material uncertainties related to events or conditions which may cast significant doubt about the going concern assumption exist.

Concluding comments

Auditor commentary

- Our audit opinion is unmodified for going concern.

Significant audit risks

Risks identified in our Audit Plan	Commentary
<p>1 Improper revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>Approximately 92% of the Trust's income is from patient care activities and contracts with NHS commissioners. These contracts include the rates for and level of patient care activity to be undertaken by the Trust. The Trust recognises patient care activity income during the year based on the completion of these activities. Patient care activities provided that are additional to those incorporated in these contracts (contract variations) are subject to verification and agreement by the commissioners. As such, there is the risk that income is recognised in the accounts for these additional services that is not subsequently agreed to by the commissioners.</p> <p>We have identified the occurrence and accuracy of income from contract variations as a risk requiring special audit consideration and a key audit matter for the audit.</p>	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> evaluated the Trust's accounting policy for recognising income from patient care activities for appropriateness; gained an understanding of the Trust's system for accounting for income from patient care activities and evaluated the design of the associated controls; obtained copies of all signed contracts with commissioners above tolerable error and a schedule of variations to those contracts; tested on a sample basis the annual amounts and payment mechanisms to signed contracts; if material, sample tested contractual variations back to supporting evidence, ensuring also that income is accounted for in the right year. obtained a listing of invoices raised in March and April and tested a sample to ensure amounts are accounted for in the correct year. <p>Our audit work to date has not identified any issues in respect of revenue recognition.</p>
<p>2 Management override of controls</p> <p>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 pressure to meet external targets, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness evaluated the rationale for any changes in accounting policies or significant unusual transactions. <p>Our audit work has not identified any issues in respect of management override of controls.</p>





Significant audit risks

Risks identified in our Audit Plan	Commentary
<div data-bbox="68 292 103 328">3</div> <div data-bbox="140 285 629 311">Valuation of property, plant and equipment</div> <div data-bbox="140 315 704 456"><p>The Trust carries out a desktop review of the valuation of its land and buildings on an annual basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the accounts.</p><p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration and a key audit matter for the audit.</p></div>	<div data-bbox="729 285 961 311">Auditor commentary</div> <div data-bbox="729 325 828 351"><p>We have:</p></div> <div data-bbox="729 365 1999 672"><ul style="list-style-type: none">• reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work• considered the competence, expertise and objectivity of any management experts used• reviewed the basis on which the valuation is carried out and challenged the key assumptions where required• reviewed and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding• tested a sample of revaluations made during the year to ensure they are input correctly into the Trust's asset register• 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.<p>Our audit work to date has not identified any issues in respect of valuation of property, plant and equipment.</p></div>




Reasonably possible audit risks

Risks identified in our Audit Plan		Commentary
4	Employee remuneration Payroll expenditure represents a significant percentage (55%) of the Trust's operating expenses. It is made up of staff and directors costs, which is paid weekly or monthly and agency costs which are invoiced to the Trust. As the payroll expenditure comes from a number of individual transactions and two different sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.	Auditor commentary We have undertaken the following work in relation to this risk: <ul style="list-style-type: none">evaluated the Trust's accounting policy for recognition of payroll expenditure for appropriateness;gained an understanding of the Trust's system for accounting for payroll expenditure, including both payroll and agency costs, and evaluated the design of the associated controls;obtained year-end payroll reconciliation and ensured amounts in the accounts have been reconciled to ledger and through to payroll reports. Investigated significant adjusting items.agreed payroll related accruals (e.g. unpaid leave accrual) to supporting documents and reviewed any estimates for reasonableness.performed substantive analytical review. Our work has not identified any issues regarding employee remuneration to bring to your attention.
	Operating expenses Non-pay expenses on other goods and services also represents a significant percentage (45%) of the Trust's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We identified completeness of non- pay expenses as a risk requiring particular audit attention.	Auditor commentary We have undertaken the following work in relation to this risk: <ul style="list-style-type: none">evaluated the Trust's accounting policy for recognition of non-pay expenditure for appropriateness;gained an understanding of the Trust's system for accounting for non-pay expenditure and evaluated the design of the associated controls;performed detailed testing on a sample of operating expenses costs to gain assurance that expenditure has been correctly expended during 2017-18sample tested non-pay payments made in April to ensure they have been charged to the appropriate year. Our work to date has not identified any issues regarding operating expenses to bring to your attention.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. 	<p>We are satisfied from our testing of revenue recognition policies that:</p> <ul style="list-style-type: none"> The policies are appropriate under the relevant accounting framework; The CCG adequate controls in place and has applied reasonable judgements to ensure revenue is appropriately recorded The policies are adequately disclosed in the financial statements 	
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include <ul style="list-style-type: none"> Useful life of PPE Revaluations Impairments Provisions Accruals 	<p>We have reviewed the accounting policies relating to significant judgements and estimates and have concluded that::</p> <p>These are appropriate under the relevant accounting framework</p> <p>The Trust has adequately disclosed these within the accounting policies note.</p> <p>The extent of judgement involved is reasonable.</p>	
Valuation methods	<p>Operational assets (in use assets) – Current Value (Existing Use Value)</p> <p>Specialised Operational Assets – Depreciated Replacement Cost</p>	<p>We have reviewed the valuation methods used and are satisfied they are appropriate.</p>	
Other critical policies	<ul style="list-style-type: none"> The Trust has adopted the standard accounting policies as set out in the NHS Foundation Trust Annual Reporting Manual. 	<p>We have reviewed the Trust's policies against the requirements of the Manual for Accounts. The Trust has appropriately tailored the standard accounting policies to its individual circumstances.</p>	

