EAST AND NORTH HERTFORSHIRE NHS TRUST

Annual Audit Letter: Year ended 31 March 2019

IDEAS | PEOPLE | TRUST

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WELCOME
Introduction

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Purpose of the Annual Audit Letter

This Annual Audit Letter summarises the key issues arising from the work that we have carried out in respect of the year ended 31 March 2019. It is addressed to the Trust but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

Responsibilities of auditors and the Trust

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.

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice (the Code). Under the Code, we are required to review and report on:

- The Trust's financial statements.
- The auditable parts of the Remuneration and Staff Report.
- Whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

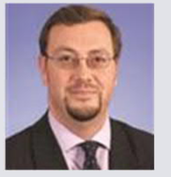
We are also required to review and report on the Annual Report, Governance Statement and the Trust Accounts Consolidation schedules.

We also undertake a review of the Trust's Quality Account to confirm that it has been prepared in line with requirements, including substantive testing of two performance indicators.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the audit.

BDO LLP

22 July 2019



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AUDIT CONCLUSIONS

Executive summary

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Financial statements

- We reported our detailed findings to the Audit Committee on 23 May 2019.
- We issued an unmodified true and fair opinion on the financial statements on 28 May 2019.
- Going concern disclosures were deemed sufficient.
- We referred a matter to the Secretary of State on 24 May 2018, under section 30 of the Local Audit and Accountability Act 2014, when we had reason to believe that the Trust had set a deficit budget for 2018/19, as this indicated that the Trust had begun a course of action that was unlawful.

Use of resources

- We issued a qualified 'except for' conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources on 28 May 2019.
- Although there is evidence of improvements to arrangements in 2018/19, the Trust remained in an underlying deficit position and is reliant on performance related funding to meet its challenging financial target of breakeven for 2019/20.

Other financial reporting matters

- After adjusting for issues identified by the audit, the final Remuneration and Staff Report was properly prepared.
- The Governance Statement complied with relevant guidance and was not inconsistent or misleading with other information we are aware of.
- After adjusting for issues identified by the audit, the other information in the Annual Report, which includes the Performance Report and the Accountability Report, was consistent with the financial statements and knowledge acquired in the course of the audit.
- The Trust Accounts Consolidation schedules used in the preparation of the NHS England group consolidation was consistent with the financial statements.
- We issued a modified assurance report on the Quality Account on 28 June 2019. We reported our findings within the Audit Completion Report which was presented to Audit Committee on 23 May 2019. Our Limited Assurance opinion was qualified because a mid-year change in A&E data reporting, to bring the Trust in line with applicable guidance, resulted in a truncated period of reporting, which had an unquantified impact on the completeness of data. For this reason, we were unable to conclude the indicator was reasonably stated in accordance with the dimensions of data quality.

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Final materiality

Group final materiality was determined based on gross expenditure.

Material misstatements

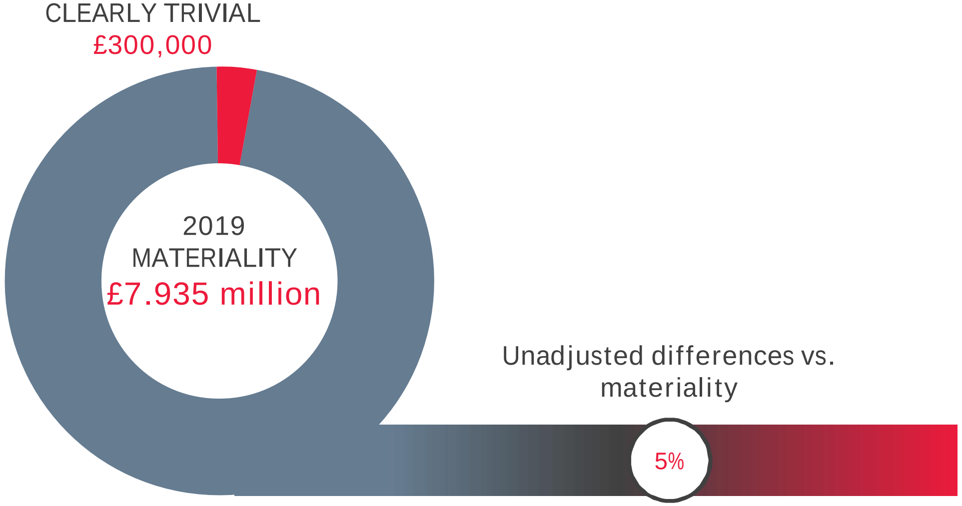
Our audit identified the following material misstatement:

Interim audit procedures identified that the Trust's single entity operating income and expenditure were both understated by £11.5m in 2017/18.

