



External Audit Report

Sheffield Health and Social Care NHS Foundation Trust

—
26 May 2016

I confirm that this is the final version of our ISA 260 Audit Memorandum relating to our audit of the 2015/16 financial statements for Sheffield Health and Social Care NHS Foundation Trust. This document was discussed and approved by the Trust's Audit Committee on 25 May 2016.

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Rashpal Khangura

Senior Statutory Auditor for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
UK

26 May 2016

Our audit opinions and conclusions:

Financial Statements: unqualified	Use of resource: clean
Quality Report (content): clean	Quality Report (indicators): clean

Content

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Important Notice

This report is presented under the terms of our audit engagement letter. Circulation of this report is restricted. The content of this report is based solely on the procedures necessary for our audit. This report is addressed to Sheffield Health and Social Care NHS Foundation Trust (the Trust) and has been prepared for your use only. We accept no responsibility towards any member of staff acting on their own, or to any third parties. The National Audit Office (NAO) has issued a document entitled Audit Code (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the Trust. External auditors do not act as a substitute for the Trust's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Basis of preparation: We have prepared this External Audit Report (Report) in accordance with our engagement letter dated 23 March 2016.

Purpose of this report: This Report is made to the Trust's Audit Committee in order to communicate matters as required by International Audit Standards (ISAs) (UK and Ireland), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

Restrictions on distribution: This Report is subject to disclosure restrictions as set out in our Engagement Letter.

Limitations on work performed: This Report is separate from our long form audit report and does not provide an additional opinion on the Trust's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors reporting. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit: Our audit is now complete.



Summary

Financial Statements Audit

We intend to issue an unqualified audit opinion on the accounts following the Audit Committee adopting them and receipt of the management representations letter.

We have completed our audit of the financial statements. We have also read the content of the Annual Report (including the Remuneration Report) and reviewed the Annual Governance Statement (AGS). Our key findings are:

- There are no unadjusted audit differences, explained in section 2 and appendix 2.
- We have agreed presentational changes to the accounts with Finance, mainly related to compliance with the Annual Reporting Manual (ARM).
- We have reviewed the annual report and have no matters to raise with you.

Quality Report

We have completed our audit of the Trust's Quality Report:

- You have achieved a clean limited assurance opinion on the content of your Quality Report which could be referenced to supporting information and evidence provided. This represents an unmodified audit opinion on the Quality Report.
- This year we have also tested '7 Day Follow Up' and 'Gate Keeping' as the two mandated indicators. Our detailed testing on the indicators has concluded that we are able to give a clean limited assurance opinion on the presentation and recording of these.
- Our work on the local indicator, 'The patient element of the friends and family test' as selected by Governors has indicated that the Trust is reporting results consistently with our experience at other trusts. This is not an indicator that lends itself to a limited assurance opinion as the completeness of reporting cannot be assured

Use of resources

Based on the findings of our work, we have concluded that the Trust has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required to certify that we have completed the audit of the Trust financial statements in accordance with the requirements of the Code. If there are any circumstances under which we cannot issue a certificate, then we must report this to those charged with governance. There are no issues that would cause us to delay the issue of our certificate of completion of the audit.

Other Matters

We intend to issue an unqualified Group Audit Assurance Certificate to the NAO regarding the Whole of Government Accounts submission, made through the submission of the summarisation schedules to Monitor.

We are satisfied that the Trust has addressed the recommendations raised in our ISA260 and Quality Report Reports in 2014/15. We have made two recommendations as a result of our 2015/16 work. They key recommendations relate to non-patient care income and the friends and family indicator. All recommendations are shown in appendix 1.

In auditing the accounts of an NHS body auditors must consider whether, in the public interest, they should make a report on any matters coming to their notice in the course of the audit, in order for it to be considered by Trust members or brought to the attention of the public; and whether the public interest requires any such matter to be made the subject of an immediate report rather than at completion of the audit. There are no matter that we wish to report.



Financial Statements Audit

Section Two

Financial Statements Audit

We audit your financial statements by undertaking the following tasks:

Work Performed	Accounts production stage		
	Before	During	After
1. Business Understanding: review your operations	✓	✓	–
2. Controls: assess the control framework	✓	–	–
3. Prepared by Client Request (PBC): issue our prepared by client request	✓	–	–
4. Accounting standards: agree the impact of any new accounting standards	✓	✓	–
5. Accounts Production: review the accounts production process	✓	✓	✓
6. Testing: test and confirm material or significant balances and disclosures	–	✓	✓
7. Representations and opinions: seek and provide representations before issuing our opinions	✓	✓	✓

We have completed the first six stages shown above and report our key findings below:

1. Business Understanding	In our 2015/16 audit plan we assessed your operations to identify significant issues that might have a financial statements consequence. We confirmed this risk assessment as part of our audit work. We have provided an update on each of the risks identified later in this section.
2. Assessment of the control environment	We have assessed the effectiveness of your key financial system controls that prevent and detect material fraud and error. We found that the financial controls on which we seek to place reliance are operating effectively. We have reviewed the work undertaken by 360 Assurance, your internal auditors, in accordance with ISA610 and used the findings to inform and planning and audit approach. We have chosen not to place reliance on their work due to the approach we adopted for the financial statements audit. This has not led to any additional resource burden for the Trust.
3. Prepared by client request	We produced this document to summarise the working papers and evidence we ask you to collate as part of the preparation of the financial statements. We discussed and tailored our request with the Financial Accountant and this was issued as a final document to the finance team. The documentation received was of a high standard enabling us to complete our audit efficiently and to our planned timetable.
4. Accounting standards	We work with you to understand the changes to accounting standard and other technical issues. For 2015/16 these changes have related to: <ul style="list-style-type: none"> • IFRS 13 (Fair Value Accounting) – There were no surplus assets so this standard is not applicable ; • Disclosing the cost of PFI schemes in the summarisation schedules – There were no PFI schemes so this standard is not applicable; • Disclosing operating expenditure and salaries in excess of the Prime Minister – There were no salaries in excess of the Prime Minister.

Section Two

Financial Statements Audit

5. Accounts Production	<p>We received complete draft accounts by 22 April 2016 in accordance with Monitor's deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the FT Annual Reporting Manual.</p> <p>As in previous years, we will debrief with the Finance team to share views on the final accounts audit. Hopefully this will lead to further efficiencies in the 2015/16 audit process. In particular we would like to commend Trust finance staff who were available throughout the audit visit to answer our queries. We thank the Financial Accountant and the rest of the finance team for their help and co-operation throughout the visit which allowed the audit to progress and complete within the allocated timeframe.</p>
6. Testing	<p>We have summarised the findings from our testing of significant risks and areas of judgement within the financial statements on the following pages. During the audit we identified only presentational issues with the notes to the accounts which have been adjusted as they have no material effect on the financial statements. The main changes made were:</p> <ul style="list-style-type: none">• amending the Annual Report to include the correct bandings for accrued pension and lump sum at 31 March 2016 in Table C of the remuneration report;• amending the analysis of the revaluation movement between lines in Note 9 to correctly reflect the write out of depreciation; and• amending Note 23 to exclude expenditure of £0.5m via NHS Supply Chain with non-NHS bodies from the value of expenditure with other NHS bodies.
7. Representations	<p>You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Finance Director on [XX] May 2016. We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us.</p>

We are required under ISA 260 to communicate to you any matters specifically required by other auditing standards to be communicated to those charged with governance; and any other audit matters of governance interest. As the Trust is required to comply with elements of the UK Corporate Governance Code through the Foundation Trust Code of Governance, ISA 260 (16-1) also requires us to communicate to you any information that we believe is relevant to understanding our rationale and the supporting evidence for the exercise of our professional judgement. This includes our view of: Business risks relevant to the financial reporting objectives, the application of materiality and the impact of our judgements on these areas for the overall audit strategy and audit plan; significant accounting policies; management's valuations of the Trust's material asset and liabilities and the related disclosures; the quality of management's assessment of the effectiveness of the system of internal control included in the AGS; and Any other matters identified during the course of the audit. To ensure that we have provided a comprehensive summary of our work, we have over the next pages set out:

- The results of the procedures we performed over Valuation of land and buildings and Recognition of Non-NHS Income which were identified as significant risks within our audit plan and which will form a part of our audit opinion;
- The results of our procedures to review the required risks of the fraudulent risk of revenue recognition and management override of control; and
- Our view of the level of prudence you have applied to key balances within your financial statements