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

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 and been made aware of incidents reported by Internal Audit during the year. We have not been made aware of any other 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 identified one related party that had not been disclosed – MerseyCare NHS Foundation Trust. The note has been updated to include this.
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, which is included in the Audit Committee papers.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> We were unable to obtain confirmation of bank balances directly from the trust's bank so undertook alternative procedures to satisfy ourselves that cash is not materially misstated
6	Disclosures	<ul style="list-style-type: none"> 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 was provided in a timely and efficient manner.

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 unqualified opinion in this respect – refer to appendix C.</p>
2 Auditable elements of Remuneration 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 the Staff Report subject to audit have been prepared properly in accordance with the requirements of the National Health Service Act 2006. We have audited the elements of the Remuneration and Staff report , as required by the Code. We identified minor issues: <ul style="list-style-type: none"> - the pay multiple should disclose the mid point of the pay band rather than the amount – this has been corrected - the pension disclosure for J Twist was amended due to the information being received at a late stage - the format of the exit packages note was not in line with the guidance – this has been amended. 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 in a number of areas:</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 2017/18 or is misleading or inconsistent with the other information of which we are aware from our audit We have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider that the annual report is fair, balanced and understandable The annual report does not appropriately disclose matters that were communicated to the Audit Committee which we consider should have been disclosed. 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 Department of Health and Social Care (DHSC) group auditor	<ul style="list-style-type: none"> We are required to give a separate audit opinion on the Trust accounts consolidation schedules and to carry out specified procedures (on behalf of the NAO) on these schedules under the NAO Group audit instructions . In the Group audit instructions the Trust was selected as a non-sampled component. At the time of writing this work is in progress and we will provide an update at the committee meeting.
5 Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of Liverpool Heart and Chest Hospital Foundation Trust in our auditor's report, as detailed in Appendix C.</p>

Value for Money

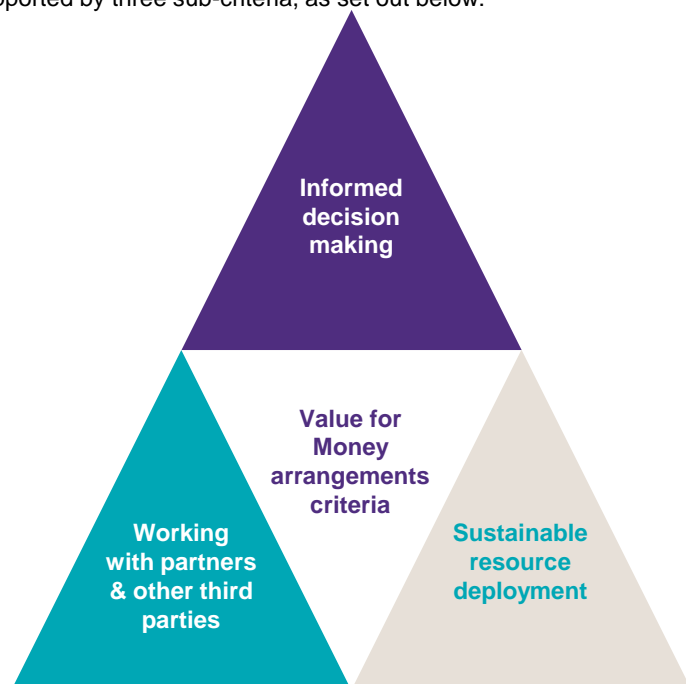
Background to our VFM approach

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 February 2018 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated January 2018.

