

Annual Audit Letter 2017-18

1 October 2018

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Agenda Item No: 11.3



Annual Audit Letter 2017-18

The Royal Wolverhampton NHS Trust

July 2018

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This report is addressed to The Royal Wolverhampton NHS Trust (the Trust) and has been prepared for the sole use of the Trust. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.



Introduction

Introduction

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2017-18 audit at The Royal Wolverhampton NHS Trust (the Trust). Although this letter is addressed to the directors of the Trust, it is also intended to communicate these issues to external stakeholders, such as members of the public. It is the responsibility of the Trust to publish the letter on the Trust's website at www.royalwolverhampton.nhs.uk.

In the letter we highlight areas of good performance and also provide recommendations to help the Trust improve performance. We have included a summary of our key recommendations in Appendix A. We have reported all the issues in this letter to the Trust during the year and we have provided a list of our reports in Appendix B.

Scope of our audit

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. Our main responsibility is to carry out an audit that meets the requirements of the National Audit Office's Code of Audit Practice (the Code) which requires us to report on:

Financial Statements including the Annual Governance Statement	We provide an opinion on the Trust's accounts. That is whether we believe the accounts give a true and fair view of the financial affairs of the Trust and of the income and expenditure recorded during the year. We also confirm that the Trust has complied with the Department of Health (DoH) requirements in the preparation of its Annual Governance Statement. We also confirm that the balances you have prepared for consolidation into the Whole of Government Accounts (WGA) are not inconsistent with our other work.
Value for Money (VFM) arrangements	We conclude on the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Trust's use of resources.

Adding value from the External Audit service

We have added value to the Trust from our service throughout the year through our:

- Attendance at meetings with members of the Executive team and Audit Committee to present our audit findings, broaden our knowledge of the Trust and to provide insight from sector developments and examples of best practice;
- A proactive and pragmatic approach to issues arising in the production of the financial statements to ensure that our opinion is delivered on time;
- Challenging the Trust's delivery of the Quality Accounts to meet the earlier Foundation Trust deadline of 31 May as opposed to 30 June and making a number of recommendations to help strengthen data quality in reporting of venous thromboembolism (VTE);
- A review of general IT controls in place at the Trust highlighting any control weaknesses and areas for improvement; and
- Building a strong and effective working relationship with Internal Audit to maximise assurance to the Audit Committee, avoid duplication and provide value for money.

Introduction (cont.)

Fees

Our fee for 2017-18 was £53,100 excluding VAT (2016-17: (£53,865). This was in line with the fee agreed at the start of the year with the Trust's Board.

Our fee for the external assurance on the quality accounts was £8,500 plus VAT (£9,000 plus VAT in 2016/17). We have not completed any non-audit work at the Trust during the year.

Acknowledgement

We would like to take this opportunity to thank the officers of the Trust for their continued support throughout the year.



Headlines

Headlines

This section summarises the key messages from our work during 2017-18.

Value for Money (VFM) conclusion	<p>We are required to report to you if we are not satisfied that the Trust has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Based on the findings of our work, we have nothing to report.</p>
Value for Money conclusion risk areas	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>Our work identified the following significant risk.</p> <ul style="list-style-type: none"> — Financial sustainability and delivery of savings plans – As part of our audit procedures we assessed the Trust’s financial sustainability, which included the level of savings achieved against target at each quarter and reported to Board, and the measures taken to ensure delivery of CIP. Our work also considered the nature of financial support the Trust is receiving from the Department of Health and the level of non-recurrent measures underpinning the achievement of the 2017-18 plan. The 2017/18 CIP programme included 31% recurrent savings plans versus non-recurrent. — The Trust continued with its strategic aims for example in developing the shared Pathology Services with other providers. It also met many operational pressures during the year, notably maintaining elective work during the winter pressures period and attracted CQUIN funds. — The Trust achieved a positive outturn position of £7.3m (pre valuation movements). The Trust received £8.5m of STF funding and a number of significant financial issues were resolved in the Trust’s favour, notably £6m of funding in respect of the Mid-Staffordshire transaction, albeit on a non-recurring basis. — The Trust has continued to use external support to deliver its CIPs and this has helped embed clear management arrangements for reporting and escalation. The Trust has also embraced the Getting It Right First Time programme and expect to benefit from greater clinical engagement across its four key areas of work. — The year-end position also contains a number of underlying issues that will continue to require significant Director efforts to address and resolve. These include increasing the proportion of CIPs achieved recurrently (in 2017/18 it was 31%) and to fully resolve a £4.8m debt with its main commissioner.
Financial Statements audit opinion	<ul style="list-style-type: none"> — We issued an unqualified opinion on the Trust’s accounts on 25 May 2018. This means that we believe the accounts give a true and fair view of the financial affairs of the Trust and of the income and expenditure recorded during the year. — The working papers provided to support the accounts were of a high quality and the use of the secure web space by the finance team enabled an efficient method of accessing these. — There were no significant matters which we were required to report to ‘those charged with governance’.