Section Two

Financial Statements Audit

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Recognition of NHS and non-NHS income	NHS and Non-NHS income £129m (PY £132m)	<p>Our work focussed on the recognition of NHS and other patient care income and our testing considered the completeness, existence and accuracy of the balances recorded within the financial statements. We :</p> <ul style="list-style-type: none"> • Agreed the income recorded in the financial statements to signed contracts and contract variations with NHS commissioners and non-patient care commissioners. • Used the results of the AoB exercise to match the Trust's NHS income with counterparty expenditure. • For estimated accruals relating to healthcare or in relation to inter-trust agreements, reviewed the Trust's calculation of the accrual, critically assessing the Trust's and the counterparty's correspondence in relation to disputed items and forming a view as to the accuracy of the balance recorded in the Trust's accounts. <p>We have agreed material non-patient care income to contracts and contract variations. In a number of cases signed contracts were not in place and only draft finance schedules were provided as evidence. For Learning Disabilities income from Sheffield City Council, the income could not be agreed to the contract as income is volume based. We have obtained other assurances over this figure.</p> <p>Our work on this significant risk provides assurance that the figures reported in the accounts are materially correct.</p>
Valuation of land and buildings	Property, plant and equipment and impairments £55.6m (PY £56m)	<p>We undertook the following work over the valuation, existence, ownership, completeness and accuracy of a sample of PPE assets.</p> <ul style="list-style-type: none"> • We reviewed the revaluation basis and considered its appropriateness. In doing so we drew on national benchmarks. • We undertook appropriate work to understand the basis upon which any impairments to land and buildings had been calculated. We tested the associated assumptions. • We substantiated additions to PPE and, where associated with new additions, assessed the independence and objectivity of the surveyors and the terms under which they were engaged by management. • We assessed the accuracy of the depreciation charge. <p>Our work identified that the analysis of the revaluation movement between lines in Note 9 to reflect the write out of depreciation was incorrect and the accounts have been updated for this presentational error.</p> <p>Our work on this significant risk provides assurance that the figures reported in the accounts are materially correct.</p>

Section Two

Financial Statements Audit

Risks that ISAs require us to assess in all cases	Why	Our findings from the audit
<p>Fraud risk from revenue recognition</p>	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>We recognise that the incentives in the NHS differ significantly to those in the private sector which have driven the requirement to make a rebuttable presumption that this is a significant risk. These incentives in the NHS include the requirement to meet regulatory and financial covenants, rather than broader financial reporting or share based management concerns.</p>	<p>Other incentives that should be considered focus on the desire to avoid regulatory attention or to mask financial errors or irregularities which could be seen to apply in a public sector context.</p> <p>We have classified recognition of NHS and non-NHS income as a significant audit risk for 2015/16 and have outlined above the audit work we will undertake to this, which will fulfil our responsibilities for this objective.</p>
<p>Fraud risk from management override of controls</p>	<p>Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk.</p> <p>We carried out controls testing and substantive procedures, including those over journal entries, accounting estimates and significant transactions that are outside the Trust's normal course of business, or are otherwise unusual.</p>

Section Two

Financial Statements Audit

Judgements in your financial statements

We always consider the level of prudence within key judgements in your financial statements. Given the communication of additional expectations to Foundation Trusts this year by NHS Improvement to specifically review the strength of their balance sheet we have summarised our view below using the following range of judgement:



Assessment of subjective areas				
Asset/liability class	Current year	Prior year	Balance (£m)	KPMG comment
Provisions	3	3	£1.5m (PY:£0.8m)	This area was identified as an area for review by NHS Improvement in Spring 2016. We have undertaken audit procedures to support the value of provisions held within the balance sheet as at 31 March 2016. There have been new provisions in 2015/16 relating to redundancy costs. The Trust's approach to provisions appears balanced.
Accruals	3	3	£3.4m (PY:£3.7m)	This area was identified as an area for review by NHS Improvement in Spring 2016. We have performed an analytical review and sample testing over accruals and we consider the related disclosures to be proportionate.
Debtors provisioning	3	3	£0.3m (PY:£0.2m)	This area was identified as an area for review by NHS Improvement in Spring 2016. We have undertaken procedures to support the value of the provision for impairment of receivables held within the balance sheet at 31 March 2016. We consider the related disclosures to be proportionate.
Assets (lives, VAT and valuations)	3	3	£56m (£55.6m)	This area was identified as an area for review by NHS Improvement in Spring 2016. We have performed specific procedures to support the value of fixed assets held within the balance sheet at 31 March 2016 and consider the related disclosures to be proportionate.

Section Two

Financial Statements Audit

Annual report

We have read the contents of the Annual Report (including the Accountability Report, Performance Report and AGS) and audited the relevant parts of the Remuneration Report. Based on the work performed :

- We have not identified any inconsistencies between the contents of the Accountability, Performance and Director's Reports and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the director's statements. As Directors you confirm that you consider the that the annual report and accounts taken as a whole are fair, balanced and understandable and provides the information necessary for patients, regulators and other stakeholders to assess the Trust's performance, business model and strategy.
- The part of the Remuneration Report that is required to be audited were all found to be materially accurate
- The AGS is consistent with the financial statements and complies with relevant guidance subject to updates as outlined within section three; and
- The report of the Audit Committee included in the Annual Report is currently being reviewed by management to ensure that it appropriately addresses matters communicated by us to the Audit Committee, and meets guidance as set out in the ARM.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Section Two

Financial Statements Audit

Audit Fees

Our fee for the audit was £48,800 plus VAT (£51,400 in 2014/15). This fee was in line with that highlighted within our audit plan agreed by the Audit Committee in March 2015. Our fee for the external assurance on the quality report was £9,000 Plus VAT (£11,500 in 2014/15). We have not performed any non-audit work outside of that already disclosed to you as part of our audit planning.