- Financial position and sustainability.

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:

- Our review of the Trust's arrangements for updating, agreeing and monitoring its sustainability and operational plans, and for communicating key findings and actions to be taken as reported to the Board.
- Our review of the outturn for 2017/18 in comparison with its budget and forecast performance for the year and assessment of the reasonableness of financial plans for 2018/19

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 14.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Trust had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix C.

Recommendations for improvement

We discussed findings arising from our work with management. We have not made any recommendation 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
1	<p>Financial position and sustainability</p> <p>The Trust continues to operate under significant financial pressures and has a financial plan in place to deliver the agreed target of £6.863m surplus. This surplus position includes £2.554m of Sustainability and Transformation funding (STF) 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 STF support funding. In order to achieve the surplus the Trust has to also deliver a Cost Improvement Plan of £3.7m.</p>	<ul style="list-style-type: none">• The trust along with the wider Cheshire and Merseyside Health economy, continues to face an increasingly significant financial challenge in 2017/18 and beyond. For 2017/18 the trust agreed a target delivery of a £6.9m surplus. The trust has been proactive in managing income and expenditure through the year and regularly reported progress against financial targets to the Board. The trust delivered a surplus of £8.4m in 2017/18.• The trust set a CIP target of £3.7m for 2017/18 which equated to £2.8% of planned operating expenditure. The trust identified key areas to support delivery of the required position and CIP savings of £3.1m were delivered for the year.

Independence and ethics

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. The firm, its partners, senior managers, managers have complied with the Financial Reporting Council's Ethical Standards and confirm that we 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 C.

Independence and ethics

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. The following non-audit services were identified.

Service	£	Threats	Safeguards
Audit related			
Assurance on your quality report	4,125	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,125 in comparison to the total fee for the audit of £45,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
Nil	Nil	n/a	n/a

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Trust's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

We do not believe that the services detailed above will impact our independence as auditors.

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?
Annual Report	The annual report submitted for audit do not initially comply with all the requirements of the Foundation Trust Annual Reporting Manual (FT ARM) in terms of content and format. Additional information has now been included together with appropriate cross referencing to ensure the Annual Report complies with requirements.	✓
Remuneration report	<p>There were some amendments made to the disclosures within the remuneration report</p> <ul style="list-style-type: none"> the pay multiple should have disclosed the mid point of the pay band rather than the amount – this has been corrected the pension disclosure for J Twist was amended due to the information being received at a late stage the format of the exit packages note was not in line with the guidance – this has been amended. 	✓
Note 43 – Related Party transactions	We identified one related party that had not been disclosed – MerseyCare NHS Foundation Trust. The note has been updated to include this.	✓

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2017/18 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Statement of Comprehensive Net Income £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 The trust has included an amount of £950k within bad debt provisions which actually relates to a reduction in income so is not correctly classified. This makes no overall difference to the outturn reported and is in line with how the trust has been advised by NHSI to treat the amount. However this is not the correct accounting treatment.	N/A	N/A	• None	• No overall impact on the financial statements and not material
2 The asset register does not provide a clear analysis of movements on the asset base and does not provide information on the accounting treatment of revaluations. This means that much of the analysis of asset movement and the associated accounting entries has to be manually calculated. A full reconciliation was provided at our request and this identified classification errors in both the general ledger and the asset register. We are satisfied that the analysis of movements in Note 16.1 contains no non-trivial errors subject to the revaluation issue raised below.	N/A	N/A	• None	• No overall impact on the financial statements and not material
3 We identified that there were a number of postings made to the ledger for non current assets after the revaluation adjustments had been made. This means that the amount in the ledger and financial statements is £236k higher than that on the report of the District Valuer. This has no overall effect on the financial statement which agree to the ledger.	N/A	N/A	• None	• No overall impact on the financial statements and not material
Overall impact	NIL	NIL	NIL	

Fees

We confirm below our final fees charged for the audit and 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

Non Audit Fees

	Fees
Fees for other services	
Audit related services:	
• Review of the Trust's Quality Report	£4,125
Non-audit services	nil
	£4,125

Audit opinion - draft

We anticipate we will provide the Trust with an unmodified enhanced audit report

