Buckinghamshire Healthcare NHS Trust
Annual Audit Letter
for the year ended 31 March 2015
July 2015

Ernst & Young LLP
Dear Directors

Annual Audit Letter 2014/15

The purpose of this annual audit letter is to communicate to the Directors and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Trust.

We have already reported the detailed findings from our audit work in our 2014/15 annual results report to the 2 June Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter.

The matters reported here are the most significant for the Trust.

We would like to take this opportunity to thank the Trust staff for their assistance during the course of our work.

Yours faithfully

Maria Grindley
Executive Director
For and on behalf of Ernst & Young LLP
Enc.
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The Audit Commission’s ‘Statement of responsibilities of auditors and audited bodies’ (Statement of responsibilities). It is available from the accountable officer of each audited body and via the Audit Commission’s website.

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission’s appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.
1. Executive summary

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan that we issued in and is conducted in accordance with the Audit Commission’s Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Trust is responsible for preparing and publishing its statement of accounts, annual report and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

► Expressing an opinion:
  ► on the 2014/15 financial statements;
  ► on the parts of the remuneration report to be audited;
  ► on the consistency of other information published with the financial statements, including the annual report; and
  ► on whether the summarisation schedule are consistent with the Trust’s financial statements for the relevant reporting period.

► Reporting by exception:
  ► if the annual governance statement does not comply with Department of Health guidance or is not consistent with our understanding of the Trust;
  ► to the Secretary of State for Health if we have concerns about the legality of transactions of decisions taken by the Trust; and
  ► any significant matters that are in the public interest.

► Forming a conclusion on the arrangements the Trust has in place to secure economy, efficiency and effectiveness in its use of resources.

► Reporting on an exception basis any significant issues or outstanding matters arising from our work which is relevant to the NAO as group auditor.

Summarised below are the results of our work across all these areas:
## Executive summary

<table>
<thead>
<tr>
<th>Area of work</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opinion on the financial statements</td>
<td>Unqualified – the financial statements give a true and fair view of the financial position of the Trust as at 31 March 2015 and of its expenditure and income for the year then ended.</td>
</tr>
<tr>
<td>Parts of remuneration report to be audited</td>
<td>No matters to report – the remuneration report was prepared properly within the rules set.</td>
</tr>
<tr>
<td>Consistency of the Annual Report and other information published with the financial statements</td>
<td>Financial information in the Annual Report and published with the financial statements was consistent with the Annual Accounts.</td>
</tr>
<tr>
<td>Reports by exception:</td>
<td></td>
</tr>
<tr>
<td>► Consistency of Governance Statement</td>
<td>The Governance Statement was consistent with our understanding of the Trust.</td>
</tr>
<tr>
<td>► Referrals to the Secretary of State</td>
<td>No matters to report or refer.</td>
</tr>
<tr>
<td>► Public interest report</td>
<td>No matters to report in the public interest.</td>
</tr>
<tr>
<td>Value for money conclusion</td>
<td>We issued a qualified ‘except for’ value for money conclusion. This resulted from the in-year £7.5m deficit for 2014/15 and cumulative deficit of £6.8m after non-recurrent revenue of approximately £9m. The Trust is forecasting a cumulative deficit of £3.2m for 2015/16 which requires delivery of £13.5m CIPs. We reported on continuing financial pressure on the Trust and the need to focus on financial resilience and efficient use of resources as significant short and medium term challenges.</td>
</tr>
<tr>
<td>Reporting to the Trust on its summarisation schedules/ accounts template</td>
<td>We concluded that the Trust’s summarisation schedules agreed to the audited financial statements.</td>
</tr>
<tr>
<td>Reporting to the National Audit Office (NAO) in line with group instructions</td>
<td>No matters to report</td>
</tr>
</tbody>
</table>

### As a result of the above we have also:

- Issued a report to those charged with governance of the CCG communicating significant findings resulting from our audit.  
  - Audit results report issued on 1 June 2015

- Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.  
  - Issued on 4 June 2015
2. Key findings

2.1 Financial statement audit

The Annual Report and Accounts is an important tool for the Trust to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Trust’s Statement of Accounts in line with the Audit Commission’s Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 4 June 2015.