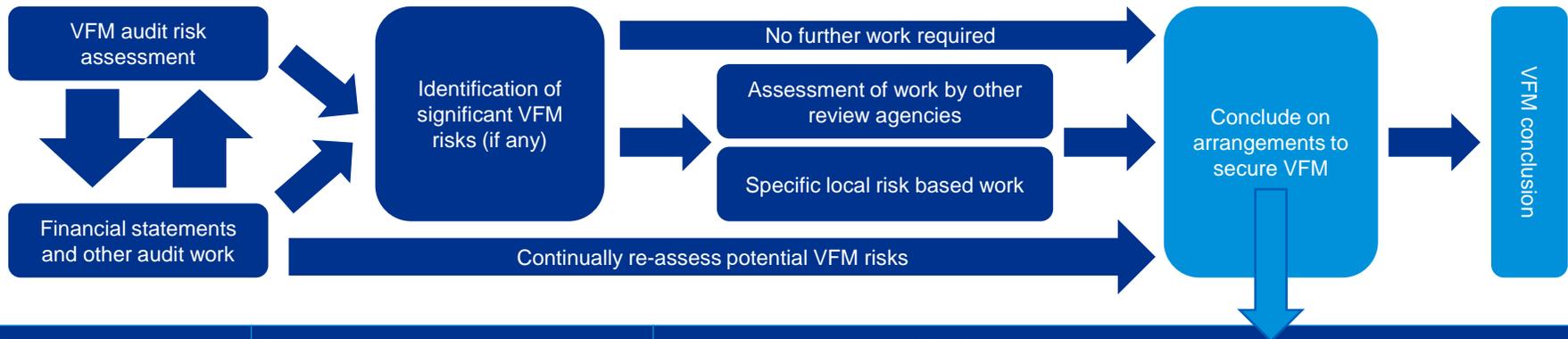


Value for Money

Section Three

Value for Money

From 2015/16 our value for money (VFM) work follows the NAO's new guidance. It is risk based and targets audit effort on the areas of greatest audit risk. Our methodology is summarised below. We identified two significant VFM risks and one other risk which are reported overleaf and we provide a summary below of the routine work required to issue our VFM conclusion, which is that we are satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.



AGS review	Regulatory review	Other matters considered in risk assessment
<p>We reviewed the 2015/16 AGS and took into consideration the work of internal audit.</p> <p>We confirm that the AGS reflects our understanding of the Trust's operations and risk management arrangements.</p>	<p>We considered the outcomes of relevant regulatory reviews (NHS Improvement, CQC, etc.) in reaching our conclusion.</p> <p>The Trust has a NHS Improvement financial sustainability risk rating of 3 & a green governance rating.</p> <p>The Trust has arrangements in place to address the findings of the CQC report published in June 2015.</p>	<p>As part of our risk assessment we reviewed various matters, including:</p> <ul style="list-style-type: none"> • core assumptions in the 2016/17 Annual Plan; • recurrent cost improvement schemes are identified and delivered; • current operational performance and commissioner relationships; • planned VS actual outturn; • significant one-off items affecting the outturn position; • Management's assessment of the Trust's ability to continue as a going concern; • relationships with key third parties.

Value for Money

Value for money risk	Why this risk is significant	Our audit response and findings
<p>Financial sustainability and going concern</p>	<p>As part of our responsibilities in relation to reaching our use of resources conclusion we are required to perform any work that we regard as necessary to allow us to conclude on whether you have effectively, efficiently and economically exercised your functions.</p> <p>Due to a combination of regulatory scrutiny and significant financial challenge in the sector and locally across the health economy, we will undertake a detailed consideration of your developing financial position and sustainability.</p> <p>The closing position for 2014/15 was a surplus of £2.6m. This represented a positive variance of £0.05m against the breakeven plan. The Cost Improvement Plan (CIP) and Disinvestment savings of £7.9m were achieved but some of the delivery (£1.8m) was through non-recurrent means. Delivery of CIPs remains a challenge for the Trust.</p> <p>In the 2015/16 Annual Plan submission to Monitor the Trust forecasted a surplus of £1.2m. As at Month 8 you are reporting an adverse variance of £0.4m. The adverse variance relates to £1.6m of directorate overspending offset by release of reserves and balance sheet flexibility. The Trust is forecasting that delivery of CIPs savings will be 80% of plan due to implementation delays in the In-Patient and Community Directorates.</p>	<p>We have formally considered management’s assessment of the Trust’s ability to continue as a going concern and remain sustainable.</p> <p>We have assessed the Trust’s financial sustainability, including identifying any significant one-off items included within the reported headline result.</p> <p>We also looked at the future financial forecasts for the Trust, including</p> <ul style="list-style-type: none"> • Analysing the reasons behind your adverse variance. • Considering the core assumptions in your 2016/17 Annual Plan submission. • Considering the extent to which recurrent cost improvement schemes were achieved in 2015/16 and identified for 2016/17. • Reviewing the number of material contracts with commissioners have been agreed for 2016/17 and the supporting risk analysis as reported to the Board. <p>The Trust had an outturn deficit of £0.1m, which is £1.4m adverse to plan. However this includes one off income and costs relating to impairment of PPE, restructuring and profit on disposal of PPE. Excluding these significant one-off items gives a normalised surplus of £1.4m which is £0.1m ahead of plan.</p> <p>The Trust delivered its planned surplus (excluding one-offs) in 2015/16 and has arrangements in place to deliver financial targets in 2016/17 recognising the challenges in achieving those targets.</p>