Management amended the comparatives in the financial statements for this issue, which had no impact on retained earnings.

Unadjusted audit differences

Our audit work identified adjustments that, if posted, would increase the deficit for the year by a projected £966,408.



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AUDIT RISKS OVERVIEW

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes an assessment of whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates, and the overall presentation of the financial statements.

Our assessment of risks of material misstatement

Our audit was scoped by obtaining an understanding of the Trust and its environment, including the system of internal control, and assessing the risks of material misstatement in the financial statements. We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and the direction of the efforts of the audit team.

Audit Risk	Risk Rating	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings
Management override of controls	Significant	Yes	No	No	No
Revenue recognition	Significant	Yes	No	Yes	Yes
Valuation of land and buildings	Significant	Yes	Yes	No	No
Capitalised Lorenzo expenditure	Significant	No	No	No	No
Related party transactions	Normal	No	No	No	No
Revenue from other NHS bodies	Normal	No	No	No	No
Going concern	Normal	Yes	No	No	No
Group consolidation	Normal	No	No	No	No

MANAGEMENT OVERRIDE OF CONTROLS

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ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings	

Risk description

The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud. Under auditing standards there is a presumed significant risk of management override of the system of internal controls.

Work performed

We carried out the following planned audit procedures:

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represented a risk of material misstatement due to fraud.
- Obtained an understanding of the business rationale for significant transactions that were outside the normal course of business for the entity or that otherwise appeared to be unusual.

Results

We identified no evidence of systematic bias or management override in the processing of journals entries and other adjustments, or the making of significant accounting estimates. We did not identify any unusual transactions or transactions outside the normal course of business for the Trust.

Conclusion

No material issues identified.

REVENUE RECOGNITION

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Under auditing standards there is a presumption that income recognition presents a fraud risk.

Significant risk	■
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Significant control findings	■

Risk description

Under auditing standards there is a presumption that income recognition presents a fraud risk. For Trusts, the risks can be identified as affecting the accuracy and existence of income.

In the public sector the risk of fraud in revenue recognition is modified by Practice Note 10 (PN10), issued by the Financial Reporting Council. PN10 states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition. We consider this risk to only be relevant to non-NHS expenditure in relation to cut-off of expenditure, where testing has been focussed.

Work performed

We carried out the following planned audit procedures:

- Updated our understanding of the Trust's internal control environment for the significant income streams, including how this operates to prevent loss of income and ensure that income is recognised in the correct accounting period
- Tested an increased sample of revenue transactions to ensure the correct value was recognised in the period and that revenue was accounted for in accordance with the applicable framework
- Tested an increased sample of non-NHS expenditure to ensure it was recorded in the correct period and was accounted for in accordance with the applicable framework.

Results

Our focused substantive testing identified three transactions for which revenue recognition criteria were satisfied in 2017/18 and so inclusion in the 2018/19 financial statements overstates the Trust's revenue to a projected value of £380,108.

Our assessment is that these errors have arisen due to a deficiency in the Trust's controls for identifying revenue that relates to the provision of goods/services in the accounting period but not invoiced before the balance sheet date. Management has confirmed that it will be reviewing the availability of information on revenue earned and not invoiced and the procedures in place for reporting this information to the Finance department at period end.

Conclusion

No material issues identified. Based on an extrapolation of errors identified, we estimate revenue to be overstated by a projected value of £380,108.