Headlines (cont.)

Financial statements audit work undertaken	<ul style="list-style-type: none"> — We are required to apply the concept of materiality in planning and performing our audit. We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. Our materiality for the audit was £10m (2016-17: £10m). — We identified the following risk of material misstatement in the financial statements as part of our External Audit Plan 2017-18: <ul style="list-style-type: none"> — Valuation of Land and Buildings - we performed work over the valuation, existence, ownership, completeness and accuracy of material property and plant balances in the Trust's accounts. This included undertaking an assessment of the expertise of the independent valuation supplier who were commissioned to perform the desktop revaluation exercise using the Modern Equivalent Assets (MEA) approach and an alternative site methodology. Our work included reviewing the appropriateness revaluation basis and considering its appropriateness, understanding the basis upon which impairments to land and buildings had been calculated and confirming the appropriateness of any amendments made by management to the information received from the valuer before being incorporated into the financial statements, for example the floor area measurements and asset lives. We did not identify any evidence of material misstatement as a result of our audit work. — Recognition of NHS and Non NHS Income - our work focused on the recognition of NHS and non-NHS income and through our testing we considered the completeness, existence and accuracy of the balances recorded within the financial statements. We assessed the Trust's reporting and accounting for STF income received from the Department of Health, its consistency of income recorded by the Trust against expenditure recorded by the commissioners resulting from the agreement of balances exercise. We discussed and confirmed whether the Trust is in formal dispute or arbitration in relation to any material income balances and examined the supporting correspondence, including if appropriate any legal advice given, in relation to the expected outcome as recorded within the financial statements. We did not identify any material issues in relation to the recognition of income, and have concluded that the accounting principles of the Group Accounting Manual have been correctly and consistently applied throughout the year.
Annual Governance Statement	<p>We have also confirmed that the Trust have complied with the Department of Health requirements in the preparation of the Trust's Annual Governance Statement.</p>
Whole of Government Accounts	<p>We issued an unqualified Group Audit Assurance Certificate to the National Audit Office regarding the Whole of Government accounts submission with no exceptions.</p>
Recommendations	<p>We have raised two high risk recommendations as a result of our 2017-18 audit work, all relating to our Quality Accounts work and specifically our testing over the indicator for venous thromboembolism (VTE). These two key findings and recommendations are summarised in Appendix A.</p> <p>The Trust has been good at implementing agreed audit recommendations from prior years.</p>
Public Interest Reporting	<p>We have a responsibility to consider whether there is a need to issue a public interest report or whether there are any issues which require referral to the Secretary of State. We did not issue a report in the public interest or refer any matters to the Secretary of State in 2017-18.</p>