Section Three

Value for Money

Value for money risk	Why this risk is significant	Our audit response and findings
Response to CQC inspection report	In 2014/15 the Trust was subject to a full inspection from the Care Quality Commission under its new regime. The final report was received in June 2015 and the Trust was assessed as 'Requires improvement'.	<p>The Trust has an action plan in place to address the inspection findings in place and agreed with the CQC. The action plan is subject to regular reporting to the Executive Director Group, Quality Assurance Committee and Board.</p> <p>The Trust has appropriate arrangements in place to address the findings of the CQC report.</p>

Other risk	Why this risk is significant	Our audit response and findings
Agency staff costs and remuneration disclosures	<p>The 2015/16 Annual Reporting Manual issued by Monitor contains an increased number of disclosure requirements for NHS Foundation Trusts, particularly concerning agency costs and remuneration of highly paid / senior individuals.</p> <p>These disclosure requirements coincide with a range of controls associated with temporary staff which the Department of Health introduced progressively in 2015/16 aimed at controlling such expenditure across the NHS.</p> <p>The Trust will need to ensure it meets all the required disclosure and control requirements brought in during the year, as well as performing the required due diligence needed to support these disclosures.</p>	<p>We have consider the Trust's approach to monitoring agency pay as part of our work on the VFM conclusions. The Trust reports regular to the Executive Director Group on any breaches of the NHS Improvement caps.</p> <p>Our detailed work on the remuneration report and high level review of the annual report confirm that the Trust has included the required disclosures.</p>



Quality Report

Quality Report Scope

Introduction

In March 2016, Monitor released their '2015/16 Detailed guidance for external assurance on quality reports'. This document provides an overview of the external assurance requirements for the quality report and forms the basis for our approach to reviewing your quality report and performing testing over performance indicators. The output of our work is a 'limited' assurance opinion as well as this report to your Council of Governors on our findings and recommendations for improvements concerning the content of the quality report, the mandated indicators and the locally selected indicator.

Scope

The detailed guidance required that external assurance engagements undertaken on the 2015/16 quality reports will require NHS foundation trust auditors to:

- review the content of the quality report against the requirements set out in the NHS foundation trust annual reporting manual 2015/16, which is combined with the quality Report requirements in Monitor's document 'Detailed requirements for quality reports 2015/16'.
- review the content of the quality report for consistency against the other information sources detailed in Section 2.1 of this guidance
- provide a signed limited assurance report in the quality report on whether anything has come to the attention of the auditor that leads them to believe that the quality report has not been prepared in line with the requirements set out in the NHS foundation trust annual reporting manual 2015/16 and accompanying guidance and is not consistent with the other information sources detailed in Section 2.1 of this guidance
- undertake substantive sample testing on two mandated performance indicators and one locally selected indicator (to include, but not necessarily be limited to, an evaluation of the key processes and controls for managing and reporting the indicators and sample testing of the data used to calculate the indicator back to supporting documentation)
- provide a signed limited assurance report in the quality report on whether there is evidence to suggest that the two mandated indicators have not been reasonably stated in all material respects in accordance with the NHS foundation trust annual reporting manual 2015/16 and supporting guidance and
- provide a report to the NHS foundation trust's council of governors and board of directors (the Governors' Report) of their findings and recommendations for improvements concerning the content of the quality report, the mandated indicators and the locally selected indicator.

Status

Our work is now complete.

