

# The Annual Audit Letter for Avon and Wiltshire Mental Health Partnership NHS Trust

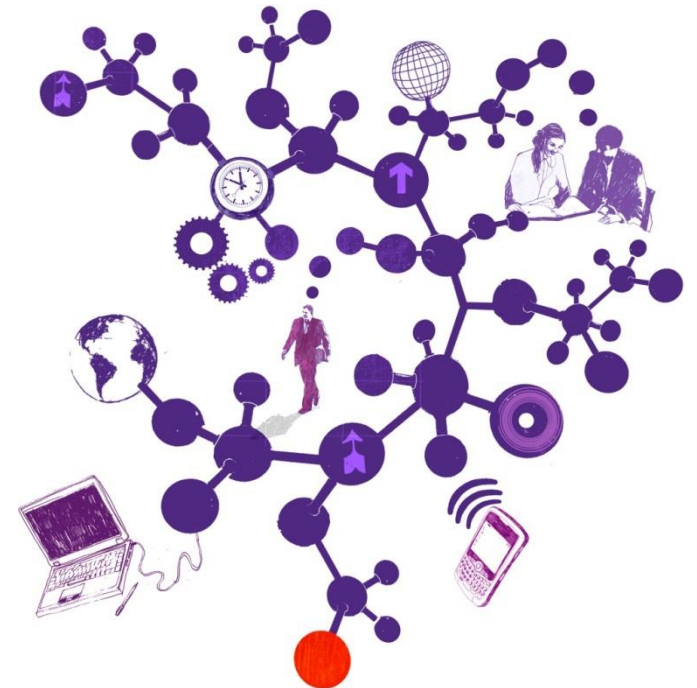
Year ending 31 March 2016

29 June 2016

**Barrie Morris**  
Engagement Lead  
T 0117 305 7708  
E [Barrie.Morris@uk.gt.com](mailto:Barrie.Morris@uk.gt.com)

**Kevin Henderson**  
Audit Manager  
T 0117 305 7873  
E [Kevin.J.Henderson@uk.gt.com](mailto:Kevin.J.Henderson@uk.gt.com)

**Sarah Crouch**  
Executive  
T 0117 305 7881  
E [Sarah.Crouch@uk.gt.com](mailto:Sarah.Crouch@uk.gt.com)



---

# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	3
2. Audit of the accounts	5
3. Value for Money conclusion	8
4. Quality Accounts	10
5. Working with the Trust	11
6. Grant Thornton in Health	13
<b>Appendices</b>	
A Reports issued and fees	14

---

# 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 Avon and Wiltshire Mental Health Partnership 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 and Risk Committee as those charged with governance in our Audit Findings Report on 17 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**

We gave an unqualified opinion on the Trust's financial statements on 31 May 2016.

### **Value for money conclusion**

We were satisfied that the Trust put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our report on the financial statements on 31 May 2016.

### **Certificate**

We certify that we have completed the audit of the accounts of Avon and Wiltshire Mental Health Partnership 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 29 June 2016. We concluded that the Quality Account and the indicators we reviewed were prepared in line with the Regulations and guidance.

---

## 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 2016, reporting to the Audit Committee two weeks before the deadline, releasing your finance team for other work.
- Improving your annual reporting – we benchmarked your annual report and made recommendations for improvements in the following areas:
  - compliance with the requirements set out in the manual for accounts e.g. in relation to sickness absence
  - description of going concern.
- Providing assurance over data quality – we provided assurance over two key indicators (crisis resolution and follow up of service users on the Care Programme Approach on their discharge from inpatient care)
- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports e.g. NHS governance and financial resilience review
- Providing training – we provided your teams with training on financial accounts and annual reporting

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**  
**June 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 £3,196,000, which is 1.7% 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 received in the year.

We also set a lower level of specific materiality for certain areas such as disclosures of senior manager salaries and allowances in the remuneration report and disclosure of auditor's remuneration

