



# The Audit Findings for Gloucestershire Hospitals NHS Foundation Trust

Year ended 31 March 2016

27 May 2016

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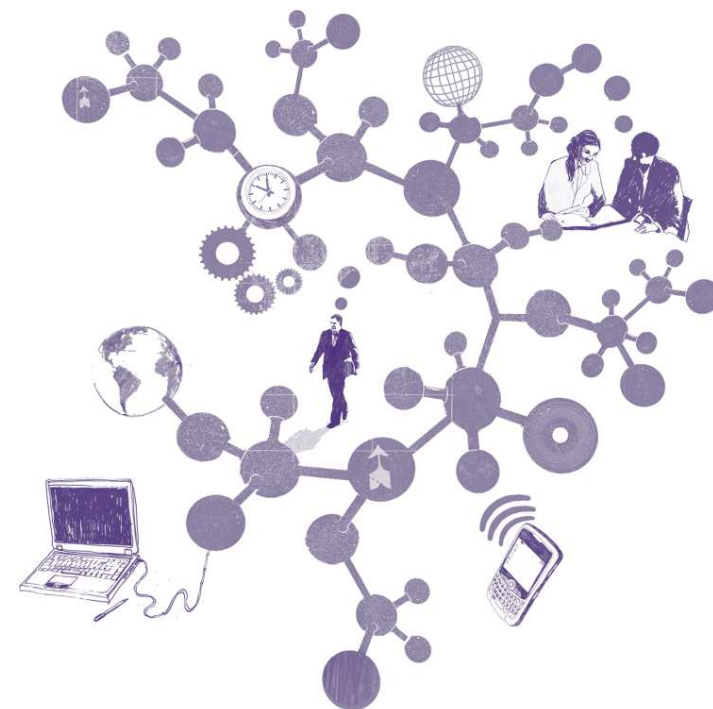
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26 May 2016

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### **Audit Findings for Gloucestershire Hospitals NHS Foundation Trust for the year ending 31 March 2016**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260, the National Health Service (NHS) Act 2006 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management. A draft Audit Findings Report and Addendum were presented to the Audit Committee on May 18<sup>th</sup>. This report supersedes that which was presented.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely



Geraldine Daly  
Engagement lead

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# Section 1: Executive summary

**01. Executive summary**

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## Purpose of this report

This report highlights the key issues affecting the results of Gloucestershire Hospitals NHS Foundation Trust ('the Trust') and the preparation of the group and Trust's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the National Health Service Act 2006 ('the Act').

Under legislation the Comptroller and Auditor General (C&AG) has a duty to prepare a code of audit practice prescribing the way in which auditors of public authorities are to required to carry out their audit functions. This Code of Audit Practice ('the Code') is prepared by the National Audit Office (NAO) on behalf of the C&AG. Section 10 of Schedule 6 of the Local Audit and Accountability Act 2014 mandates the application of this Code to Foundation Trust audits from 2015/16 onwards.

Under the Code we are required to report whether, in our opinion, the Group's financial statements give a true and fair view of the financial position of the Trust and its income and expenditure. We are also required to give an opinion on some elements of the Remuneration report and some elements of the Staff Report. We are required to consider other information published together with the audited financial statements, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or otherwise misleading and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Trust has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act so that if we are not satisfied then we are required to report by exception.

The Act also details the following powers and duties for Foundation Trust auditors, which we are required to report to you if applied:

- a referral to the regulator if we have reason to believe that the Trust or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure. (section 7 of schedule 10 of the Act);
- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Trust or brought to the public's attention (section 3 of schedule 10 of the Act).

In addition to our responsibilities under the Code we are also required to carry out a limited assurance engagement on the Trust's Quality Report in accordance with the requirements of ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

## Introduction

In the conduct of our audit we have made a change to the audit approach, which we communicated to you in our Audit Plan dated February 2016. This change relates to the work required on property, plant and equipment (see page 13). In addition to this, as set out on page 10, we have reduced materiality to £8.71m (tolerable error £5.661m). For clarification, healthcare and non healthcare revenues are treated as significant risks as per the revenue recognition risk area. The focus of our work has been on valuation for Healthcare revenues and existence and occurrence for non Healthcare revenues. Further details of our work in this area can be found on page 11.

Our audit work is now complete. We expect to issue our opinion by the due date of Friday 27 May 2016.

We received draft financial statements in accordance with the national deadline. We were provided with the majority of the required working papers at the commencement of our work. Generally working papers have been of a satisfactory standard, and have been produced on a timely basis, but there have been exceptions to this, notably in respect of agreement of balances, property plant and equipment and reversal of impairments.

