



Annual Audit Letter 2017/18

**The Shrewsbury and
Telford Hospital NHS
Trust**

August 2018

Contents

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This report is addressed to The Shrewsbury and Telford Hospital 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 Shrewsbury and Telford Hospital 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.

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;
- 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 £66,180 excluding VAT. 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 £8,520 plus VAT.

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.

<p>Value for Money (VFM) conclusion</p>	<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 except for:</p> <ul style="list-style-type: none"> • The reporting of a £17.4m deficit for 2017/18. • Failure to achieve National Indicator targets particularly in respect of the 4 hour waiting time target for patients presenting at the Trust's Accident and Emergency Department
<p>Value for Money conclusion risk areas</p>	<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 risks:</p> <ul style="list-style-type: none"> — Delivery of 2017/18 financial plan including the financial recovery plan: <ul style="list-style-type: none"> — The Trust budgeted for a deficit of £6.06m for 2017/18 after the receipt of £9.3m of Service and Transformation Funding (STF), without which the deficit would be forecast to be £15.36m. The Trust actually delivered a deficit of £17.4m for 2017/18 giving an adverse variance to plan of £11.34m. However, of the adverse variance, £5.38m related to STF monies not being received. The actual true operating variance is actually therefore £6m if STF monies are excluded in their entirety. — The Trust's accumulate deficit at 31 March 2018 is £71.758m which has resulted in a continued breach of the breakeven duty. As a result, we have issued a referral to the Secretary of State for Health and Social Care under section 30 of the Local Audit and Accountability Act 2014. This is consistent with prior years. — The Trust had agreed an original budgeted surplus of £0.66mm for 2018/19 which was predicated on the receipt of £13.09m of STF. However, the control total was revised in April 2018 resulting in a budgeted deficit of £8.615m after the receipt of £9.824m of STF funding. — Working with partners and regulators: <ul style="list-style-type: none"> — The Trust has well developed governance and reporting processes in place which include the reporting of a corporate level indicator dashboard to the Board and to the Finance and Performance Committee. — The latest published inspection on the Trust by the Care Quality Commission in August 2017, graded the Trust as “requires improvement “ grading however, the areas of care and effective were rated as “good”. The Trust continues to adopt the measures necessary to improve this grade, and is awaiting the final results of the latest re-inspection.

Headlines (cont.)

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. — There were no significant matters which we were required to report to ‘those charged with governance’.
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 £7m. — 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"> Income recognition — We agreed a sample of the income recorded in your financial statements to the signed contracts that you have in place with your key commissioners, including arrangements for securing CQUIN income. — Evaluated the work performed by the Trust to assess the impact of the application of IFRS15. — We investigated a sample of contract variations and seek explanations from management and in doing so, review any overactivity and when this income is recognised. — The Trust participated in the Agreement of Balance (AoB) exercise with other NHS organisations. We sought explanations for any variance above £250k. We identified three variances above £250k, however, we received satisfactory evidence for all of these variances. As such we do not need to report these. — We have no issues to report as a result of our work
Annual Governance Statement	<ul style="list-style-type: none"> — 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.
Whole of Government Accounts	<ul style="list-style-type: none"> — We issued an unqualified Group Audit Assurance Certificate to the National Audit Office regarding the Whole of Government accounts submission with no exceptions.
Recommendations	<ul style="list-style-type: none"> — We made four recommendations as a result of our audit work. None of these were high priority recommendations. — The Trust still has two recommendations outstanding from the prior year.

Headlines (cont.)

Public Interest Reporting

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 for Health and Social Care.