Section Four

Quality Report

Conclusion on content of Quality Report

We are satisfied that there is sufficient evidence to provide a limited assurance opinion on the content of the quality report

Work performed and findings

We consider two criteria:

- Review of content to ensure it addresses the requirements set out in the ARM; and
- Review of content in the quality report for consistency with other information specified by Monitor.

Our findings are set out below:

Issue considered	Findings
Inclusion of all mandated content	Other than minor presentational issues the content of the quality report presented for audit was accurately reported in line with the quality report regulations. These were corrected by the Trust in finalising its Quality Report.
Are significant matters in the specified information sources reflected in the quality report and significant assertions in the quality report supported by the specified information sources?	We identified that: <ul style="list-style-type: none">• The Trust's quality report reflected its significant matters, relevant to the selected priorities from the specified information sources; and• Significant assertions in the quality report are supported by the relevant information sources.

Section Four

Quality Report

Audit of indicators within the Quality Report

We carried out work on two mandated indicators, which require a public opinion, chosen by the Trust from a list of three available indicators as specified by the Monitor in its guidance:

- 'Gate-keeping' - (Admissions to inpatient services had access to crisis resolution home treatment teams).
- '7 Day Follow Up - ' (100% enhanced Care Programme Approach (CPA) patients receive follow up contact within seven days of discharge from hospital).

In addition, we carried out work on a locally selected indicator chosen by your Council of Governors. The indicator selected was 'The patient element of the friends and family test'. This indicator is not subject to a limited assurance opinion.

Conclusion

Our work on the two mandated indicators has concluded that there is sufficient evidence to provide a limited assurance opinion in respect of 'Gate-keeping' and '7 Day Follow-up'. As for all trusts, the local indicator does not lend itself to a clean limited assurance opinion as the completeness of the data cannot be assured. There was sufficient evidence to support the remaining assertions.

Please note that the extent of the procedures performed is reduced for limited assurance. The nature of the procedures may be different and less challenging than those used for reasonable assurance. Therefore, our work was not a reasonable assurance audit of either the performance indicators or the processes used to collate and report them.

Results of our work

We have set out overleaf the key findings from our work as described above in relation to the two mandated indicators and the locally selected indicator. In reaching our conclusions we required to have assessed the design and operational of the systems of control over the data against the six data quality dimensions defined by the NAO. In reaching our conclusion we have assessed these arrangements to consider whether they can be graded as:

- **Green:** No improvement to achieve compliance with the dimensions of data quality noted.
- **Amber:** Opportunities to achieve great efficiency or better control in compliance with the dimensions of data quality noted.
- **Red:** Concern that systems will not achieve compliance with one or more aspects of the dimensions of data quality.
- **Blue:** Unable to conclude.

Section Four

Quality Report

Design of system and processes and operation				Results of our sample testing	Conclusion reached
Data quality dimension	Design	Operation	Commentary on ratings		
Mandated Indicator: Admissions to inpatient services had access to crisis resolution home treatment teams					
Performance target: 95%					
Performance recorded in Quality Report: 99.5%					
Accuracy	●	●	We confirmed the accuracy of the figures reported in your Quality Report to underlying evidence.	We reviewed a sample of 25 cases from across the 2015/16 period. All admissions in our sample had access to the crisis resolution teams. There were no matters arising from the sample testing. There were no matters arising from verifying the figure reported in the Quality Report.	We have not comes across any indications that data for this indicator is not produced in line with national guidance.
Completeness	●	●	Testing indicated that the indicator is completely recorded.		
Relevance	●	●	Data were relevant for all 25 sampled cases.		
Reliability	●	●	We found the data to be reliable.		
Timeliness	●	●	Reporting is in line with required timescales.		
Validity	●	●	Valid data was included.		
Overall	●	●	Overall we can provide assurance that the system accurately records admissions to inpatient services had access to crisis resolution home treatment team.		

Section Four

Quality Report

Design of system and processes and operation				Results of our sample testing	Conclusion reached
Data quality dimension	Design	Operation	Commentary on ratings		
<p>Mandated indicator : 100% enhanced Care Programme Approach (CPA) patients receive follow up contact within seven days of discharge from hospital</p> <p>Performance target: 95%</p> <p>Performance recorded in Quality Report: 98.3%</p>					
Accuracy	●	●	The testing indicated that the calculation of the number of days from discharge to follow-up was correct. The calculation of the performance reported in the Quality Report was correct.	<p>We reviewed a sample of 25 cases from across the 2015/16 year. All CPA cases in our sample received follow up contact within 7 days of discharge.</p> <p>There were no matters arising from the sample testing.</p> <p>There were no matters arising from verifying the figure reported in the Quality Report.</p>	<p>We have not comes across any indications that data for this indicator is not produced in line with national guidance.</p>
Completeness	●	●	Reporting to the Board was complete. Reporting was complete in the Quality Report.		
Relevance	●	●	Data were relevant for all 25 sampled cases.		
Reliability	●	●	No issues in relation to reliability were identified during the testing and the review of the systems in place.		
Timeliness	●	●	Reporting was timely.		
Validity	●	●	No issues were identified in relation to the validity of the data tested.		
Overall	●	●	Overall we can provide limited assurance that the system design and operation leads to accurate reporting of this indicator.		