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VALUATION OF LAND AND BUILDINGS

There is a risk over the valuation of land and buildings due to inherent uncertainty and judgements involved.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings	

Risk description

The calculation of the fair value of land and buildings requires the use of judgement in determining appropriate underlying valuation assumptions and this is susceptible to bias or error. Small changes in the underlying assumptions can have a significant impact on the movements in valuation recognised in the financial statements. As a result, there is a risk of material misstatement if inappropriate or inaccurate estimates or assumptions are used in the calculation of these fair values.

Work performed

We carried out the following planned audit procedures:

• Assessed the independence, objectivity and competence of the expert engaged by management to perform the valuation of land and buildings.

• Formed our own expectations regarding the movement in property values and compared this to the valuations reflected in the Trust's financial statements.

• Reviewed the appropriateness of assumptions used in the valuation of land and buildings, including those related to the use of a Modern Equivalent Asset (MEA) methodology.

Results

The Trust obtained a desktop valuation from an independent professional valuer, Avison Young. The approach adopted for the valuation of buildings was to adjust values in line with the movement in BCIS build between the date of the last full valuation (as at 31 March 2018) and the balance sheet date (31 March 2019), and to make an adjustment to reflect a reduction in asset useful lives. The approach adopted for the valuation land was to adjust in line with market data for comparable assets.

The basis of valuation for assets valued in year was appropriate based on their usage and in line with requirements of the reporting framework. Buildings have been valued on a modern equivalent asset basis for assets valued at depreciated replacement cost. Land has been valued at its existing use value.

We are satisfied that the professional valuer used by the Trust is sufficiently independent, objective and competent, and therefore that we are able to rely upon the valuations produced for audit purposes.

Conclusion

No material issues identified.

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CAPITALISED LORENZO EXPENDITURE

There is a risk that expenditure has been capitalised as intangible assets but does not meet the definition of capital.

Significant risk	■
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	■
Adjusted error	
Additional disclosure required	
Significant control findings	

Risk description

The Trust incurred approximately £10m of expenditure in 2018/19 relating to the introduction of the patient activity system Lorenzo, despite the software being operational since 2017/18. There is a risk that this is not capital expenditure as defined by the accounting framework and should have been recognised as revenue expenditure in the period.

Work performed

We carried out the following audit procedures:

- Updated our understanding of the Trust's internal control over appropriate classification of expenditure.
- Analysed transaction data related to Lorenzo during the period, identifying transactions that are not clearly revenue or capital expenditure and sub-analysing these transaction based on their nature.
- Tested an enhanced sample of transactions to source documentation to confirm they had been correctly classified in the Trust's accounts.

Results

Our audit procedures identified that capitalised expenditure included costs related to the delivery of training activity, which does not satisfy the requirements for capital expenditure set out in the applicable accounting framework. The Trust has confirmed that the training has not been substantially delivered and is therefore not included in the capitalised costs, however it has not been possible to prove this. We have therefore reported an overstatement of intangible assets for the full value of planned training activity, which equates to £0.586m.

We are satisfied that other expenditure capitalised as intangible assets in 2018/19 has been appropriately classified.

Conclusion

No material issues identified. Based on an extrapolation of errors identified, we estimate revenue expenditure to be understated by a projected value of £586,300.

RELATED PARTY TRANSACTIONS

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Transactions with related parties can be material to the users of accounts for qualitative reasons even if they do not exceed the materiality threshold applied to the financial statements as a whole.

Significant risk	
Normal risk	■
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings	

Risk description

It is necessary to consider whether the disclosures in the financial statements concerning related party transactions are complete, adequate and in line with the requirements of the applicable accounting framework.

Work performed

We carried out the following planned audit procedures:

- Updated our understanding of the related party transactions identification procedures in place and reviewed relevant information concerning any such identified transactions and parties
- Reviewed Board member and senior management declarations of interest to ensure there were no potential related party transactions omitted from disclosure incorrectly.

Results

We documented the related party transactions identification procedures in place and reviewed relevant information concerning any such identified transactions. No deficiencies were identified.

We discussed with management and reviewed Board member and Senior Management declarations and obtained assurance there were no potential undisclosed related party transactions through external searches and ledger interrogation.

Conclusion

No material issues identified.

REVENUE FROM OTHER NHS BODIES

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The Trust may recognise revenue from NHS bodies that differs to the corresponding expenditure recognised by those NHS bodies.