## Key audit and financial reporting issues

### Financial statements opinion

The draft financial statements for the year ended 31 March 2016 recorded an operational surplus of £0.876 and a retained surplus of £4.671 million for the Trust and £4.082 million for the Group. The Trust has managed its finances throughout the year to deliver an operational surplus of £0.876m. The draft surplus of £4.671m has been achieved after allowing for the following:

- the reversal of an impairment which has a favourable net impact of £3.2m
- a reduction of £6m in depreciation compared to 2014/15, as a result of a change in asset lives assessed by the Trust's valuers. This key judgement is underpinned by the assumption that the Trust has a robust future maintenance programme. We sought evidence to confirm that this was the case and asked the Trust to include reference to this issue in Note 1.24 Critical Judgements and Estimates.

As part of the year end, the Trust has to calculate estimates in some areas of the accounts. Year end balances with other NHS bodies and organisations is one area where estimations take place. Throughout May, after the accounts are submitted for audit, a series of matching exercises are performed by the NAO. Mismatches over £250k are reported by the Auditor to the NAO at the end of the audit. The audit also examines larger mismatch balances. During the course of the audit the Trust had two mismatches as detailed which we focused our testing on:

- Gloucestershire CCG
- Gloucestershire Care Services NHS Trust

### Gloucestershire CCG

The first mismatch difference with the CCG amounted to £9.018m. Based upon more up to date information, both organisations agreed to a level that reduced the difference overall to £1.645m. Within this movement was a transfer from non NHS income to NHS income of £2m. The Trust then agreed to reduce the income level from the CCG further by £1.4m which now leaves a residual difference of £245k.

The Trust identified the following entries so that its reported operational surplus of £874,000 was not affected by the reduction of £1.4m above. We performed further testing in this area. The changes, as outlined below, were made on 13<sup>th</sup> May: :

- additional income recognised from month 13 exercise as actual income above month 12 estimates - £158,000
- other NHS income- £195,000
- prior period adjustment for injury benefit to reflect what is chargeable to 2014/15 - £815,000
- release of income provision, utilising provision for income risk - £232,000

We have completed further testing on these items and we are satisfied that the changes are reasonable.

Through the agreement of balances exercise a difference in income between the Trust and Gloucestershire Care Services NHS Trust's (GCS) expenditure had been identified. The Trust requested mediation and this has now been concluded. The impact is to reduce the Trust's income by £1,167,676 and to reduce its expenditure by £813,883.

Management have decided not to adjust for the mediation result. If an adjustment was made it would decrease the reported surplus by £353,793. This has been recorded as an unadjusted item for 2015/16 and we understand that it will be amended in 2016/17.

We have also been supplied with a specific representation that the Trust are not involved in any further mediation with other organisations that we are not aware of.

### Other financial reporting issues

- Our testing of the reversals of impairments found that this was overstated by £660,000 as this amount should have been credited to the revaluation reserve. Management have decided not to amend for this. Should the amendment have taken place this would have reduced the reported surplus by £660,000 but would have had no impact on the operational surplus of £876,000.
- The Trust submitted incorrect details of capital expenditure to the valuers (DTZ). Had the correct information been submitted, DTZ estimate that this would have increased the value of buildings by around £2.1m. This has been recorded as an unadjusted item.
- Building assets (part of property, plant and equipment) are understated as the valuations had not been based on up to date information on floor areas. If corrected, the value of buildings would increase by £2.6m.

- The value of assets included in Note 14.1 did not agree to the report from DTZ. The overall difference was £0.935 million (the accounts show a higher figure than the valuation report). If corrected, this would reduce the value of the Trust's assets by £0.935m.

A draft version of our audit opinion, is detailed in Appendix B.

### Other Financial Statement responsibilities

As well as an opinion on the financial statements, we are required to consider the consistency of other information published with the financial statements.

We have reviewed an two incomplete drafts of the Trust's Annual Report and made a number of comments. We are currently awaiting sight of the final draft.

## Controls

### Roles and responsibilities

The Trust's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Trust.

### Findings

Our work has identified one control weakness which we wish to highlight for your attention. This relates to processes and procedures relating to pharmacy stocktakes, but may have wider application.

## Value for Money

Based on our review, we are satisfied that, in all significant respects, the Trust had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

## Other statutory powers and duties

We have not identified any issues that have required us to apply our other statutory powers and duties under the Act.

Further details of our work on other statutory powers and duties is set out in section four of this report.

## Quality Report

We have completed our limited assurance procedures on the Trust's Quality Report, based on Monitor's 'Detailed guidance for external assurance on quality reports 2015/16'. We have provided a separate report to the Trust's Council of Governors setting out our results and conclusions and planned limited assurance opinion.

Our opinion has been qualified in relation to the referral to treatment incomplete pathways indicator due to errors identified when undertaking our testing. We also identified errors when undertaking testing of the dementia indicators (governors' choice of indicator). The Trust have decided not to extend sample testing as this would not change the outcome for opinion purposes.

## The way forward

Matters arising from the financial statements audit and our review of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Director of Finance and the finance team.

## Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**May 2016**



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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

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# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £9.677 million (being 2% of gross revenue expenditure for the group). We have considered whether this level remained appropriate during the course of the audit and, as a result of the pressures on the Trust and the reduced surplus, we have revised our overall materiality to £8.710 million (being 1.8% of gross revenue expenditure).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £250,000. This is an increase over the value set out in the Audit Plan as the previous value was understated.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same and are included in the table below:

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of senior manager salaries and allowances in the remuneration report	Due to public interest in these disclosures and the statutory requirement for the disclosures to be made.	£5,000
External Audit fees	Due to public interest in these disclosures	£1,000
Cash	Sensitive item	£1,000

# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>The revenue cycle (healthcare valuation gross and net) includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<ul style="list-style-type: none"> <li>– Evaluating the group's accounting policy for recognising income, both healthcare and non-healthcare, for appropriateness and consistency with the prior year;</li> <li>– Gained an understanding of the group's system for accounting for income, both healthcare and non-healthcare and the associated controls;</li> <li>– Used a summary of expenditure with the Trust accounted for by other NHS bodies, provided by the Department of Health, to identify any significant differences in income and debtor balances with contracting bodies;</li> <li>– Tested a sample of income receivable from healthcare commissioners to signed contracts and confirmation of receipt;</li> <li>– Reviewed and tested a sample of adjustments made to year-end balances to supporting documentation;</li> <li>– Agreed, on a sample basis, accrued income and other revenue transactions to supporting documentation.</li> </ul>	<p>We have completed our work on the NHS agreement of balances exercise. We have noted the mismatches in Appendix C to this report.. We are obliged to report these to you as they are above the trivial error threshold, but they do not have an impact upon our overall opinion to the accounts.</p> <p>As a result of the outcome of the mediation process with Gloucestershire Care Services NHS Trust, there is an unadjusted amount of £353,793 and this is not material.</p> <p>Other planned work has been completed and no significant issues have been identified.</p>

## Audit findings against significant risks (continued)

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
2.	<p><b>The revenue cycle (non-healthcare – Existence and occurrence ) includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<ul style="list-style-type: none"> <li>– Evaluated the Trust's accounting policy for revenue recognition of non-healthcare income for appropriateness and consistency with the prior year;</li> <li>– Gained an understanding of the Trust's system for accounting for non-healthcare income and the associated controls;</li> <li>– Agreed, on a sample basis, amounts recognised in income in the financial statements to signed contracts and invoices; and</li> <li>– Agreed, on a sample basis, accrued income and other revenue transactions to supporting documentation.</li> </ul>	<p>Our work has not identified any significant issues in relation to non-healthcare income.</p>
3.	<p><b>Management override of controls</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that management will over-ride controls. This risk is present in all entities.</p>	<ul style="list-style-type: none"> <li>– Review of entity level controls</li> <li>– Review of accounting estimates, judgements and decisions made by management</li> <li>– Testing of journals entries</li> <li>– Review of unusual significant transactions</li> </ul>	<p>Our work has not identified any significant issues on this area. We have made a recommendation that all journals be formally reviewed. Please see page 22.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

# New issues and risks identified during the course of the audit

	Risks identified	Work completed	Assurance gained and issues arising
1.	<p><b>Property, plant and equipment</b></p> <p>PPE activity not valid</p> <p>Revaluation measurement not correct</p> <p>Allowance for depreciation not adequate</p>	<ul style="list-style-type: none"> <li>• Obtaining management's assessment of the valuation of property, plant and equipment and understanding the valuation process including key controls and significant assumptions</li> <li>• Review of the competence, expertise and objectivity of any management experts used</li> <li>• Review of the instructions issued to valuation experts and the scope of their work</li> <li>• Challenged the assumptions made by management in relation to:                             <ul style="list-style-type: none"> <li>• the valuation of property, plant and equipment</li> <li>• the useful lives of property, plant and equipment</li> <li>• the amount of depreciation charged in the year.</li> </ul> </li> <li>• Testing of revaluations made during the year to ensure they are input correctly into the Trust's asset register and accounts</li> <li>• Testing of the reversal of impairments</li> <li>• Reviewed the data provided by management to the valuer</li> <li>• Reviewed and considered assumptions relating to the classification of Trust HQ as an operational asset and not an asset held for sale.</li> </ul>	<p>We identified the following:</p> <ul style="list-style-type: none"> <li>• the revaluations resulting from the latest valuation exercise had not been correctly reflected in Note 14.1 Property, plant and equipment. However, whilst large numbers were involved, there was no impact on the Trust's operational surplus;</li> <li>• the Trust submitted incorrect details of capital expenditure to the valuers (DTZ). Had the correct information been submitted, DTZ estimate that this would have increased the value of buildings by around £2.1m;</li> <li>• the value of assets included in Note 14.1 did not agree to the report from DTZ. The overall difference was £0.935 million (the accounts show a higher figure than the valuation report);</li> <li>• we identified that the floor areas on which the building valuation was incorrect as up to date drawings had not been made available to the valuer. The Trust provided the valuer with the relevant drawings and, as a result, desktop valuations of the main blocks at Cheltenham General Hospital and Gloucester Royal Hospitals were undertaken.</li> <li>• The valuer has made an assessment based upon high level information that building valuations are understated by £2.6m The Trust will look to validate this assessment in year. The impact on I&amp;E of these adjustments could increase the surplus but the Trust has chosen not to adjust the accounts as the amount is not material.</li> </ul>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Employee remuneration</b>	Employee remuneration accruals understated.	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• Gained an understanding of the systems used to recognise expenditure on employees and the associated controls;</li> <li>• Compiled a monthly trend analysis and review of the payroll control account reconciliations, to provide sufficient assurance that employee remuneration is not materially understated.</li> <li>• Reconciled expenditure on employees recorded in the general ledger to the payroll system reports for each month;</li> <li>• Tested on a sample basis, payments made after year-end to confirm the completeness of accruals.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified. However, within our payroll testing, we identified that for one employee, enhancements of £72.98 had not been paid, which results in employee remuneration being understated by £83.05 (including employer's NI). No other errors found in the remaining 24 items. As a result, we have sufficient assurance over employee remuneration.
<b>Trade creditors / accruals (Operating expenses)</b>	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• Documentation of our understanding of processes and key controls over the transaction cycle</li> <li>• Walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• Substantive testing of creditors/accruals including:                             <ul style="list-style-type: none"> <li>• Checking a sample to invoices, agreeing VAT treatment and checking coding;</li> <li>• Testing, on a sample basis, payments made after the year end to confirm the completeness of accruals; and</li> <li>• Testing, on a sample basis, the treatment of goods received not invoice to confirm the completeness of accruals.</li> </ul> </li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

