



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

Year ended 31 March 2016

25 May 2016

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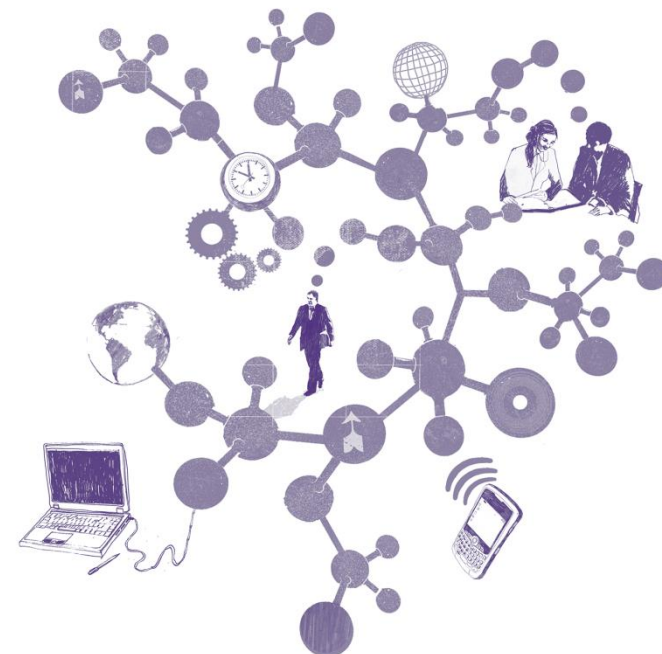
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Dear Sirs

Audit Findings for Liverpool Heart and Chest NHS Foundation Trust for the year ending 31 March 2016

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260, the National Health Service (NHS) Act 2006 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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.

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 primarily 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 any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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

Yours sincerely

Jackie Bellard
Engagement Lead

Chartered Accountants

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Section 1: Executive summary

01. Executive summary

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I have issued an unqualified audit opinion on your financial statements and concluded that the Trust has in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. I have no significant matters to bring to your attention

Purpose of this report

This report highlights the key issues affecting the results of Liverpool Heart and Chest Hospital NHS Foundation Trust (the Trust) and the preparation of the Group and Trust's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the National Health Service Act 2006 ('the Act').

Under legislation the Comptroller and Auditor General (C&AG) has a duty to prepare a code of audit practice prescribing the way in which auditors of public authorities are to required to carry out their audit functions. This Code of Audit Practice ('the Code') is prepared by the National Audit Office (NAO) on behalf of the C&AG. Section 10 of Schedule 6 of the Local Audit and Accountability Act 2014 mandates the application of this Code to Foundation Trust audits from 2015/16 onwards.

Under the Code we are required to report whether, in our opinion, the Group financial statements give a true and fair view of the financial position of the Trust and its income and expenditure. We are also required to give an opinion on some elements of the Remuneration report and some elements of the Staff Report. We are required to consider other information published together with the audited financial statements, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group/Trust] acquired in the course of performing our audit; or otherwise misleading and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Trust has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act so that if we are not satisfied then we are required to report by exception.

The Act also details the following powers and duties for Foundation Trust auditors, which we are required to report to you if applied:

- a referral to the regulator if we have reason to believe that the Trust or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure. (section 7 of schedule 10 of the Act);
- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Trust or brought to the public's attention (section 3 of schedule 10 of the Act).

In addition to our responsibilities under the Code we are also required to carry out a limited assurance engagement on the Trust's Quality Report in accordance with the requirements of ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 8 March 2016.

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the national deadline.

Key audit and financial reporting issues

Financial statements opinion

The draft financial statements for the year ended 31 March 2016 recorded a retained deficit of £1.5m (for the Group). We have not identified adjustments affecting the Trust's reported retained deficit position. We have recommended a number of adjustments to improve the presentation and accuracy of the financial statements.

The key messages arising from our audit of the Trust's financial statements are:

- the draft financial statements presented for audit were of a high quality and within the required timeframe;
- we identified a small number of amendments which management have agreed to make;
- audit trails and working papers have significantly improved however, there is more work to do on operating expenditure.

Further details are set out in section two of this report.

We have provided a unqualified audit opinion in respect of the financial statements.

Other Financial Statement responsibilities

As well as an opinion on the financial statements, we are required to consider the consistency of other information published with the financial statements.

Based on our review of the Trust's Annual Report, which includes the Annual Governance Statement (AGS), we are satisfied that it meets the requirements set out in the NHS Foundation Trust Annual Reporting Manual and is consistent with the audited financial statements.

Controls

Roles and responsibilities

The Trust's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

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 any control weaknesses, we report these to the Trust.