Significant risk	
Normal risk	■
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings	

Risk description

The agreement of balances process is designed to ensure that NHS commissioners and providers agree the outturn expenditure (payables) and income (receivables) under the NHS contracts. However, this process often generates differences between both parties either through misallocated transactions, disputes, cash timing differences or other discrepancies. There is a risk that NHS income is not accurately recorded where there are unreconciled differences between the Trust and NHS commissioners.

Work performed

We carried out the following planned audit procedures:

- Reviewed the process for resolving discrepancies between the Trust and NHS commissioners through the agreement of balances process.
- Reviewed management’s estimate of amounts receivable where there were contract disputes above the triviality threshold.

Results

We reviewed the process for resolving discrepancies between the Trust and NHS commissioners through the agreement of balances process, and management’s estimate of amounts receivable where there are contract disputes. We identified no issues to report.

We also reconciled revenue from commissioners recognised in the financial statements to values per agreed contracts. We identified no issues to report

Conclusion

No material issues identified.

GOING CONCERN

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The Trust faces significant financial difficulties which may cast significant doubt about the ability of the Trust to continue as a going concern.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings	

Risk description

The Trust has incurred deficits since 2014/15 and is projecting a further deficit for the reporting period.

There is a risk that the going concern position of the Trust is not adequately reflected in the financial statement disclosures.

Work performed

We carried out the following planned audit procedures:

- Reviewed the Trust's going concern considerations and disclosure, taking account of regulator positions regarding support and continuity and disclosure requirements of relevant accounting frameworks.

Results

Management concluded that it is appropriate to prepare the accounts on a going concern basis, due to the planned continuation of service delivery, and the expectation that the Trust has adequate resources to continue to service its debts and run operational activities for the next 12 months.

Management also acknowledged that there is material uncertainty in its financial performance. This was based on a requirement for continued support funding from the Department of Health and Social Care, a deficit position in 2018/19 (£13.5m) which brought the Trust's cumulative deficit to £75.4m, and ongoing cash flow challenges which, in part, gave rise to significant new borrowing in 2018/19 (£40.3m).

We agree with management's conclusion and the material uncertainty was reflected in the audit opinion.

Conclusion

A material uncertainty was disclosed by the Trust and has been reflected in the audit opinion.

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A prior period adjustment was identified in the Trust's prior year single entity income statement, resulting from errors in the 2017/18 consolidation process.

Significant risk	
Normal risk	■
Significant management judgement	■
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	■
Significant control findings	

Risk description

The Trust consolidates subsidiary accounts within its ledger on a monthly basis for internal reporting purposes. There is a risk that this consolidation, or the year-end process of reversing consolidation when preparing Trust single entity accounts, is not executed accurately.

Work performed

We carried out the following planned audit procedures:

- Checked that consolidation adjustments were made to eliminate intra-group balances and transactions as required in preparation of group accounts.
- Checked the accuracy of calculations to reverse ledger consolidation in preparation of Trust single entity accounts.

Results

Our interim audit procedures identified that the 2017/18 statement of comprehensive income (SOCI) for the Trust as a single entity was materially misstated in both income and expenditure. This misstatement was due to errors in consolidation adjustments required to adjust the consolidated ledger position to prepare the Trust's single entity statement. The misstatement was equal for income and expenditure and therefore there was no net impact on the Trust's reported deficit. The consolidated position reported for the group was accurate.

Management reflected the required adjustment in the comparatives of the 2018/19 SOCI. A prior period adjustment note had not been prepared to reflect the adjustment made. The expenditure adjustment had all been posted against drug costs, as was the erroneous adjustment in the prior year, but should have impacted on various lines of the operating expenses note.

Management added a note for the prior period adjustment and amended the comparatives in the operating expenses note to reflect the correct 2017/18 consolidation adjustments.

Consolidation adjustments have been correctly processed in preparation of the 2018/19 statements.

Conclusion

A prior period adjustment to gross income and expenditure of £11,563,032 was disclosed by the Trust in the SOCI and related notes. This adjustment was explained in a separate note as required by the accounting framework.