## Other risks identified (continued)

### Other balances and challenges as per the audit plan

As noted in the Audit Plan, under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams have therefore been audited. The procedures are not as extensive as the procedures adopted for the risks identified in the previous section but the following issues have been identified.

Transaction cycle	Work completed	Assurance gained & issues arising
<b>Intangible assets</b>	<p>We have reviewed additions to intangible assets and sought evidence to support capitalisation.</p> <p>We also reviewed whether or not the Trust had complied with its accounting policy, which requires it to undertake an annual impairment review to establish if any of the staff, for whom costs had been capitalised, had left the Trust's employment.</p>	<p>Our expectation is that the intangible asset, which relates to Trakcare, will only include staff costs. Our testing identified some non-staff costs, both equipment and use of contractors, totalling £503,000. Whilst not material, the Trust needs to consider whether it is appropriate to charge these costs to intangible assets.</p> <p>The Trust has not undertaken an impairment review in accordance with the accounting policy. As a result, we undertook a sample check to confirm that the staff, for whom costs had been capitalised, still worked for the Trust. We were able to confirm that this was the case.</p>

# Significant matters discussed with management

	Significant matter	Commentary
1.	Business conditions affecting the Trust, and business plans and strategies that may affect the risks of material misstatement	<p>Given the acknowledged financial difficulties faced by the NHS, we discussed the Trust's financial plans for 2016/17 with the Director of Finance and reviewed relevant planning documents including cashflow forecasts. We have also reviewed the Trust's plans for the maintenance of buildings as part of our consideration of the valuation of the Trust's land and buildings.</p> <p><b>Management response</b></p> <p>Management have asserted in the annual report that it is reasonable to prepare the accounts on the going concern basis and have produced a report in support of this position.</p> <p>We have reviewed the going concern paper and have not identified any concerns around going concern which we need to report to you.</p>
2.	Concerns about management's consultations with other accountants on accounting or auditing matters	No concerns identified.
3.	Discussions or correspondence with management regarding accounting practices, the application of auditing standards, the application of auditing standards, or fees for audit or other services.	<p>The Trust changed its valuers in 2015 from the District Valuer (DV) to DTZ (now Cushman and Wakefield). One of the most significant differences between the DV and Cushman and Wakefield is the length of asset lives applied to buildings; Cushman and Wakefield being higher. One of the assumptions underlying the assessment of asset lives is that "buildings and services would be the subject of a future robust maintenance regime". We have asked the Trust to include reference to this issue in Note 1.24 Critical Judgements and Estimates.</p> <p><b>Management response</b></p> <p>Management have asserted that whilst the Trust does have backlog maintenance, it does have a robust programme of future maintenance and that there are no plans to reduce the budget for such maintenance.</p> <p>We have reviewed the evidence presented to us and are satisfied that there is a reasonable programme of future maintenance.</p>



# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Trust's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<p>Revenue is recognised when performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the Trust is from commissioners for healthcare services.</p> <p>Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.</p>	<p>The policy used is the standard NHS policy and is appropriate to the Trust.</p> <p>The accounting policy is adequately disclosed.</p>	<p>●</p> <p><b>Green</b></p>
<b>Judgements and estimates</b>	<p>The Trust's policy notes that key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>– annual leave accrual (estimate)</li> <li>– partially completed spells (estimate)</li> <li>– useful economic lives of property assets (estimate)</li> <li>– valuation of property assets (estimate)</li> <li>– leases (judgements)</li> <li>– impairments (judgements)</li> </ul>	<p>Subject to the Trust revising the disclosed critical judgements around the assumptions underpinning asset valuations, we are satisfied that the key estimates and the critical judgement policies are appropriate to the Trust. Each of the policies has been reviewed and tailored to reflect the Trust's key estimates and judgements.</p> <p>The accounting policies are adequately disclosed.</p> <p>From the work undertaken the judgements and estimates made are reasonable. However, no documentation was available to support the rationale for the provision for impaired receivables.</p>	<p>●</p> <p><b>Green</b></p>