Appendices

Key recommendations

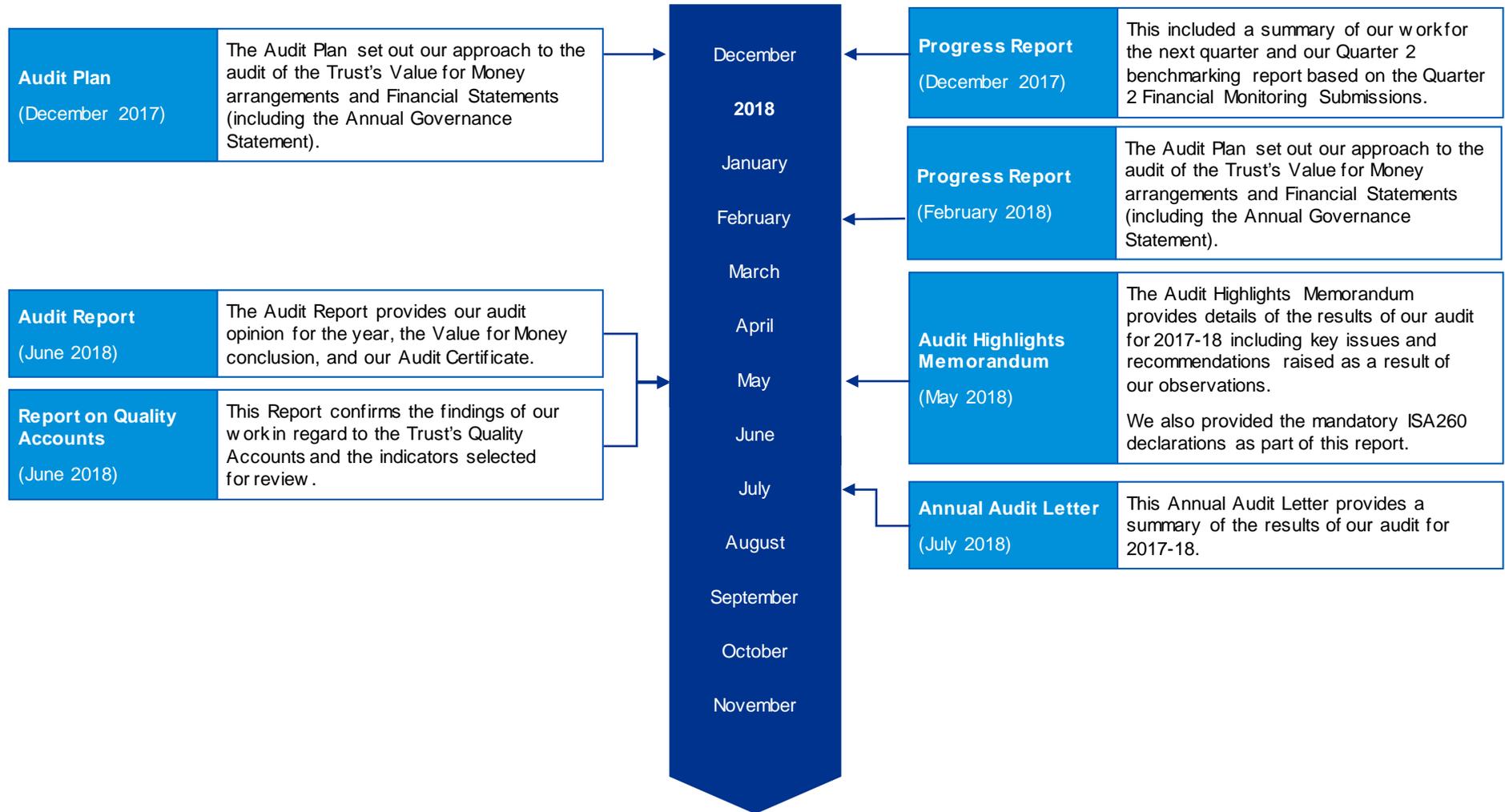
Recommendations raised in 2017-18

We made two high priority recommendations in 2017-18, both relating to our Quality Accounts work. All prior years recommendations were addressed.

No.	Risk	Issue, impact and recommendation	Management response
1	<p>●</p> <p>High</p>	<p>VTE Indicator: VTE Database</p> <p>We found that the VTE database used to generate the central submission could not be relied on.</p> <p>The Trust are in the process of replacing the VTE database completely to support reporting for 2018/19 onwards and reviewing associated control processes.</p> <p>The Trust should ensure that the VTE database is replaced and that their IT infrastructure and reporting processes are robust enough to ensure timely and reliable recording of VTE performance.</p>	<p>Action had already been taken and implemented prior to this financial year VTE testing, however data was not available for the auditors due to the timescale of testing.</p>
2	<p>●</p> <p>High</p>	<p>VTE indicator: VTE Assessment Monitoring of Breaches After 24 hours</p> <p>We selected breaches where no VTE assessment was completed in 24 hours. We found three cases where a VTE assessment was not completed for 5 days or more during the patient's hospital stay.</p> <p>As part of the establishment of a new database and the review of their VTE reporting facilities, the Trust should ensure that there are reports to track cases that have breached at 24 hours and ensure they are promptly VTE assessed after that point.</p>	<p>The Trust are currently reviewing its process of escalation with regards to delays in assessment after 24 hours.</p>

Appendix B

Summary of our reports issued





The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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