Findings

Our work has not identified any significant control weaknesses which we wish to highlight for your attention.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Trust had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our other statutory powers and duties under the Act

Further details of our work on other statutory powers and duties is set out in section four of this report.

Quality Report

We have completed our limited assurance procedures on the Trust's Quality Report, based on Monitor's 'Detailed guidance for external assurance on quality reports 2015/16'. We have provided a separate report to the Trust's Council of Governors setting out our results and conclusions and planned limited assurance opinion.

The way forward

Matters arising from the financial statements audit and our review of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Director of Finance and the finance team.

Acknowledgement

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.

Grant Thornton UK LLP
May 2016

Section 2: Audit findings

01. Executive summary

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Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £2,338k (being 2% of 14/15 gross revenue expenditure GRE). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall risk factors. We used the GRE for the Group for 15/16 that led us to revise our overall materiality to £2,459k (remaining at 2% of gross revenue expenditure).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £117k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	Cash is a key balance within the accounts, with all transactions made by the Trust affecting the balance and it is therefore considered to be material by nature.	£1000
Disclosures of senior manager salaries and allowances in the remuneration report	Due to public interest in these disclosures and the statutory requirement for them to be made.	£500
Disclosure of auditor's remuneration	This is a statutory requirement and a requirement of ethical and auditing standards.	£1000
Disclosure of related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.	10% of individual transaction value

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>The revenue cycles (healthcare and non-healthcare if material) include fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<ul style="list-style-type: none"> • Documented our understanding of management's controls over revenue recognition • Reviewed and tested revenue recognition policies • Tested of material revenue streams including: <ul style="list-style-type: none"> - Agreeing a sample of contractual income to contract documentation. - Agreeing a sample of contractual adjustment revenues to receipts or correspondence from the paying entity. - Agreeing a sample of year-end receivables to supporting documentation and after date receipt. - Agreeing Monitor Agreement of balances (AoB) tool 	<p>Our audit work has not identified any issues in respect of revenue recognition for existence or occurrence.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk that management will over-ride controls. This risk is present in all entities.</p>	<ul style="list-style-type: none"> • Reviewed prior year accounting estimates, judgments and decisions made by management • Reviewed current year accounting estimates, judgments and decisions made by management • Tested journal entries • Reviewed any large and or unusual significant transactions 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p>

Audit findings against significant risks

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p><i>The Expenditure cycle includes fraudulent transactions</i></p> <p>Practice Note 10 requires us to consider the risk of material misstatement due to fraudulent financial reporting that may arise from manipulation of expenditure recognition. For your Trust, we have concluded that the greatest risk of material misstatement relates to the completeness of operating expenses and creditor balances.</p>	<ul style="list-style-type: none"> • Documenting our understanding of management's controls over expenditure recognition • Review and testing of expenditure recognition policies. • Sample testing of non pay expenditure streams throughout the year • Reviewing accounts payable listing and test a sample of after-date payments for unrecorded liabilities • Reviewing the process for identifying year-end accruals to identify potential unrecorded liabilities • Reviewing the Credit balances in the operating expenditure system • Review of any provisions made in respect of our understanding of liabilities from our review of minutes 	<p>Our audit work has not identified any significant issues in relation to expenditure recognition .</p> <p>We did have some difficulty during the audit of establishing the audit trail for £52m of expenditure. The financial reporting system included £130m DR (expenses) and £68m CR balances (reversals), this is how SBS records the information rather than matching items.</p>
4.	<p><i>Valuation of property, plant and equipment</i></p> <p>The Trust revalue its land and buildings with sufficient regularity to ensure that carrying value is not materially different from current value as defined in IAS 16. This represents a significant estimate by management in the financial statements.</p>	<ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Review how the valuation is carried out by the valuer. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are input correctly into the Trust's asset register • Evaluation of the assumptions made by management for those 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 has not identified any significant issues in relation to valuation of PPE</p>



Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.


Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<ul style="list-style-type: none"> • Documenting our understanding of management's controls over employee remuneration • Review and testing of employee remuneration policies • Review of 12 months reconciliations from payroll to general ledger • Analytical review of employee remuneration costs • Reconciling total payroll costs from the accounts to the payroll system • Review of any large or unusual payments • Sample testing payments made to a number of employees during 2015-- 2016 • Sample testing payments in the new year for completeness 	<p>Our audit work has not identified any significant issues in relation to employee remuneration</p> <p>From our sample testing of payments made to employees during 2015 - 2016 we were unable to agree 2 of those selected (sample 25) to signed contracts. Management accounts verified their existence and occurrence i.e. they are bona fide employees who worked for the Trust in that period, at that grade/ banding.</p>