**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# Accounting policies, Estimates & Judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	The Directors have a reasonable expectation that the services provided by the Trust will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	Our consideration of management's assumptions around going concern suggests that it is appropriate for the Trust to continue to adopt the going concern basis in preparing the financial statements.	 <b>Green</b>
<b>Other accounting policies</b>	The Trust has adopted the example accounting policies for foundation trusts as set out in the Annual Reporting Manual.	We have reviewed the Trust's policies against the requirements and consider them to be appropriate to the Trust.	 <b>Green</b>

**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	Both the Director of Finance and the Chair of the Audit Committee have confirmed arrangements are in place in this area.
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> <li>Board members have provided declarations of interests for the current year. The details were updated in the revised version of the annual report .</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A template letter of representation was included with the Audit Committee papers. Two specific representations have been added to the letter - The Trust has disclosed that we have been informed and provided with all supporting evidence of any other possible adjustments that management know of and the Trust have made a specific representation that there are no further mismatches that we are not aware of that are subject to mediation.</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We have previously requested from management permission to send confirmation requests to the Trust's bankers. This permission provides ongoing authority to seek information relevant to our audit. We have received the required confirmation from the Trust's bankers.</li> <li>We requested management to send a letter to those solicitors who worked with the Group/Trust during the year. We received this letter on 19<sup>th</sup> May. There are no issues that impact upon our audit opinion or the accounts.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>

## Other communication requirements continued

	Issue	Commentary
7.	<b>Auditable elements of Remuneration and Staff Report</b>	<ul style="list-style-type: none"> <li>We are required to give an opinion on whether the part of the Remuneration Report subject to audit has been prepared properly in accordance with the requirements directed by the Secretary of State with the consent of the Treasury.</li> <li>We have reviewed the Remuneration Report and raised a small number of points for action.</li> </ul>
8.	<b>Matters on which we report by exception</b>	<p>We are required to report on matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual or is misleading or inconsistent with the information of which we are aware from our audit</li> <li>The information in the annual report is materially inconsistent with the information in the audited financial statements or apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group/Trust acquired in the course of performing our audit, or otherwise misleading.</li> <li>We have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider that the Annual Report is fair, balanced and understandable</li> <li>The annual report does not appropriately disclose matters that were communicated to the Audit Committee which we consider should have been disclosed. At the time of writing, we are awaiting sight of the final draft of the annual report.</li> </ul> <p>There are no matters to report.</p>
9.	<b>Review of accounts consolidation schedules and specified procedures on behalf of the DH group auditor</b>	<ul style="list-style-type: none"> <li>We are required to give a separate audit opinion on the Trust's accounts consolidation schedules and to carry out specified procedures (on behalf of the NAO) on these statements under the group audit instructions. In the group audit instructions the Trust was selected as a non-sampled component.</li> <li>There are a number of variances between the Trust and other parties that we will need to report to the National Audit Office, details are included in Appendix C.</li> </ul>


# Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to be reported.

These and other recommendations, together with management responses, are included in the action plan attached at appendix A.

	Assessment	Issue and risk	Recommendations
1.	 <b>Amber</b>	<ul style="list-style-type: none"> <li>We observed two perpetual pharmacy stock take at Cheltenham General Hospital and re-performed the count for ten high value items on each occasion. No significant issues to report</li> <li>We also attended the year end 'production' pharmacy stock take at Cheltenham General Hospital and re-performed the count for ten high value items.</li> <li>We identified the following:                             <ul style="list-style-type: none"> <li>stock control procedure notes were not in place for officers undertaking the stock check</li> <li>stock sheets were not signed by the preparer</li> <li>stock sheets used to record counts were not numbered in order to aid completeness.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Prepare and share procedure notes with those officers involved in undertaking a stock take in future years</li> <li>Ensure that stock sheets used to record counts are signed by the preparer and are numbered to aid completeness.</li> </ul>

**Assessment**

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

# Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	X	<ul style="list-style-type: none"> <li>Journals are required to be reviewed and authorised but in 2014/15 we identified that 7 of the 34 journals examined had not been authorised.</li> <li>There was a risk of inappropriate amendments being made to the Trust's accounting records.</li> </ul>	<ul style="list-style-type: none"> <li>We identified that 2 of the 16 journals tested had not been formally approved. Whilst there were some hand written notes from a reviewer on the journals, this does not amount to formal approval. Our testing did, however, show that the journal entries were adequately supported.</li> </ul>

