



The Annual Audit Letter for Weston Area NHS Trust

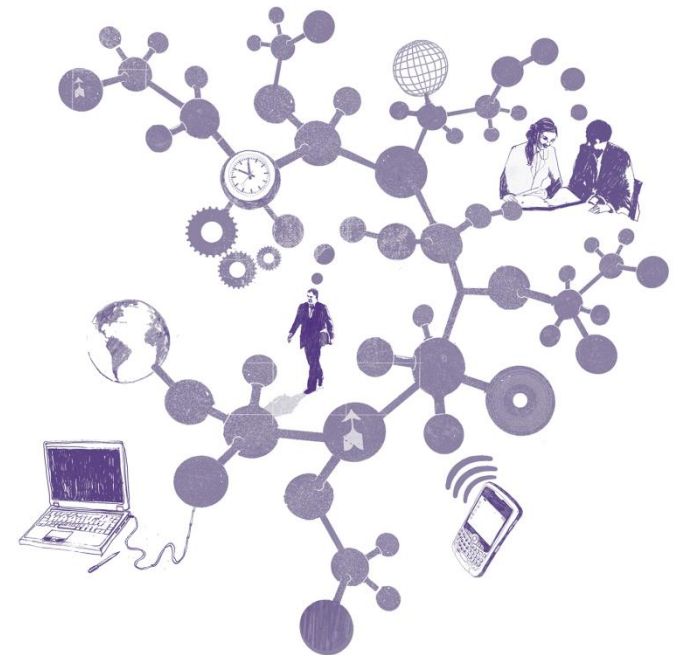
Year ended 31 March 2016

20 July 2016

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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Weston Area Health NHS Trust (the Trust) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Trust and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Trust's Audit & Assurance Committee and the Board as those charged with governance in our Audit Findings Report on 27 May 2016.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Trust's financial statements (section two)
- assess the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Trust's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

The final outturn for 2015/16 was a reduced deficit of £6.97m compared to the forecast of £7.7m with a cumulative deficit of £18.46m at 31 March 2016.

The Trust has planned for a deficit of £3.2m in 2016/17 which will require a loan of £3.2m from the Department of health in order to maintain cash flow in 2016/17. The Trust received written confirmation from NHS TDA on 24 June 2016 confirming that they will provide financial support to address any shortfall in cash funding for twelve months from this date.

Any material uncertainties in relation to the future of the Trust and its anticipated cash flows was adequately disclosed in note 1.5.1 to the financial statements. We therefore gave an unqualified opinion on the Trust's financial statements on 27 May 2016.

Value for money conclusion

We concluded that the Trust had proper arrangements in all significant respects except for the matters we identified in respect of the Trust's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions, and in working with third parties effectively to deliver strategic priorities.

We therefore qualified our value for money conclusion in our report on the financial statements on 27 May 2016.

Consolidation template

We also reported on the consistency of the consolidation schedules submitted to the Department of Health with the audited financial statements. We concluded that these were consistent.

Use of statutory powers

We did not identify any matters which required us to exercise our additional statutory powers.

Certificate

We certify that we have completed the audit of the accounts of Weston Area Health NHS Trust in accordance with the requirements of the Code of Audit Practice.

Quality Accounts

We completed a review of the Trust's Quality Account and issued our report on this on 27 June 2016.

We concluded that the Quality Account and the indicators we reviewed were prepared in line with the Regulations and guidance, except in respect of the percentage of patients who were risk assessed for venous thromboembolism. This indicator did not meet the six dimensions of data quality. We issued a qualified conclusion on your Quality Account in this respect.

Other work completed

We carried out specified procedures (on behalf of the NAO) on the Trusts accounts consolidation statements under the NHS England group audit instructions.

Working with the Trust

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered an efficient audit with you in May,
- Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness, but highlighted the need to work closely with its partners in the BNSSG footprint to develop a sustainable model for the future delivery of services
- Improving your annual reporting – we benchmarked your annual report and highlighted areas for improvement which we discussed with you and provided some good practice examples.
- Providing assurance over data quality – we provided assurance over two key indicators and highlighted the need to improve the reliability of data regarding venous thromboembolism
- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports
- Providing training – we provided your team with training on financial accounts and annual reporting
- Supporting wider development in the local health economy – we hosted the SW CCG Audit Committee Chairs Event in Taunton on 22 June 2016.

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 2016

Audit of the accounts

Our audit approach

Materiality

In our audit of the Trust's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Trust's accounts to be £2,008,000 which is 1.95% of the Trust's gross revenue expenditure. We used this benchmark as, in our view, users of the Trust's financial statements are most interested in where it has spent the income it made in the year.