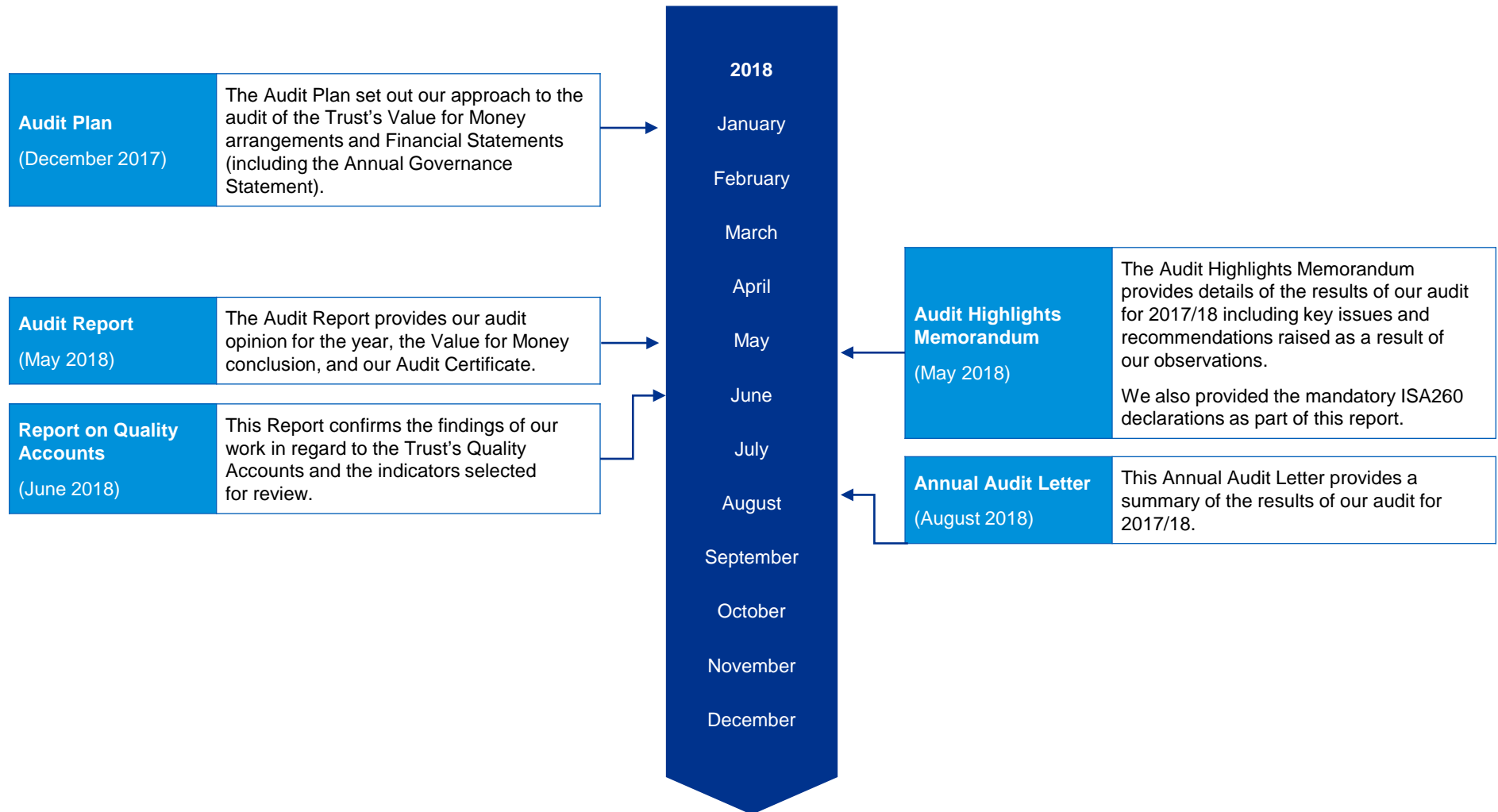
The Trust breached its financial duties in relation to breakeven during 2017/18 as a result of the £71.758m accumulated deficit at 31 March 2018. As a result, under Section 30 (1)(b) of the Local Audit and Accountability Act as statutory auditors, we have referred the matter to the Secretary of State.



Appendices

Appendix A

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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