MATERIALITY, ERRORS AND CONTROL DEFICIENCIES

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Our application of materiality

We apply the concept of materiality both in planning and performing our audit and in evaluating the effect of misstatements.

We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonably knowledgeable users that are taken on the basis of the financial statements.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the group financial statements as a whole was set at £7.935 million. This was determined with reference to a benchmark of gross expenditure (of which it represents 1.75 per cent) which we consider to be one of the principal considerations for the Trust in assessing its financial performance.

We agreed with the Audit Committee that we would report all individual audit differences in excess of £300,000.

Audit differences

We identified two audit differences not corrected in the final financial statements as follows:

- Revenue related to 2017/18 recognised in 2018/19, projected to total £380,108, which overstated 2018/19 revenue.
- Misclassification of expenditure as capital (intangible assets) projected to total £586,300, which understated 2018/19 expenditure.

Correcting for these misstatements would have resulted in the Trust reporting a £966,408 higher deficit for the year. These misstatements did not, therefore, have a material impact on our opinion on the financial statements.

Internal controls

We reported a significant deficiency in respect of the Trust's controls for accruing revenue in the correct period.

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Referral to the Secretary of State

We referred a matter to the Secretary of State on 24 May 2018, under section 30 of the Local Audit and Accountability Act 2014, when we had reason to believe that the Trust had set a deficit budget for 2018/19, as this indicated that the Trust had begun a course of action that was unlawful.

Remuneration and Staff Report

We identified factual and disclosure misstatements in the auditable parts of the Remuneration and Staff Report, which were corrected in the final report.

Annual Governance Statement

The Governance Statement was found to comply with NHS England's guidance and was not inconsistent or misleading with other information we were aware of from our audit of the financial statements, the evidence provided in the Trust's review of effectiveness and our knowledge of the Trust.

Other information in the Annual Report

Our review of the Annual Report identified a number of inconsistencies with information in the quality account, which management amended. We were satisfied that the final Performance Report and Accountability Report were consistent with the financial statements and our knowledge acquired during the course of the audit.

Trust Accounts Consolidation schedules

We are required to provide an opinion to the Trust to confirm that the financial information included in the Trust Accounts Consolidation schedules (and used in the preparation of the NHS England Group consolidation) is consistent with the audited financial statements.

We reported that the CCG template was consistent with the financial statements.

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OVERVIEW

Scope of the audit of use of resources

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources based on the following reporting criterion:

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.

As part of reaching our overall conclusion we consider the following sub criteria in our work: informed decision making, sustainable resource deployment, and working with partners and other third parties.

Our assessment of significant risks

Our audit was scoped by our cumulative knowledge brought forward from previous audits, review of predecessor auditor's audit file, relevant findings from work undertaken in support of the opinion on financial statements, reports from the Trust including internal audit, information disclosed or available to support the Governance Statement and Annual Report, the care Quality Commission's assessments of the Trust, and information available from the risk registers and supporting arrangements.

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and direction of the efforts of the audit team.

Audit Risk	Criterion	Risk Rating	Issues identified that impacted on conclusion
Sustainable resource deployment	Sustainable resource deployment	Significant	Yes, qualified 'except for' conclusion
Working with partners	Working with partners and other third parties	Significant	No

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SUSTAINABLE RESOURCE DEPLOYMENT

There is a risk that there are continuing weaknesses in the Trust's arrangements for strategic financial planning, financial control and financial governance.

In particular, the Trust will need to deliver significant savings to maintain balanced budgets.

Significant risk	■
Normal risk	
Sustainable resource deployment	■
Informed decision making	
Working with partners and other third parties	
Significant control findings	

Risk description

The Trust is forecasting a shortfall against its agreed control total (for 2018/19), with a consequential impact on eligibility for provider sustainability funding (PSF).

This position suggests arrangements at the Trust relating to sustainable resource deployment are not adequate, in that a current year deficit is planned and forecast, with no medium term plan to return to breakeven (at the time of risk assessment).

Work performed

We carried out the following planned audit procedures:

- Reviewed the financial outturn, Cost Improvement Plan (CIP) performance, cash flow management and projections, and Long Term Financial Model (LTFM) assumptions.

