

The Annual Audit Letter for Epsom and St Helier University Hospitals NHS Trust

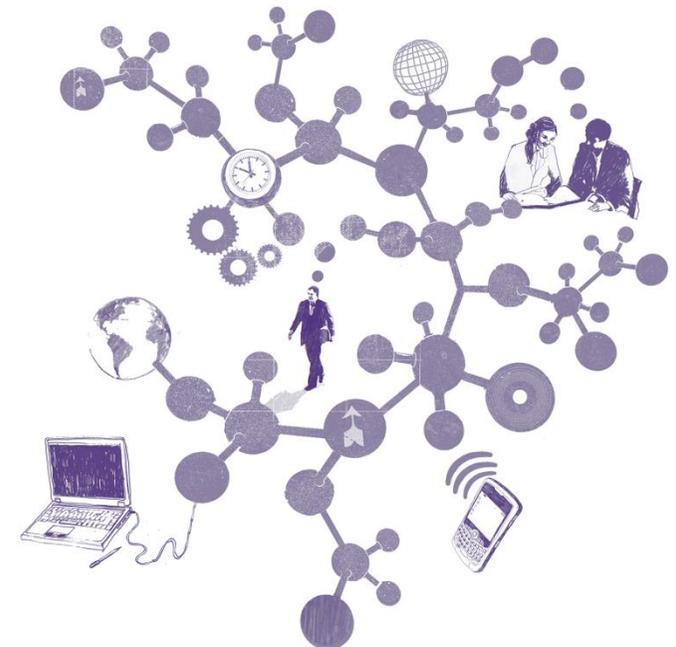
Year ended 31 March 2015

16 July 2015

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Section 1: Executive summary

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Executive summary

Purpose of this Letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the following work that we have carried out at Epsom and St Helier University Hospitals NHS Trust (the Trust) for the year ended 31 March 2015 including:

- auditing the accounts (Section two)
- assessing the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three).

The Letter is intended to communicate key messages to the Trust and external stakeholders, including members of the public.

We reported the detailed findings from our audit work on the accounts and arrangements for securing economy, efficiency and effectiveness in its use of resources to those charged with governance in the Audit Findings Report on 4 June 2015. We have not yet reported the detailed findings from our work on the Trust's Quality Account as this work is currently still in progress.

Responsibilities of the external auditors and the Trust

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

The Trust is responsible for preparing and publishing its financial statements, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money (VfM)).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with our Audit Plan issued in March 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice (the Code), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2014/15 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Trust's financial position as at 31 March 2015 and the Trust's income and expenditure for the year
- an unqualified conclusion in respect of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources
- a group assurance certificate, issued to the National Audit Office, in respect of Whole of Government Accounts which did not identify any issues for the group auditor to consider.

Acknowledgements

This Letter has been agreed with the Director of Finance.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Trust's staff.

Grant Thornton UK LLP
July 2015

Section 2: Audit of the accounts

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Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Trust presented us with a good set of draft accounts in accordance with the national deadline. Comprehensive working papers were made available from the start of the audit fieldwork and our queries were dealt with promptly and efficiently.

Issues arising from the audit of the accounts

We did not identify any adjustments affecting the Trust's retained surplus position.

We identified a number of adjustments to improve the presentation of the financial statements which the Trust amended in the final version.

Annual Governance Statement and Annual Report

As a result of our review we concluded that the Annual Governance Statement was prepared in accordance with the guidance and was consistent with our knowledge of the Trust.

We experienced some delays in relation to the receipt of the draft annual report and reviewed a high number of versions during the audit process. We will work with the Trust to clarify the reporting timetable and requirements to improve the annual report production process going forwards.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Committee at the Trust). We presented our report to the Audit Committee on 1 June 2015 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Trust's 2014/15 accounts on 4 June 2015, meeting the deadline set by the Department of Health (DH). Our opinion confirms that the accounts give a true and fair view of the Trust's financial affairs and of the income and expenditure recorded by the Trust.

Financial performance 2014/15

The Trust's performance against its financial targets is set out in the table below:

	Target	Actual	Met?
Surplus/ (deficit)	Breakeven	£78k surplus	Yes
Capital cost absorption rate	3.5%	3.5%	Yes
Capital resource limit	Not to exceed £9,772k	£,9,659	Yes
External finance limit	Not to exceed (£120k)	(£911k)	Yes

The Trust recorded a surplus of £78k for 2014/15 in line with its budget. This was despite adverse variances in expenditure largely due to over-performance. This was offset by a non-recurrent gain of £5m as a result of the disposal of the Sutton site prior to year end.

Looking forward

The Trust's cumulative breakeven position is (£26,480) and are working to reduce this deficit over the medium term.

Section 3: Value for Money

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Value for Money

Value for Money conclusion

The Code describes the Trust's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Trust has proper arrangements in place for securing financial resilience. The Trust has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Trust has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Trust is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Trust's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission in relation to financial governance, financial planning and financial control.

Our work highlighted that the Trust delivered a surplus position of £78k despite adverse variances in expenditure as these were offset by a non-recurrent gain of £5m as a result of the disposal of the Sutton site prior to year end.

The 2015/16 budget sets a breakeven position requiring savings of £14.7m. Whilst this is a challenging target, the Trust has a good record of delivering savings plans, which adds credibility to the medium term financial plan. Nevertheless, particularly in light of continuing financial pressures, the Trust will need to closely monitor delivery of savings and other income and expenditure variances, ensuring mitigating actions are put in place swiftly to address any adverse variances.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Trust has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Overall our work highlighted that arrangements to secure economy, efficiency and effectiveness are robust, with some good practice in regard to clinical engagement in financial planning and delivery and in regard to using service line analysis at point of delivery and patient level, to help develop savings. The Trust also demonstrates good practice in the way that clinical risk in cost improvement plans is managed.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

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Audit related services

Quality Accounts

For 2014/15 the Trust is required to obtain external audit assurance on its Quality Account. In order to provide this assurance we have undertaken limited assurance procedures in accordance with guidance issued by the Audit Commission to assess whether:

- the Quality Account is prepared in all material respects in line with the criteria set out in the Regulations
- the Quality Account is consistent in all material respects with the sources specified in the *NHS Quality Accounts Auditor Guidance 2014/15* issued by the Audit Commission ('the Guidance')
- the indicators in the Quality Account identified as having been the subject of limited assurance, are reasonably stated in all material respects in accordance with the Regulations and the six dimensions of data quality set out in the Guidance.

Key findings

Our work in respect of the Trust's Quality Account has not been completed in accordance with deadline set by NHS England. We are currently working with the Trust to complete this work as a matter of urgency and the results of our work will be reported separately to the Trust.

Conclusions

We have been unable to provide a limited assurance opinion on the Trust's Quality Account, in accordance with requirements, at present and will report to the Trust on completion of our work.

Appendices

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and non-audit services.

Fees for audit services

	Per Audit plan £	Actual fees £
Trust audit	106,102	*96,102
Charitable funds independent examination	2,775	2,775
Total audit fees	108,877	98,877

The audit plan incorrectly identified the audit fee as £106,102. The fee for the audit should have been reported as £96,102 with the £10,000 shown separately for our work on the Quality Account as set out above.

Reports issued

Report	Date issued
Audit Plan	March 2015
Audit Findings Report	June 2015
Quality Account Report	TBC
Annual Audit Letter	July 2015

Fees for other services

Service	Fees £
Audit related services	
Quality Accounts	10,000



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