We also set a lower level of specific materiality for disclosures of senior manager salaries and allowances in the remuneration report at £2,500.

We set a lower threshold of £100,000, above which we would expect to report errors to the Audit & Assurance Committee in our Audit Findings Report.

The scope of our audit

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

This includes assessing whether:

- the Trust's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the annual report to check it is consistent with our understanding of the Trust and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Trust's business and is risk based. We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p>Going Concern Given the Trust's past financial performance and forecast financial outturn, there is a risk that the Trust does not adequately disclose uncertainties about the appropriateness of the going concern assumption for the Trust's financial statements.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management • Reviewed the basis of judgements with your Director of Finance • Review of loan funding agreement from Department of Health • Reviewed confirmation of funding from the TDA. • Reviewed the adequacy of the disclosure about the appropriateness of the going concern assumption in the Trust's financial statements. <p>We did not identify any issues to report</p>
<p>Occurrence of healthcare income The Trust receives 88% of its income from NHS commissioners of healthcare services. The Trust invoices these commissioners throughout the year and accrues for activity in the final quarter of the year. Invoices for this activity are not agreed until after the accounts are produced for audit. There is therefore a risk that income from healthcare may be overstated.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • Evaluated the Trust's policy for accounting for income for appropriateness and consistency with last year. • Gained an understanding of the Trust's system for accounting for healthcare income and the controls in place • Tested a sample of income to supporting documents and receipt of cash • Checked the consistency of income recorded by the Trust against expenditure recorded by the commissioners. <p>We did not identify any issues to report</p>
<p>Valuation of property plant and equipment The Trust's property, plant and equipment, including the main hospital site, represent 82% of the Trust's total assets. Their value is estimated by property valuation experts.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • Reviewed whether the experts used by the Trust were sufficiently knowledgeable and independent for us to rely on their work • Reviewed the Trust's instructions to the valuer and the information on the assets it gave them • Reviewing the valuer's report to understand the method used and any key assumptions. • Discussed with management the key assumptions about the basis of valuation, including asset lives, to ensure these were appropriate. • Checked that the valuation had been correctly reflected in the Trust's asset register. <p>We did not identify any issues to report</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Trust's financial statements on 27 May 2016, in advance of the national deadline.

The Trust made the accounts available for audit in line with the national timetable for submission, and as in previous years, provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Trusts Audit & Assurance Committee on 27 May 2016. We identified a small number of disclosure errors which the Trust corrected.

Annual Governance Statement and Annual Report

We are also required to review the Trust's Annual Governance Statement and Annual Report. The Trust provided these on a timely basis with the draft accounts with supporting evidence. We did not identify any issues we would be required to report by exception.

Whole of Government Accounts (WGA)

We are required to give a separate audit opinion on the Trust's accounts consolidation statements and to carry out specified procedures (on behalf of the NAO) on these statements under the NHS England group audit instructions. In the group audit instructions the Trust was not selected as a sampled component.

We also reported on the consistency of the accounts consolidation template provided to NHS England with the audited financial statements. The procedures we carried out on the Trust's accounts consolidation templates did not identify any issues.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in the table 2.

As part of our Audit Findings report agreed with the Trust in May 2016, we agreed recommendations to address our findings:

- The Trust faces significant financial difficulties and will need to work closely with its partners to resolve the overall financial plans in order to deliver its strategic priorities.
- The Trust should work closely with its partners in the BNSSG to develop a clinically and financially sustainable model for the future delivery of services.
- The Trust needs to continue progressing the outstanding improvement actions from the CQC inspection and RCEM review and continue to work with its partners to deliver sustainable clinical services including within the emergency department.