**Assessment**

- ✓ Action completed
- X Not yet addressed

## Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Detail	Statement of Comprehensive Income £'000	Statement of Financial Position £'000	Impact on surplus/deficit for the year £000
1 Other auditor remuneration overstated	(Cr) Other auditor remuneration £12 (Dr) Other £12	Nil	Nil
<b>Overall impact</b>	<b>£Nil</b>	<b>£Nil</b>	<b>£Nil</b>

# Unadjusted misstatements

The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Statement of Comprehensive Income £'000	Statement of Financial Position £'000	Reason for not adjusting
1 Reversals of impairments were overstated in the draft accounts as the Trust subsequently identified that £660,000 should have been credited to the revaluation reserve. (This item does not impact on the Trust's operational surplus of £876,000)	-660 – no impact upon the operational surplus	Nil	Immaterial
2 The Trust submitted incorrect details of capital expenditure to the valuers (DTZ). Had the correct information been submitted, DTZ estimate that this would have increased the value of buildings by around £2.1m. This has been recorded as an unadjusted item.		2,100 (estimate)	Immaterial
3 The value of assets included in Note 14.1 did not agree to the report from DTZ. The overall difference was £0.935 million (the accounts show a higher figure than the valuation report). If corrected, this would reduce the value of the Trust's assets by £0.935m.		-935	Immaterial
4 As a result of a mediation exercise involving the Trust and Gloucestershire Care Services NHS Trust (GCS), the Trust's income from GCS and its expenditure with GCS have reduced.	-1,168  +814		Immaterial
5 Building assets (part of property, plant and equipment) are understated as the valuations had not been based on up to date information on floor areas.		2,600	
<b>Overall impact</b>	<b>-£1,014</b>	<b>£3,765</b>	



## Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. As these issues relate to disclosure and misclassification, there is no impact on the Trust's reported position.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	767	Financial instruments - payables	Trade and other receivables were understated as long term receivables were incorrectly excluded.
2 Disclosure	10,120	Financial instruments - receivables	Trade payables were overstated as, for example, non-statutory items, such as taxation were incorrectly included.
3 Misclassifications	Various	Property, plant and equipment	<p>As assets have been revalued, the accumulated depreciation balance should have been cleared to nil.</p> <p>Downward valuations were included incorrectly within 'impairments' within the cost section of the PPE note. Impairments within this section should only include impairments relating to loss of economic benefit rather than changes in market value. Adjustments have been made to include as a net figure (combining upward and downward valuations) within the revaluations line.</p>
4 Disclosure	2,700	Capital commitments	Reference to intangible assets to be deleted as this does not relate to a contractual capital commitment
5 Disclosure	N/A	Senior manager remuneration	<p>Additional disclosure required for change in superannuation contributions adjusted for past experience (SCAPE) discount rate on 16 March 16.</p> <p>Management salary and clinical work salary to be shown as one figure for the Medical Director.</p>

## Misclassifications and disclosure changes (continued)

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
6 Disclosure	N/A	Note 22.1 – Trade and other payables	Accruals disclosed as nil for 2014/15. Note amended and narrative note added to explain the amendment.
7 Disclosure	198	Note 21 – Cash and cash equivalents	<p>The detail of this note was incorrect, but the year end balance was correctly stated.</p> <p>The opening balance for the Trust did not reflect the closing balance as at 31 March 2015 – overstated by £33,000</p> <p>The net change in year was understated by £165,000.</p>
8 Disclosure	N/A	Note 5.3 – Limitation on auditor's liability	The original note stated that there was no liability on the auditor's liability for external audit work. This was amended to reflect a liability of £2m as set out in the letter of engagement.
9 Disclosure	£10,847	Note 14.1 – Property, plant and equipment	As assets have been revalued, the accumulated depreciation balance should have been cleared to nil. This amendment had no impact on the carrying value of property, plant and equipment.
10 Disclosure	£,4,716	Note 33.1 –Payments to service concession operator	<p>The unitary charge disclosed within this note agreed to the model but did not agree to the actual payment made per the GL.</p> <p>Original figure disclosed = £4,716</p> <p>Revised figure agreed = £5,146</p>

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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Other statutory powers and duties

05. Fees, non-audit services and independence

06. Communication of audit matters

### Background

We are required by Schedule 10 to the National Health Service Act 2006 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

The Act and the Code only require us to report by exception where we are not satisfied that Foundation Trusts have proper arrangements in place to secure value for money. However, we are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Trust.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

*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.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and auditors are not required to reach a distinct judgement against each of these.

### Risk assessment

We carried out an initial risk assessment in January and February 2016 and identified the following significant risks, which we communicated to you in our Audit Plan dated February 2016:

- Financial outturn - The Trust was forecasting that it would report a surplus in 2015/16 of around £2 million, compared to a budgeted outturn of £4 million. The Trust revised its forecast in year.
- Operational performance – The Trust continues to report difficulties in achieving the accident and emergency (A&E) 4 hour wait target and in reducing the number of patients that are medically fit patients remaining in a hospital bed. This is a system wide issue not just at the Trust level.
- CQC inspection - An inspection by the Care Quality Commission, which was reported in June 2015, rated the Trust as requiring improvement overall. Overall, both Cheltenham General and Gloucestershire Royal Hospital were rated as requiring improvement. They were rated as good for caring and as requiring improvement in safety, effectiveness, being responsive to patients' needs and being a well-led organisation.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and on-going risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03.

### Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Trust's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Trust's arrangements. In arriving at our conclusion, our main considerations were:

- the Trust's financial outturn was a surplus £876,000 and the financial outlook for 2016/17 being a planned surplus of £5.3 million.
- Agency workforce is a key risk due to supply of trained clinical staff which can present risks to the overall performance of the Trust.
- the Trust's delivery of operational targets. There continue to be significant problems in delivering the A&E 4 hour target and the cancer 62 day target, but overall, the Trust has reported delivery of most targets.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 24 to 26.

### Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Trust had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. We only report by exception in our auditors' report where we give a qualified conclusion. The text of our report, which confirms this under the 'matters on which we report by exception' section, can be found at Appendix B.
- There is a system wide challenge across the health and social care system which continues to put pressure on bed resources and staff capacity. Demand continues to increase resulting in increased agency staff costs .

### Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendation for improvement as follows.

Our review has concluded that overall there are appropriate arrangements in place for 2015/16. Our work has identified the future challenges being faced by the Trust and we recommend that continued scrutiny takes place, with regular challenge around cashflows, activity and performance with main commissioners, achievement of savings plans and the wider healthcare economy performance. Management and the board will need to satisfy themselves that the finance position is sustainable over the medium term.

Management's response to these can be found in the Action Plan at Appendix A.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our on-going review of documents.

Significant risk	Work to address	Findings and conclusions
<p><b>Financial outturn</b> The Trust is forecasting that it will report a surplus in 2015/16 of around £2 million, compared to a budgeted outturn of £4 million.</p>	<p>We reviewed the Trust's arrangements for putting together and agreeing its budget, including identification of savings plans; and its arrangements for monitoring and managing delivery of its budget and savings plans for 2015/16, including the impact on service delivery.</p> <p>We also considered the impact of the agency cap on both financial and operational performance.</p>	<p>The Trust reported a surplus of £4.671 million (including £3.795 million net impact of impairments and reversals of impairments). Whilst the net position of £876,000 is well below the budgeted surplus, this was a good performance.</p> <p>In developing the budget for 2015/16 there was extensive consultation with divisions to ensure that divisions were signed up to the action necessary to deliver the budget and the savings required. Each division signed up to financial and activity plans. These arrangements have continued in relation to the 2016/17 budget.</p> <p>One of the main issues impacting on the financial position was the continuing use of agency staff. Monitor (now part of NHS Improvement) set a cap of 6% (agency as a percentage of nursing costs) for quarters three and four. The outturn was 8.8% for quarter 3 and 10.2% for quarter four.</p> <p>Whilst Nursing is showing the highest financial variance against plan, the largest variance in terms of percentage from plan is Junior Medical staffing at 13.14% (£3.7m).</p> <p>For 2016/17, the Trust has been set a control total target of £5.3 million by NHSi which reflects the requirement to deliver a net operating surplus of this value. The contract has been agreed with the CCG, which results in the Trust receiving an additional £20m income. This income recognises growth, service developments and price movements and will incur associated expenditure. The £12.9m of funding through the Sustainability and Transformation Plan is dependent on delivery of the agreed control total.</p> <p>Reducing the use of agency staff, both nursing and medical, is key to the delivery of the Trust's financial plan for 2016/17.</p> <p>Whilst the Trust does have significant challenges ahead, we concluded that the Trust has proper arrangements in place to support the sustainable delivery of strategic priorities and maintain statutory functions.</p>

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our on-going review of documents.

Significant risk	Work to address	Findings and conclusions
<p><b>Operational performance</b> Trust continues to report difficulties in achieving the accident and emergency (A&amp;E) 4 hour wait target and in reducing the number of patients that are medically fit patients remaining in a hospital bed.</p>	<p>We reviewed how the Trust sought and is continuing to seek to address the under-performance against the A&amp;E 4 hour wait target and to reduce the number of medically fit patients remaining in a hospital bed.</p>	<p>In May 2015 Monitor informed the Trust that it was 'under review' in relation to its performance against the 4 hour A&amp;E target. The following month, CQC was also critical of the Trust's performance in its report based on an inspection undertaken in March 2015. The Trust produced a detailed action plan to address the situation, which Monitor accepted. However, despite this, the Trust has continued to struggle to achieve the target. As a result, NHS Improvement are "investigating governance concerns at the trust triggered by multiple breaches of the A&amp;E target".</p> <p>For 2015/16, the Trust reported that 86.74% of patients were admitted, transferred or discharged within 4 hours</p> <p>It is clear that this is a very difficult issue to resolve as it is whole health economy issue i.e. more patients attending A&amp;E and more medically fit patients blocking beds waiting for care packages. Length of stay remains an issue. The Trust identified that there were more than 200 patients with lengths of stay in excess of 14 days. As a result, a project is underway to review patients with a long lengths of stay. Since the project began, there has been a significant reduction in the number of patients with long lengths of stay.</p> <p>Whilst the Trust does have significant challenges ahead, we concluded that the Trust has proper arrangements in place to use its own resources, both people and finances, and to work with partners to help it to deliver its strategic priorities.</p>

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our on-going review of documents.