Results

For 2018/19 the Trust had set a deficit budget of £0.28m including provider sustainability funding (PSF) and outturn for the year was £13.5m, which represents a £13.2m adverse variance to plan. The outturn deficit was considerably reduced when compared to the prior year (£25.7m), however further increases its cumulative deficit nonetheless.

The Trust has set a budget to breakeven for 2019/20, dependent on receiving £9.1m of FRF funding, £7.1m PSF funding and £4.7m MRET funding in the year (agreed to correspondence from NHS Improvement). Although a breakeven outcome in 2019/20 would be a notably positive achievement, it will not reduce the £75.4m of revenue reserves deficit accumulated to 31 March 2019. Further, as at 31 March 2019, the Trust has £189m of borrowing from DHSC, of which a net reduction of just £1.2m is planned for 2019/20.

The Trust set a CIP target of £24.1m for 2018/19 and has achieved £18m during the year. The Trust has set a CIP target of £15m for 2019/20. Whilst the Trust exceeded this target in both of the previous two years, and the full £15m of 2019/20 savings have been identified, achieving these savings will be a challenge and failing to do so would impact on eligibility for other planned funding.

Conclusion

Notwithstanding the achievements in 2018/19 and the planned breakeven for 2019/20, significant issues remain in terms of cumulative deficits, borrowing and cash flow. We concluded that these issues are evidence that the Trust's arrangements in respect of financial sustainability support are not adequate and therefore modified our opinion in respect of use of resources on an "except for" basis.

WORKING WITH PARTNERS

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The Trust may not be benefitting from its participation in the Sustainability and Transformation Partnership.

Significant risk	■
Normal risk	
Sustainable resource deployment	
Informed decision making	
Working with partners and other third parties	■
Significant control findings to be reported	

Risk description

The Trust recognises that it has developed good relationships with its STP partners, but progress toward achieving its ambitions of delivering better quality and more sustainable healthcare services remains uncertain.

Work performed

We carried out the following planned audit procedures:

- Reviewed governance developments and current and expected performance against the key priorities of the Hertfordshire and West Essex STP.

Results

In return for a modest annual contribution of £0.206m the Trust has benefitted directly and indirectly from the additional revenue and capital funding made available across the STP (£6.3m and £4.2m respectively in 2018/19). The Trust anticipates calling down STP capital funding in 2019/20 to address risks faced from its aging capital infrastructure.

The STP has released a new strategy with key priorities that align with those of the Trust, signifying a consistency of direction and mutual benefit. Built-in provisions for reporting against milestones and regular programme reviews will assist with monitoring the STP's achievements and how the Trust benefits from its partnership working.

It is apparent that the new strategy brings new impetus, with more ambitious partnership working in the pipeline through Integrated Care Alliances working towards an Integrated Care System.

Plans for procurement of a joined up pathology service across the six provider and commissioner partners are anticipated to return savings of up to £22m. Partners have committed to learning lessons from the Trust's previous joint arrangement for pathology provision and lessons nation wide. Risks for the Trust's own performance are mitigated by provisions for partners to contribute costs proportionally.

Evidence suggests the Trust's exposure to risk through collaboration with partners with their own financial and clinical challenges is reasonably limited. Risk-share plans have been shelved for the time being whilst partners work to establish sustainability within their own boundaries.

Conclusion

No issues identified that impact on our conclusion regarding the Trust's arrangements to secure economy, efficiency and effectiveness.

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OVERVIEW

Scope of the review of the quality account

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that:

- The Quality Account is not prepared in line with the criteria set out in the Regulations
- The Quality Account is not consistent with the sources specified in the NHS Quality Accounts Auditor Guidance
- The two performance indicators subject of limited assurance review are not reasonably stated in all material respects in accordance with the Regulations and the six dimensions of data quality set out in the guidance.

Specified indicators for testing

The core set of indicators to be included in the 2018/19 Quality Account is set out in Regulations and the letter from NHS Improvement dated 17 December 2018. NHSI permits the Trust to follow its guidance for Foundation Trusts and in taking this option the Trust is required to select two indicators for testing from the following list (to be selected in order where applicable):

- Percentage of patients with a total time in A&E of four hours or less.
- Maximum waiting time of 62 days from urgent GP referral to first treatment for all cancers.
- Percentage of incomplete pathways within 18 weeks.
- Emergency readmissions within 28 days of discharge from hospital.