Accounting policies, Estimates & Judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Trust's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> The Trust follows IAS18 in respect of revenue recognition Revenue is recognised based on when it is earned rather than received 	<ul style="list-style-type: none"> In line with IAS18 - adequate disclosure In line with Monitor requirements 	
Estimates and judgements	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> Useful life of capital equipment Revaluations Impairments Pension liabilities Provisions 	<p>We have reviewed the methodology for the revaluation of property, plant and equipment.</p> <p>We are satisfied that the estate is fairly stated and this is reflected in the accounts based on the work of the Valuer.</p> <p>We have received assurance re the reasonableness of the pension liability based on the work of the actuary</p> <p>We have also reviewed the basis of provisions and find the accounting to be free from management bias.</p>	

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

Accounting policies, Estimates & Judgements

Accounting area	Summary of policy	Comments	Assessment
Going concern	<p>The Directors have a reasonable expectation that the services provided by the Trust will continue for the foreseeable future.</p> <p>For this reason, they continue to adopt the going concern basis in preparing the financial statements but acknowledge that the financial climate is becoming increasingly more challenging</p>	<p>We have reviewed the Trust's cash flow projections submitted to Monitor and the level of cash balances available alongside the Directors' own going concern assessment. We are satisfied with managements assessment that going concern is an appropriate for the 2015/16 financial statements as per IAS1</p> <p>We have recommended that the Trust expand it's going concern disclosure to include some of the more significant assumptions/presumptions contained within it.</p>	●
Other accounting policies	<p>The accounting policies of the Trust are included in note 1 to note 1.21 of the accounts.</p>	<p>Our review of the accounting policies against required disclosures identified no issues.</p>	●

Assessment

● Marginal accounting policy which could potentially attract attention from 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 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"> From the work we carried out, we have not identified any 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 received from the Trust as a draft and a final version will be reviewed.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests for the Group to their Banking establishments, This permission was granted and the requests were sent. Four of these requests were returned with positive confirmation and for two we have adopted alternative audit procedures to gain assurance over balances at 31 March 2016
6.	Disclosures	<ul style="list-style-type: none"> Our review found material inaccuracies in section 2.2 of the Staff report including the cash equivalent transfers table, the pay multiples and pay in excess of the highest paid director – management have made the necessary amendments (we will review the final version)

Other communication requirements continued

	Issue	Commentary
7.	Auditable elements of Remuneration and Staff Report	<ul style="list-style-type: none"> • We are required to give an opinion on whether the part of the Remuneration Report subject to audit has been prepared properly in accordance with the requirements directed by the Secretary of State with the consent of the Treasury. • We have audited the elements of the Remuneration report , as required by the Code. We found a number of errors which were reported to management who corrected the relevant notes on page 45 and 46 (revision subject to audit in final version) • We propose to issue an unqualified opinion
8.	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> <p>We have not identified any issues we would be required to report by exception in the following 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 or 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 Group/Trust acquired in the course of performing our audit, or otherwise misleading. • 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.
9.	Review of accounts consolidation schedules and specified procedures on behalf of the DH group auditor	<ul style="list-style-type: none"> • We are required to give a separate audit opinion on the Trust's accounts consolidation schedules and to carry out specified procedures (on behalf of the NAO) on these statements under the group audit instructions . In the group audit instructions the Trust was selected as a non-sampled component. • The procedures we carried out on the Trust's accounts consolidation schedules did not identify any issues • There are no unadjusted inconsistencies between the financial statements and the accounts consolidation schedules which we are required to report in our opinion on the consolidation schedules .

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<ul style="list-style-type: none">Journal reports did not balance	<ul style="list-style-type: none">No issue in 15/16 addressed fully by Trust
2.	✓	<ul style="list-style-type: none">Payroll figures not clearly reconciled to the ledger and accounts	<ul style="list-style-type: none">Full and clear reconciliations performed throughout the year and retained for audit purposes
3.	✓	<ul style="list-style-type: none">Difficulty agreeing the operating expense reports to the operating expenditure figures in the financial statements	<ul style="list-style-type: none">Notable improvements made from previous year

Assessment
✓ Action completed
X Not yet addressed

Misclassifications 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.