We set a lower threshold of £160,000, above which we reported errors to the Audit and Risk 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><b>Occurrence of healthcare income</b> The Trust receives 70% of its income from NHS commissioners of healthcare services.</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>For this Trust, we have concluded that the greatest risk of material misstatement related to the valuation gross of healthcare revenue and receivables and existence of non-healthcare revenue and receivables.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>• Evaluated the Trust's policy for accounting for income for appropriateness and consistency with last year.</li> <li>• Gained an understanding of the Trust's system for accounting for healthcare and non-healthcare income and the controls in place</li> <li>• Tested a sample of income to supporting documents and receipt of cash</li> <li>• Checked the consistency of income recorded by the Trust against expenditure recorded by the commissioners.</li> </ul> <p><b>We did not identify any issues to report.</b></p>
<p><b>Valuation of property plant and equipment</b> The Trust's property, plant and equipment represents 85% 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"> <li>• Reviewed whether the experts used by the Trust were sufficiently knowledgeable and independent for us to rely on their work</li> <li>• Reviewed the Trust's instructions to the valuer and the information on the assets it gave them</li> <li>• Reviewed the valuer's report to understand the method used and any key assumptions.</li> <li>• Discussed with management the key assumptions about the basis of valuation, including asset lives, to ensure these were appropriate.</li> <li>• Checked that the valuation had been correctly reflected in the Trust's asset register.</li> </ul> <p><b>We did not identify any issues to report.</b></p>

---

# Audit of the accounts

## **Audit opinion**

We gave an unqualified opinion on the Trust's financial statements on 31 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 provided a satisfactory 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 Trust's Audit and Risk Committee on 17 May 2016.

## **Annual Governance Statement and Annual Report**

The annual governance statement and annual report were in line with Department of Health requirements and in line with our understanding of the Trust's arrangements.

---

# 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 whether:

*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 on page 9.

As part of our Audit Findings Report agreed with the Trust in May 2016, we identified a number of areas where the Trust should focus to improve its overall arrangements. We made the following recommendations:

- Develop robust arrangements for workforce planning based on known and expected staff resourcing changes.
- Identify the main reasons for high rates of turnover and take appropriate action to address.
- Consider alternative strategies for both short term and medium term recruitment.
- Identify the appropriate director for driving the actions required to increase the permanent workforce and minimise the reliance on agency staff i.e. to ensure that interdependencies are appropriately managed.

## Overall VfM conclusion

We are satisfied that in all significant respects the Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.



# Value for Money

Risk identified	Work carried out	Findings and conclusions
<p><b>Financial outturn</b> The Trust was forecasting that it would break-even in 2015/16, although there was a risk of a deficit, compared to a budgeted outturn of £2 million surplus.</p> <p><b>Update</b> The Trust reported a surplus of £104,000 before impairments and PFI adjustments.</p>	<p>We reviewed the Trust's arrangements for compiling 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>The Trust 's budgeted surplus was £2m. It was set a stretch target of £3m by the TDA (now part of NHS Improvement), but the Trust did not fully sign up to this target. The outturn was a surplus of £104,000 (before impairments of £18.6m and PFI adjustments of £6.4m).</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 4% agency costs as a percentage of staffing costs for the third and final quarters of 2015/16. The Trust was unable to contain agency costs within the capped level, particularly nursing where costs have been around 8% in these last two quarters of the financial year.</p> <p>For 2016/17, the Trust is planning to deliver a break-even position. 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>
<p><b>Workforce planning</b> Workforce plans for 2015/16 were expected to deliver efficiencies across services and to reduce the reliance on temporary staffing, including agency staffing. An overspend on pay of £3.8 million was forecast for the year (2015/16), predominantly due to the cost of agency staffing.</p>	<p>We reviewed the Trust's workforce planning arrangements with a particular emphasis on the management of agency costs, given that a reduction in temporary staff costs was a key element of the Trust's financial plan.</p>	<p>As noted above, the Trust was unable to contain agency costs within the specified cap. Consequently, this was a major contributor to the Trust not delivering its budget surplus and cost improvement plans. At the end of the March 2016, the Trust was carrying more than 300 vacancies, although offers of employment had been made to 100 individuals. This is both a recruitment and a retention issue as the Trust experiences difficulties in recruiting to keep pace with turnover.</p> <p>The Trust has included an agency premium in the 2016/17 budget to reflect the additional cost of employing agency staff compared to the cost of permanent staff. However, a similar premium was included in 2015/16 and this proved to be insufficient.</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>

---

# Quality Accounts

## 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.

## Quality Account Indicator testing

We tested the following indicators:

- 100% enhanced Care Programme Approach patients receiving follow-up contact within seven days of discharge from hospital; and
- admissions to inpatient services had access to crisis resolution home treatment teams.

We reviewed the process used to collect data for the indicator. We checked that the indicator presented in the Quality Report 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 indicators we tested were not reasonably stated in all material respects.

## Conclusion

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

---

# Working with the Trust

## Our work with you in 2015/16

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. Together we have delivered some great outcomes.

An efficient audit – we reported to the Trust's Audit and Risk Committee more than two weeks before the deadline. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish ahead of schedule releasing your finance team for other important work.