Our work in relation to the Quality Account is in progress and a separate report will be issued in due course to report the detailed findings and conclusions from this work.

QUALITY ACCOUNT RESULTS 1

Requirements	Response	Findings
Review the content of the report and consistency with specified documents.	We reviewed the contents of the Quality Account and compared this to the guidance and Regulations issued by NHS Improvement. We read the information included in the Quality Account and considered whether it was materially inconsistent with: • Board minutes and papers relating to quality reported to the Board. • Feedback from Commissioners, Local Healthwatch and other stakeholders. • The Trust's complaints report. • Latest national patient survey and staff survey. • Head of Internal Audit's annual opinion over the Trust's control environment. • Annual Governance Statement. • Care Quality Commission's quality and risk profiles. • Results of the latest Payment by Results coding review.	The Quality Account was prepared in line with the Regulations and applicable NHSi guidance. We identified a number of inconsistencies between the Quality Account and the Annual Report. This was a result of the two documents being drafted using data prepared at different point in time. These inconsistencies were corrected by management and we subsequently concluded the Quality Account is materially consistent with our review of other information.
Testing of 62 day cancer indicator: The Trust reported performance of 66.8% in respect of the 62 day cancer indicator, against a target of 85% in the Quality Account.	We undertook testing to: • Confirm the definition and guidance used by the Trust to calculate the indicator. • Document and walk through the Trust's systems used to produce the indicator. • Undertake substantive testing on the underlying data against six specified data quality dimensions. We tested of a sample of 20 cases included in the reported performance and 20 cases which were excluded from reported performance due to not meeting the criteria for the indicator, to ensure that exclusion was appropriate.	We found no significant weaknesses in the systems used to produce the indicator. For each case tested, the information was agreed to underlying records and had been applied to the indicator in line with applicable guidance. No issues to report.

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QUALITY ACCOUNT RESULTS 2

Requirements	Response	Findings
Testing of 4 hour A&E indicator: The Trust reported performance of 85.85% in respect of the 4 hour A&E indicator, against a target of 95% in the Quality Report.	We undertook testing to: • Confirm the definition and guidance used by the Trust to calculate the indicator. • Document and walk through the Trust's systems used to produce the indicator. • Undertake substantive testing on the underlying data against six specified data quality dimensions. We tested of a sample of 20 cases included in the reported performance.	We are aware that the Trust had been recording A&E attendees on the day of their admission up to 30 November 2018. Applicable guidelines require this indicator to be updated on the day A&E attendees are discharged. From 1 December 2018 the Trust began recording data against this indicator based on the day of discharge. As a result, patients admitted March 2018 and discharged April 2018 were recorded in 2017/18 and patients admitted March 2019 and discharged April 2019 were recorded in 2019/20. Hence the 2018/19 period is slightly truncated. We are not able to quantify the impact on the completeness of the 2018/19 indicator. For each case tested, the information was agreed to underlying records and had applied the appropriate guidance, with the exception of the dates of recording pre-December 2018 as detailed above. We do not have assurance over the completeness of the 4 hour A&E indicator, which means we are unable to conclude this indicator is reasonably stated in accordance with the dimensions of data quality.

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Fees summary

	2018/19 Final £	2018/19 Planned £	2017/18 Final £
Audit fee			
• Consolidated Group and Trust financial statements and use of resources	52,400	52,400	52,400
We also provide audit services in respect of the ENH Pharma Limited subsidiary and the Trust's Charitable Funds, both of which have separate audit plans. Respective fees are:			
• ENH Pharma	TBC	7,200	7,200
• Charitable Funds	TBC	5,400	6,000
Non-audit assurance services			
• Fees for audit related services: Quality Account	4,880	4,880	4,880
Total fees	TBC	69,880	70,480

Reports issued

We issued the following reports in relation to the 2018/19 audit:

Report	Date
Audit Plan	January 2019
Audit Completion Report	May 2019
Limited Assurance Report on the Quality Account	June 2019
Annual Audit Letter	July 2019

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