Adjustment type		Value £'000	Account balance	Impact on the financial statements
1	Presentational		Various	Improved clarity , cross referencing and completeness
2	Disclosure	Was £148k now £195k	2.2 remuneration report	The remuneration disclosed for the highest paid director was incorrect
3	Disclosure	Was 1 now 2	2.2 remuneration report	Number of directors the trust pay more than the prime minster
4	Disclosure		2.2 remuneration report	Change to pay multiple
5	Disclosure	Numerous	2.2 remuneration report Pension CETV 2016 (incorrect figures used throughout the table)	Table changed using correct data set

Section 3: Value for Money

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Based on our review, we are satisfied that, in all significant respects, the Trust had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Background

We are required by Schedule 10 to the National Health Service Act 2006 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

The Act and the Code only require us to report by exception where we are not satisfied that Foundation Trusts have proper arrangements in place to secure value for money. However, 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 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in March 2016 and we identified one significant risk which required some further work. That was the risk of financial sustainability

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

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 on-going 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.

Significant qualitative aspects

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 risk that we identified in the Trust's arrangements. In arriving at our conclusion, our main considerations were:

- The good financial planning and reporting arrangements in place;
- The level of challenge via "confirm and challenge" meetings;
- The CIP improvement group ;
- The integration of risk management framework;
- The culture of openness and transparency at the Trust; and
- The recognition for the need for transformational change

We have set out more detail on the risk we identified, the results of the work we performed and the conclusions we drew from this work later in this section page 25.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Trust had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. We only report by exception in our auditors' report where we give a qualified conclusion. The text of our report, which confirms this under the 'matters on which we report by exception' section, can be found at Appendix B.

Recommendations for improvement

We discussed findings arising from our work with management and have not identified any significant improvements that are required as the Trust is taking appropriate actions to manage and mitigate its own risk. It is imperative that the Trust makes the transformational changes it is planning to make in order to deliver future financial stability.

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.

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

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

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 on-going review of documents.

Significant risk	Work to address	Findings and conclusions
<p>Financial sustainability</p> <p>The Trust has identified a significant gap of £4.3m (this is after the delivery of £3.7m of savings /CIPs) for 16/17 and has a deteriorating cash position.</p>	<p>We reviewed the Trust's arrangements for agreeing, updating and monitoring and reporting its financial and savings plans to the Finance and Performance Committee and the Board.</p> <p>We reviewed the 16/17 plan and the assumptions contained within it.</p> <p>We reviewed the cash flow forecast for 16/17</p>	<p>Our review of the Trust's financial planning and reporting processes found that the Trust has good arrangements in place for agreeing, monitoring and reporting its finance and savings plans. The financial savings plan is developed through robust process of 'confirm and challenge' meetings. All CIPs are risk assessed and the CIP/improvement steering group meet monthly to find the underlying causes for slippage from the plan. A key challenge for the Trust will be the delivery of the expected level of savings in 2016/17.</p> <p>The Trust recognises its deteriorating cash position £7.9m as at 31 March 2016 and expected to be nearer £2.7m by March 2017. The Trust is looking to manage working capital where it can.</p> <p>The Trust reports regularly to the Integrated Performance Committee as well as the Board. It has an integrated risk management framework that includes the financial position.</p> <p>It continues to lobby for the introduction of HRG4+ which will better reflect the costs associated with quality care in a specialist setting. The Trust recognise that it will need to adopt a more transformational approach in order to deliver sustained financial improvement.</p> <p>We concluded that there were no significant weaknesses in the Trust's arrangements for planning finances to support its strategic priorities and in using reliable financial information to support informed decision making. The Trust is aware of the challenges ahead and is taking steps to address them.</p>

Section 4: Other statutory powers and duties

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

	Issue	Commentary
1.	Referral to the regulator	<ul style="list-style-type: none">We have not identified any issues which we need to report to the regulator
2.	Public interest report	<ul style="list-style-type: none">We have not identified any matters that would require a public interest report to be issued

Section 5: Fees, non-audit services and independence

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

Fees

	£
Trust audit	49,500
Charitable fund independent examination	1,000
Total audit fees (excluding VAT)	50,500

Fees for other services

Service	Fees £
Audit related services	
Assurance on your quality report	6,000
Other	0

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 Auditing Practices Board's Ethical Standards and therefore we 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 Auditing Practices Board's Ethical Standards.

Section 6: Communication of audit matters

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06. Communication of audit matters

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the document on the Roles and Responsibilities of the National Audit Office (NAO) and local auditors issued by the NAO (<https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Role-of-NAO-and-local-auditors.pdf>)

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Trust's key risks when reaching our conclusions under the Code.

It is the responsibility of the Trust to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Trust is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected unmodified auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓
Significant matters in relation to the Group audit including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓

Appendices

Appendix A: Action plan

Priority
High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	Review the operating expenditure reports received from SBS to improve the matching of dr and cr balances. Review all other management information report from SBS to ensure they are fit for purpose.	M		
2	Each member of staff has a signed contract agreeing terms and conditions.	M		



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