Overall VfM conclusion

We are satisfied that, in all significant respects, that except for the matters we identified in respect of the Trust's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions, and in working with third parties effectively to deliver strategic priorities, the Trust had proper arrangements in all significant respects to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Repeated financial difficulties and significant funding gaps in financial planning</p> <p>At the time we issued our plan:</p> <ul style="list-style-type: none"> The Trust had a cumulative deficit at 31 March 2015 of £11.5m and is projecting a deficit in 2015/16 of £7.7m which will leave the Trust with a planned cumulative deficit of £19.2m at 31 March 2016. The cash shortfall in 2015/16 will be funded by an interim revenue support loan from the DOH of £7.7m. the Trust expected to incur a deficit of £3.2m in 2016/17. 	<p>We reviewed the 2015/16 outturn and the Trust's latest financial position.</p> <p>We reviewed the Trust's arrangements for updating, agreeing and monitoring its savings plans, and for communicating key findings to the Finance Committee and Board.</p> <p>We also reviewed the Trust's arrangements for putting together and agreeing the 2016/17 financial plan, including identification of savings plans</p>	<p>The final outturn for 2015/16 was a reduced deficit of £6.97m compared to the forecast of £7.7m and a cumulative deficit of £18.46m</p> <p>The 2016/17 financial year is a major challenge for the Trust as it is operating with a recurrent deficit and it needs to focus on measures to improve quality and patient safety. It also needs to consistently achieve key national performance measures and deliver the savings programme of over 4.2%. The Trust faces increased cost pressures in the areas of emergency department and medical staffing to meet safety requirements.</p> <p>The Trust submitted a revised financial plan to NHSI on 29 June 2016 which included £3.6m sustainability and transformation funding and aimed for a planned £3.2m deficit. The revised plan is dependent on agreement with NHSI.</p> <p>We concluded that the Trust's arrangements for planning finances for the year ended March 2016 were sound and reliable, with the exception that the Trust had no plans to reduce the cumulative deficit. We also concluded that the Trust's arrangements for planning finances for the year 2016/17 took account of all relevant information and were sound, but again involved incurring a further deficit. Because of this we concluded that there were weaknesses in the Trust's overall arrangements for planning finances to support its strategic priorities.</p> <p>The Trust faces significant financial difficulties and will need to work closely with its partners to resolve the overall financial plans in order to deliver its strategic priorities.</p>

Value for Money

Table 2: Value for money risks continued

Risk identified	Work carried out	Findings and conclusions
<p>Organisational change and transformation</p> <p>In order to address the structural imbalances that contribute to the Trust's financial difficulties and other issues, such as achieving adequate medical staffing, the Trust has been subject to an acquisition process. It was expected to be acquired by Taunton and Somerset NHS Foundation Trust.</p> <p>The planned acquisition of the Trust was terminated by the NHS TDA in mid October 2015. This was because the Business Case was deemed to be unaffordable and it offered an unacceptable clinical model. As a replacement strategy has not yet been identified this is a significant risk. We will review the Trust's plans.</p>	<p>We reviewed the Trust's arrangements for working with partners to achieve a sustainable model for the future delivery of services.</p>	<p>The NHS TDA (now NHS Improvement) established a Sustainability Board in September 2015 whose aims and objectives are to:</p> <ul style="list-style-type: none"> • Establish a common set of short, medium and longer term priorities across all system partners to promote collaborative working and secure the sustainability of clinical services and financial balance across Bristol, North Somerset, Somerset and South Gloucestershire ("the locality"). • Identify, oversee and manage through mitigation of any risks regarding the safe and sustained delivery of high quality healthcare ("the locality"). The Board's initial priority is to deliver a system-based response to concerns raised by the General Medical Council at Weston. • Identify, evaluate and implement strategic options to strengthen system resilience including new models of care and clinical pathways. <p>Membership of the Sustainability Group includes Chief Executives and Medical Directors of the Trust and other local providers, Regional Director (NHS England) and Regional Director (Monitor) and the Chief Accountable and Clinical Officers; and Nursing Directors of the Commissioners. The last meeting of the Sustainability Group took place in May 2016 and has now been superseded by the Bristol, North Somerset, and Gloucester (BNSSG) STP Group.</p> <p>GE Healthcare Finnamore were appointed to develop "an aligned and coherent set of strategic opportunities for Weston and North Somerset in conjunction with the BNSSG. Their report was presented to the May meeting of the Sustainability Group which identified eight potential strategic opportunities. The next phase of the programme is to work through the options and agree a sustainable solution.</p> <p>The future structure of Weston's service provision has not yet been resolved and until this is addressed the Trust remains at risk of failing to provide compliant and safe systems for patient care.</p> <p>On the basis of the current arrangements we concluded that the risk of not achieving a sustainable model for the future delivery of services remains and that the Trust and its system partners have not yet implemented proper arrangements to work with other parties to deliver strategic priorities.</p> <p>The Trust should work closely with its partners in the BNSSG to develop a sustainable model for the future delivery of services.</p>