Through the value for money conclusion we provided you with assurance on your operational effectiveness. We highlighted the need for further action on workforce management (see recommendations on page 8).

Improving your annual reporting – we benchmarked your annual report and made recommendations for improvements in the following areas:

- compliance with DH requirements;
- disclosure of going concern;
- innovation; and
- how the Trust works with wider health economy.

Providing assurance over data quality – we provided assurance over two key indicators. We also provided guidance to the Trust's key contact to ensure that the Quality Account complied with requirements.

Sharing our insight – we provided regular audit committee updates covering best practice. Areas we covered included The Five year Forward View, TDA quarterly reports, Better Care Fund, Manual for Accounts, NAO Code of Practice, Lessons learned from Mid Staffordshire. We also shared our thought leadership reports on Finance and Governance and Mental Health collaboration.

---

# Working with the Trust

## Working with you in 2016/17

We will continue to work with you and support you over the next financial year.

We are planning the following events:

- Health and Social Care Integration – we are working with a range of bodies on the Manchester Health Inquiry. This will enable us to share insight into how best to integrate health and social care. We will share the outcome of our work early in 2017
- Mental health round table involving trusts, CCGs, local authorities and police
- Thought leadership – we are preparing thought leadership reports on Future of Primary Care and on NHS commercial structures
- Audit updates - we will continue to provide regular audit committee updates covering best practice and emerging issues in the sector
- Providing training – we will continue to provide financial accounts and annual reporting training
- Improving your annual reporting – we will benchmark your annual report and highlight potential areas for improvement

Locally our focus will be on:

- An efficient audit – continuing to deliver an efficient audit
- Improved financial processes – as in 2015/16, we will focus our work on the following areas:
  - healthcare and non-healthcare income
  - operating expenses
  - property, plant and equipment.

Understanding your operational health – as in 2015/16, we will focus our value for money conclusion work on the Trust's financial health and workforce planning, including efforts to minimise the use of agency staff.

---

# Grant Thornton in Health

## Our client base and delivery

- We are the largest supplier of external audit services to the NHS
- We audit over 120 NHS organisations
- 99% of 2015/16 audit reports were issued by the national deadline
- Our clients scored us 8 out of 10 or higher

## Our connections

- We meet regularly with and second people to the Department of Health, CQC, NHS Improvement and NHS England
- We work closely with local government and blue light services
- We work with the Think Tanks and legal firms to develop workshops and good practice
- We provide thought leadership, seminars and training to support our clients and to provide solutions.
- In 2016 we issued reports on Mental Health Collaboration, and NHS governance and finance.
- We will publish reviews on the Future of Primary Care and on NHS commercial structures later this year.

## Our support for the sector

- We are sponsors for HFMA and work with the provider faculty, mental health faculty and commissioning faculty. We regularly speak at HFMA events to share best practice and solutions.
- We provide auditor briefings into what is happening with department policy, sector regulation, and at other NHS organisations to help support our clients.
- We provide Key Issues Bulletins that summarise what is happening in the sector.
- We hold regular 'free to access' financial reporting and other training sessions for finance staff to ensure they have the latest technical guidance.

## Our quality

- We fully meet the criteria for appointment as external auditors.
- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing.
- We are fully compliant with ethical standards
- We have passed all external quality inspections including QAD and AQRT.

## Our technical support

- We are members of all of the key NAO, ICAEW, and HFMA technical forums.
- We have specialist leads for Public Sector Audit quality and Public Sector technical.
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas.
- Local teams are supported on information technology by specialist IT auditors.
- We use specialist audit software to identify and assess audit risk.

## Our people

- We have over 30 engagement leads accredited by ICAEW to issue NHS audit reports
- We have over 300 public sector specialists
- We invest heavily in our people including technical and personal development training
- We invest in the future of the public sector and employ over 80 Public Sector trainee accountants

# Appendix A: Reports issued and fees

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

## Fees

	Planned £	Actual fees £	2014/15 fees £
Statutory audit	41,681	41,681	41,681
Charitable funds – independent examination	1,426	1,426	1,426
<b>Total fees</b>	<b>43,107</b>	<b>43,107</b>	<b>43,107</b>

## Fees for other services

Service	Fees £
Quality accounts	10,000

## Reports issued

Report	Date issued
Audit Plan	April 2016
Audit Findings Report	May 2016
Annual Audit Letter	June 2016



© 2016 Grant Thornton UKLLP. All rights served.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UKLLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**