Our detailed findings were reported to the 2 June Audit Committee.

The outcomes from our work on the main issues identified were:

Significant risk 1: Revaluation of fixed assets

We are satisfied that the valuation methodology utilised is appropriate and compliant with the manual for accounts and accounting standards. The draft financial statements presented for audit required significant amendment to accurately reflect the final valuation of property, plant and equipment provided by the valuer.

Significant risk 2: Revenue and expenditure recognition

Our approach focused on:
- evaluating the types of revenue and expenditure and the associated risks;
- evaluating the selection and application of relevant accounting policies by the Trust;
- understanding the systems relevant controls; and
- carrying out audit procedures to obtain the necessary assurance.

We had no matters to report.

Significant risk 3: Risk of management override of controls

Our approach focused on:
- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- reviewing accounting estimates for evidence of management bias, and
- evaluating the business rationale for significant unusual transactions.

We had no matters to report.

Significant risk 4: Accounting for wheelchairs

Following audit review, we concluded that this inclusion did not comply with the requirements of the relevant accounting standard and the inventory has subsequently been removed. This has resulted in the Trust moving from a small surplus position to an in year deficit and a qualified value for money conclusion.
2.2 Value for money conclusion

We carry out sufficient and relevant work to conclude whether the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014/15 value for money conclusion was based on two criteria. We consider whether the Trust had proper arrangements in place for:

► securing financial resilience; and,
► challenging how it secures economy, efficiency and effectiveness.

We issued a qualified value for money conclusion on 4 June 2015.

We noted the following issues as part of our audit.

Key finding 1: Financial resilience

We issued a qualified value for money conclusion based on the following:

► The Trust reported a £7.5m deficit for 2014/15 and a cumulative deficit of £6.8m
► This position was after non-recurrent revenue of approximately £9 million
► The Trust is forecasting a cumulative deficit of £3.2m for 2015/16
► The achievement of its planned 15/16 in-year surplus requires the delivery of a £13.5m cost improvement plan.

The 2015/16 budget has been set with a forecast in-year surplus of £3.6m and a cumulative deficit of £3.2m. Whilst the Trust has worked to ensure the budget is realistic, key challenges face the Trust in achieving their forecast budget this year.

These include:

► Building a robust cost improvement programme;
► Maintaining performance against the cost improvement plan;
► Managing agency expenditure; and
► Recruitment and retention and estates rationalisation which are key issues for delivering the Trust’s strategic plan.

To meet its statutory financial target the Trust will need to ensure it recovers the deficit over the next two years.

2.3 Department of Health group instructions

The Department of Health group reporting instructions were amended this year and we were only required to report to the NAO on an exception basis if there were significant issues or outstanding matters arising from our work. There were no such issues.

2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in the Trust’s annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.
3. Control themes and observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

The matters to be reported are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

We have no such matters to report.
4. Fees

Our fee for 2014/15 is in line with the scale fee set by the Audit Commission and reported in our 2 March 2015 Audit Plan.

<table>
<thead>
<tr>
<th></th>
<th>Final fee 2014/15</th>
<th>Planned fee 2014/15</th>
<th>Scale fee 2014/15</th>
<th>Final fee 2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Audit Fee – Code work</td>
<td>£114,220*</td>
<td>£111,720</td>
<td>£111,720</td>
<td>£121,720</td>
</tr>
<tr>
<td>Non-audit work</td>
<td>£10,000</td>
<td>£10,000</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Quality Account</td>
<td></td>
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[*Fee includes an additional £2,500 to cover additional time for work on inventory, financial resilience and value for money consideration.*]