Section Four

Quality Report

Design of system and processes and operation				Results of our sample testing	Conclusion reached
Data quality dimension	Design	Operation	Commentary on ratings		
Local Indicator: The patient element of the friends and family test					
Performance target: None					
Performance recorded in Quality Report: The percentage of service users who would recommend the service they received ranged from 91% to 99% during the year					
Accuracy	●	●	All returned forms are sent to the Clinical Effectiveness Department for analysis. They are summarised in a spreadsheet and the data are submitted to the NHS's Unify2 Department. Testing indicated minor discrepancies in transferring the data from the forms but none of these affected the data reported in the Quality Report. The data were agreed in total to the figures published by Unify2. National averages reported by Unify2 were accurately reported in the Trust's Quality Report.	We relied on testing carried out by Internal Audit for this indicator. Its testing was substantially based on February returns. We reviewed working papers and re-performed a sample of work to ensure that we could rely on it. We also satisfied ourselves that the work was carried out by a suitably qualified individual. There were no matters arising from the sample testing that affected reporting to meet Monitor's requirements. However, Internal Audit expect to make one low priority recommendation as a result of their wider work. We have recommended that the Trust targets client group departments where a low proportion of returns are received to improve the culture of reporting.	We are not required to give a Limited Assurance opinion on this indicator.
Completeness	●	●	As is common for all Trusts, there is no way of confirming that all returns are analysed. This is a system based on openness and honesty and does not lend itself to audit. We have no reason to doubt that all forms are sent to the Clinical Effectiveness Department and that they are processed in their entirety.		
Relevance	●	●	The Trust obtains responses via postcards and leaflets. Relevant questions are asked and interpretation is consistent with Unify2 requirements.		
Reliability	●	●	The information that is publically available on the Unify2 website was found to be consistent with that reported internally. Completion of returns is voluntary and in common with other mental health trusts responses vary considerably via client group.		
Timeliness	●	●	There is a cut off point for the receipt of returns from the client groups of Friday of the week after the end of the previous month with anything received after that point being included within the following month's responses. This appears to be a reasonable time period.		
Validity	●	●	The validity of reporting was satisfactorily tested for February 2016 in its entirety.		
Overall	●	●	Appropriate arrangements in place to ensure the quality of data for this indicator. However, as is common for all trusts, data completeness cannot be assured.		



Appendices

Appendix 1

Recommendations raised and followed up

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations					
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
Financial Statements			
1	2	<p>We have agreed material non-patient care income to contracts and contract variations. In a number of cases signed contracts were not in place and only draft finance schedules were provided as evidence. For Learning Disabilities income from Sheffield City Council, the income could not be agreed to the contract as income is volume based. We have obtained other assurances over this figure.</p> <p>There are opportunities for the Trust to improve the processes in relation to non-patient care income by ensuring contracts are agreed and signed in a timely manner and by having a single point of contact with oversight of the agreed contract and income recognised in relation to the Sheffield City Council Learning Disabilities contracts.</p>	<p>The current contract arrangements with SCC are a known problem area at present and a number of negotiations are currently on-going. A number of services continue to operate during transitional times during which contracts (or the financial agreement element) are not formally in place. However, the general recommendation in relation to this example is accepted.</p> <p>Contracting has recently been moved into the Finance Directorate portfolio under the management of the Deputy Director of Finance and under the portfolio of Executive Director of Finance.</p> <p>A finance and contracting lead are assigned to each contract but this will be re-affirmed for all contracts going forward.</p> <p>The finance report that goes to Board and Finance and Investment Committee also details the contracts and associated income and highlights the status of on-going negotiations. In addition we will continue to roll out the use of a new contract management database to capture the centralisation of documentation to support contracts.</p> <p>James Sabin (Deputy Director of Finance)</p> <p>Immediate Effect from 2016/17</p>

Appendix 1

Recommendations raised and followed up

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#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
Quality Report			
2	3	<p>Completion of Friends and Family returns is voluntary and, in common with other mental health trusts, responses vary considerably by client group.</p> <p>We recommend that the Trust targets client group departments where a low proportion of returns are received to improve the culture of reporting.</p>	<p>Agreed</p> <p>Tania Baxter (Head of Integrated Governance)</p> <p>September 2016</p>