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>CQC inspection The Care Quality Commission (CQC) inspection report on Weston Area Health NHS Trust in August 2015 gave Weston an overall rating of "Requires Improvement". The CQC identified that there was a significant deficit in the number of consultants against the funded establishment, which resulted in unsustainable consultant rotas and reduced support for junior doctors. The CQC concluded that medical leadership within the hospital was poor. They commented that significant discontent had been expressed by junior doctors. They also commented that "caring" within the Trust was good and nursing leadership within the hospital was strong.</p> <p>There were serious concerns with respect to safety within urgent and emergency care services and medical services were also rated as inadequate. Safety within surgery services and critical care required improvement and in all other areas was rated as good.</p>	<p>We reviewed how the Trust is implementing and monitoring delivery of the action plan agreed to address the findings of the CQC inspection.</p>	<p>The CQC had identified 23 "must do" actions for the Trust during their Inspections held in May and August 2015. Action plans were agreed in October 2015 following the Risk Summit with the CQC and partners. The Trust had six months to complete the actions described. A paper was presented to the 4 May 2016 Board meeting identifying progress on the plan. Not all of the action plans had yet been fully delivered.</p> <p>Following feedback from the GMC survey of junior Doctors a review of the Trust's Emergency Department by the Royal College of Emergency Medicine took place in December 2015 ,with recommendations for improvement covering:</p> <ul style="list-style-type: none"> • Leadership, Management and Culture in ED • Medical Staffing • Operational Pressure and ED Crowding. <p>Their report was shared with a sub-group of the Sustainability Board. A further Risk Summit was held on 28 February 2016 to agree a way forward, where it was agreed to withdraw Foundation Year 2 Junior Doctors in education and training from ED overnight, unless there was a Consultant presence, effective from April 2016.</p> <p>The Trust is currently operating a "holding position" starting in April 2016 using locum Doctors to provide continuity of 24/7 opening in the department for a period of two to four months with improvement actions to:</p> <ul style="list-style-type: none"> • ensure adequate out of hours clinical supervision in ED • provide external support from ECIP to strengthen clinical leadership • improve the patient safety culture • introduce Enhanced Nursing Practitioners to manage the minors stream in ED out of hours. <p>While we recognise the Trust has made progress in addressing the CQC improvement plan, the Trust clearly has further work to do and the risk of delivering sustainable clinical safe services over the longer term continues. We are therefore unable to conclude that the Trust has sufficient numbers of appropriately skilled medical workforce to deliver its priorities effectively. The Trust needs to continue progressing the outstanding improvement actions from the CQC inspection and RCEM review and continue to work with its partners to deliver sustainable clinical services including within the emergency department.</p>

Quality Account

The Quality Account

The Quality Account is an annual report to the public from NHS Trusts about the quality of services they deliver. It allows Trust Boards and staff to show their commitment to continuous improvement of service quality, and to explain progress to the public.

Scope of work

We carry out an independent assurance engagement on the Trust's Quality Account, following Department of Health (DH) guidance. We give an opinion as to whether we have found anything from our work which leads us to believe that:

- the Quality Account is not prepared in line with the DH criteria;
- the Quality Account is not consistent with other documents specified in the DH guidance; and
- the two indicators in the Quality Account where we carry out detailed work are not compiled in line with the DH regulations and meet expected dimensions of data quality.

Key messages

- We confirmed that the Quality Account had been prepared in line with the requirements of the Regulations.
- We confirmed that the Quality Account was consistent with the sources specified in the Guidance.

- We confirmed that the commentary on indicators in the Quality Account was consistent with the reported outcomes.
- Our testing of two indicators included in the Quality Account found that these were materially reasonably stated in accordance with the Regulations and six dimensions of data quality, subject to the issues identified in relation to Venous thromboembolism as noted below. We agreed amendments to the VTE indicator to reflect the latest underlying evidence.

Quality Account Indicator testing

We tested the following indicators Venous thromboembolism (VTE) and Clostridium difficile infections. We reviewed the process used to collect data for the indicators. We checked that the indicators presented in the Quality Account reconciled to the underlying data. We then tested a sample of cases to check the accuracy, completeness, timeliness, validity, relevance and reliability of the data, and whether the calculation is in accordance with the definition.

Based on the results of our procedures, nothing came to our attention that caused us to believe that the Clostridium difficile infection indicator was not reasonably stated in all material respects.

Our review of the reports underlying the VTE performance indicator identified that contrary to guidance, people who are admitted to hospital because they have a diagnosis or signs and symptoms of deep vein thrombosis (DVT) or pulmonary embolism were not excluded from the numerator and denominator of the indicator.

Conclusion

As a result of this we issued a qualified conclusion on your Quality Account.

We made recommendations for improvements to the Trust's arrangements for the collation of the VTE indicator

Appendix A: Reports issued and fees

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

Fees

	Planned 2015/16 fees £	Actual 2015/16 fees £	Actual 2014/15 fees £
Statutory audit	47,216	47,216	62,954
Charitable fund	3,210	3,210	3,210
Total fees	50,426	50,426	66,154

Fees for other services

Service	Fees £
Assurance on your Quality accounts	10,000

Reports issued

Report	Date issued
Audit Plan	9 March 2016
Audit Findings Report	27 May 2016
Annual Audit Letter	20 July 2016



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