Significant risk	Work to address	Findings and conclusions
<p><b>CQC inspection</b> An inspection by the Care Quality Commission, which was reported in June 2015, rated the Trust as requiring improvement overall. Overall, both Cheltenham General and Gloucestershire Royal Hospital were rated as requiring improvement. They were rated as good for caring and as requiring improvement in safety, effectiveness, being responsive to patients' needs and being well-led.</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 Trust's action plan in response to the CQC report was originally presented to the Quality Committee in August 2015 and shared with CQC. Action has been taken to address each of the recommendations in the action plan. Over the past 12 months the actions have been addressed through normal operational arrangements and has specific workstreams with Executive and Non Executive Leadership assigned. An example of this is that the Trust was required to "Improve its performance in relation to the time that patients spend in the emergency department to ensure that patients are assessed and treated within appropriate timescales". As noted above, the Trust still doesn't achieve the 95% A&amp;E target, but the action taken, such as setting up the Emergency Care Board is now part of the Trust's day to day arrangements.</p> <p>The Trust has made progress in addressing the improvement plan and on that basis we conclude that the Trust has proper arrangements in place to demonstrate the commitment to improvement over the next 12 months.</p>



**Significant difficulties in undertaking our work**

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

**Significant matters discussed with management**

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

**Any other matters**

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

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## Section 4: Other statutory powers and duties

01. Executive summary

02. Audit findings

03. Value for Money

**04. Other statutory powers and duties**

05. Fees, non audit services and independence

06. Communication of audit matters

## Other

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Referral to the regulator</b>	<ul style="list-style-type: none"><li>We have not identified any issues which we need to report to the regulator.</li></ul>
2.	<b>Public interest report</b>	<ul style="list-style-type: none"><li>We have not identified any matters that would require a public interest report to be issued.</li></ul>

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## Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

**05. Fees, non audit services and independence**

06. Communication of audit matters

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

### Fees

	£
Trust audit (including Quality Accounts)	55,000
Charitable fund independent examination	3,000
<b>Total audit fees (excluding VAT)</b>	<b>58,000</b>

### Fees for other services

Service	Fees £
Review of charges from Gloucestershire Care Services NHS Trust (undertaken in September 2015)	5,000

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

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## Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

**06. Communication of audit matters**

# Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the document on the Roles and Responsibilities of the National Audit Office (NAO) and local auditors issued by the NAO (<https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Role-of-NAO-and-local-auditors.pdf>)

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Trust's key risks when reaching our conclusions under the Code.

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. We have considered how the Trust is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected unmodified auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓
Significant matters in relation to the Group audit including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓

# Appendices



# Appendix A: Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Prepare and share procedure notes with those officers involved in undertaking a stock take in future years</p> <p>Ensure that stock sheets used to record counts are signed by the preparer and are numbered to aid completeness.</p>	Medium	Agreed	<p>September 2016 Head of Financial Accounts</p> <p>September 2016 Divisional Directors of Operations</p>
2	Ensure that all journals are subject to review and authorisation.	Medium	Agreed	<p>June 2016 Director of Operational Finance</p>
3	Undertake an annual impairment review of the Trakcare capitalised costs, in accordance with the accounting policy.	Medium	Agreed	<p>March 2017 Head of Financial Accounts</p>
4	We have noted the future challenges being faced by the Trust and we recommend that continued scrutiny takes place, with regular challenge around cashflows, activity and performance with main commissioners, achievement of savings plans and the performance of the wider health economy.	Medium	Management agree to a high risk around agency expenditure.	<p>On-going CIP Director</p>
5	Ensure that the rationale for the provision for impaired receivables is adequately documented.	Low	Agreed	<p>September 2016 Director of Operational Finance</p>

## Appendix C: Agreement of balances variances - reported as above triviality for the purposes of this report only.

Items above £250k that appear in the latest mis match report are detailed below, these may be as a result of timing differences between draft statements and mis match reports being issued over the past 4 weeks.

Trust income		Trust expenditure	
Other NHS body	Value	Other NHS body	Value
2gether NHS FT	£269,000	NHS Litigation Authority	£365,000
NHS South Worcestershire	£436,000	NHS England	£348,000
NHS Herefordshire	£307,000	NHS Gloucestershire CCG	£301,000
		Public Health England	£279,000
		Great Western Hospitals NHS FT	£253,000
<b>Total of all items greater than £250,000</b>		<b>Total of all items greater than £250,000</b>	<b>£1,546,000</b>



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