Appendix 1

Recommendations raised and followed up

We have also follow up the recommendations from the previous years audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding:
5	5	0

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (May 2016)
Financial Statements				
1	3	<p>Revaluation reserve</p> <p>Foundation Trusts should transfer the excess of depreciation based on the valuation of property over and above that based on its cost from the revaluation reserve to the income and expenditure reserve. The Trust does clear out revaluation reserve balances on disposal but does not routinely do in year transfers on assets that are still in use</p> <p>R1. Each year the Trust should transfer from the Revaluation Reserve to the Income and expenditure Reserve, the aggregated difference between:</p> <ul style="list-style-type: none"> the depreciation charged on the revalued amount of buildings; and that charged on its original cost. 	<p>Agreed.</p> <p>James Sabin.</p> <p>For 2015/16.</p>	<p>Actioned.</p> <p>The Trust initiated a transfer between the revaluation reserve and the income and expenditure reserve.</p>
Quality Report				
		All four prior year recommendations have been implemented.		

Appendix 2

Audit Differences

Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Audit Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit Committee, details of all adjustments greater than £100K are shown below:

Unadjusted audit differences

We are pleased to report that there were no unadjusted audit differences.

Adjusted audit differences

We are pleased to report that there were no adjusted audit differences.

Presentational issues

We identified a few minor presentational issues during our audit and these have all been amended by the Trust.

Other matters

There are no other matters to be brought to your attention.

Appendix 2

Audit Differences

We are required to report any inconsistencies greater than £250,000 between the signed audited accounts and the consolidation data and details of any unadjusted errors or uncertainties in the data provided for intra-group and intra-government balances and transactions regardless of whether a Trust is a sampled or non-sampled component. We have provided details of the inconsistencies that we are reporting to the NAO as follows:

Counter party	Type of balance/ transaction	Balance as per Trust (£'000)	Balance as per counter party (£'000)	Difference (£'000)	Comments on Difference
Q72-Yorkshire and the Humber Local Office	Income	4,583	4,081	502	We have seen evidence which suggests that the counterparty has coded invoices to the wrong body resulting in this mismatch. We are satisfied with the balance the Trust is showing.
CHP033-Community Health Partnerships	Expenditure	728	22	706	We have seen evidence which suggests that the counterparty has incorrectly coded its income to non-NHS bodies. We are satisfied with the balance the Trust is showing.
Q72-Yorkshire and the Humber Local Office	Receivable	898	1886	-988	We have seen evidence which suggests that the counterparty has duplicated its accruals resulting in this mismatch. We are satisfied with the balance the Trust is showing.
CHP033-Community Health Partnerships	Payable	591	0	591	The payables relate to expenditure with CHP in 2015/16 and we have seen evidence that the amounts have been paid in the new year. We are satisfied with the balance the Trust is showing.

Appendix Three

Audit Independence

The purpose of this Appendix is to communicate all significant facts and matters that bear on KPMG LLP's independence and objectivity and to inform you of the requirements of *ISA 260 (UK and Ireland) Communication of Audit Matters to Those Charged with Governance*.

Integrity, objectivity and independence

We are required to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

We have considered the fees paid to us by the Trust for professional services provided by us during the reporting period. We are satisfied that our general procedures support our independence and objectivity.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail. There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Board of Governors.

Audit matters

We are required to comply with *ISA (UK and Ireland) 260 Communication of Audit Matters to Those Charged with Governance* when carrying out the audit of the accounts.

ISA 260 requires that we consider the following audit matters and formally communicate them to those charged with governance:

- Relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement lead and audit staff.
- The general approach and overall scope of the audit, including any expected limitations thereon, or any additional requirements.
- The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Trust's financial statements.
- The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.
- Audit adjustments, whether or not recorded by the entity that have, or could have, a material effect on the Trust's financial statements.

Appendix Three

Audit Independence

- Material uncertainties related to event and conditions that may cast significant doubt on the Trust's ability to continue as a going concern.
- Disagreements with management about matters that, individually or in aggregate, could be significant to the Trust's financial statements or the auditor's report. These communications include consideration of whether the matter has, or has not, been resolved and the significance of the matter.
- Expected modifications to the auditor's report.
- Other matters warranting attention by those charged with governance, such as material weaknesses in internal control, questions regarding management integrity, and fraud involving management.
- Any other matters agreed upon in the terms of the audit engagement.

We continue to discharge these responsibilities through our attendance at Audit Committees, commentary and reporting and, in the case of uncorrected misstatements, through our request for management representations.

Auditor Declaration

In relation to the audit of the financial statements of the Trust for the financial year ending 31 March 2016, we confirm that there were no relationships between KPMG LLP and the Trust, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards in relation to independence and objectivity.



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