



# Annual Audit Letter

*Year ending 31 March 2018*

---

Oxford Health NHS Foundation Trust

June 2018



# Contents



## Your key Grant Thornton team members are:

Iain Murray

Engagement lead

T: 0207 728 3328

E: [iain.g.murray@uk.gt.com](mailto:iain.g.murray@uk.gt.com)

Sophia Brown

Audit Manager

T: 0207 728 3179

E: [sophia.y.brown@uk.gt.com](mailto:sophia.y.brown@uk.gt.com)

Laurelin Griffiths

Audit Manager

T: 0118 955 9166

E: [laurelin.h.griffiths@uk.gt.com](mailto:laurelin.h.griffiths@uk.gt.com)

## Section

1. Executive Summary
2. Audit of the Accounts
3. Value for Money conclusion
4. Quality Report

## Page

3  
5  
8  
11

## Appendices

- A Reports issued and fees

# Executive Summary

### Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Oxford Health NHS Foundation Trust (the Trust) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the Trust and 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 Committee as those charged with governance in our Audit Findings Report on 22 May 2018.

### Our work

---

<b>Materiality</b>	We determined materiality for the audit of the Trust's accounts to be £5,484,000, which is 1.8% of the Trust's gross revenue expenditure.
<b>Financial Statements opinion</b>	We gave an unqualified opinion on the Trust's financial statements on 24 May 2018.
<b>NHS Group consolidation template (WGA)</b>	We also reported on the consistency of the accounts consolidation template provided to NHS England with the audited financial statements. We concluded that these were consistent.
<b>Use of statutory powers</b>	We did not identify any matters which required us to exercise our additional statutory powers.

---

### Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the National Health Service Act 2006 (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) (ISAs) and other guidance issued by the NAO.

---

# Executive Summary

---

**Value for Money arrangements**

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 audit report to the Directors of the Trust on 22 May 2018.

---

**Quality Report**

We completed a review of the Trust's Quality Report and issued our report on this on 24 May 2018. We concluded that the Quality Report and the indicators we reviewed were prepared in line with the NHS foundation trust annual reporting manual and supporting guidance.

---

**Certificate**

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

---

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 2018**

---

# 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 the audit of the Trust's accounts to be £5,484,000, which is 1.8% 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 the Trust has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration. We set a lower threshold of £10,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

### The scope of our audit

Our audit involves obtaining sufficient 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 accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the 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 remainder of the Annual Report to check it is consistent with our understanding of the Trust and with the accounts included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that 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

## Key Audit Risks

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	Findings
<p><b>Improper revenue recognition</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>Approximately 83% of the Trust's income is from patient care activities and contracts with NHS commissioners. These contracts include the rates for and level of patient care activity to be undertaken by the Trust. The Trust recognises patient care activity income during the year based on the completion of these activities. Patient care activities provided that are additional to those incorporated in these contracts (contract variations) are subject to verification and agreement by the commissioners. As such, there is the risk that income is recognised in the accounts for these additional services that is not subsequently agreed to by the commissioners.</p> <p>We have identified the occurrence and accuracy of income from contract variations as a risk requiring special audit consideration and a key audit matter for the audit.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>evaluated the Trust's accounting policy for recognition income from patient care activities for appropriateness;</li> <li>gained an understanding of the Trust's system for accounting for income from patient care activities and evaluated the design of the associated controls;</li> <li>for significant contracts, obtained a copy of the signed contract with the commissioner, and confirmed the amounts received agree to the contract and a schedule of variations to that contract; and</li> <li>agreed a sample of the income from additional non-contract activity in the financial statements to any signed contract variations, invoices, and other supporting documentation, such as correspondence from the Trust's commissioners which confirms their agreement to pay for the additional activity and the value of the income.</li> </ul>	<p>Our audit work did not identify any issues in respect of revenue recognition.</p>
<p><b>Valuation of property, plant and equipment</b></p> <p>The Trust is revaluing key properties in 2017/18 to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the accounts.</p> <p>We identified land and buildings revaluations and impairments as a risk requiring special audit consideration and a key audit matter for the audit.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>considered the competence, expertise and objectivity of any management experts used;</li> <li>reviewed the basis on which the valuation is carried out and challenged any key assumptions;</li> <li>reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding of the Trust and the Trust's assets;</li> <li>tested revaluations made during the year to ensure they are input correctly into the Trust's asset register; and</li> <li>evaluated the assumptions made by management for any assets not revalued during the year and how they has satisfied themselves that these are not materially different to current value.</li> </ul>	<p>We identified a technical adjustment to both the gross book values of, and the accumulated depreciation recognised against, the Trust's land. This was corrected in the final, audited financial statements, and had no impact on the Trust's position.</p> <p>Our audit did not identify any other issues in respect of the valuation of property, plant and equipment.</p>

---

# Audit of the Accounts

## **Audit opinion**

We gave an unqualified opinion on the Trust's financial statements on 24 May 2018, in advance of the national deadline.

## **Preparation of the accounts**

The Trust presented us with draft accounts in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

## **Issues arising from the audit of the accounts**

We reported the key issues from our audit to the Trust's Audit Committee on 22 May 2018.

## **Annual Report, including the Annual Governance Statement**

We are also required to review the Trust's Annual Report, including the Annual Governance Statement. It provided these on a timely basis with the draft accounts with supporting evidence.

## **Whole of Government Accounts (WGA)**

We issued a group return to the National Audit Office in respect of Whole of Government Accounts, which did not identify any issues for the group auditor to consider.

## **Certificate of closure of the audit**

We are also required to certify that we have completed the audit of the accounts of Oxford Health NHS Foundation Trust in accordance with the requirements of the Code of Audit Practice.

# 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 2017 which specified the criterion for auditors to evaluate:

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

## Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work. The key risks we identified and the work we performed are set out below and overleaf.

## Overall Value for Money 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 2018.

## Significant Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<b>Agency staff expenditure</b> Like many NHS providers the Trust are in breach of their cap on agency staff expenditure. This puts at risk both clinical outcomes and financial sustainability. It is also one of the performance indicators which forms part of the Finance and use of resources theme of the Single Oversight Framework.	We have maintained a watching brief on the level of expenditure on agency staff.  We have considered the actions that the Trust is taking to reduce costs and recruit and retain permanently to vacant roles.	Recruitment and retention of staff at the Trust remains challenging, due in large part to its location. The Trust's agency ceiling for the 2017/18 financial year was £9.1m, but was significantly exceeded. Agency spend for 2017/18 was £21.6m, which equated to 9.5% of total staff costs and 235% of the agency ceiling set by NHSI. It is also an increase on previous years (£17.6m in 2016/17 and £14.1m in 2015/16).  The agency ceiling for the Trust for the 2018/19 year has been set at £8.5m. The Trust is taking a number of actions to reduce agency spend and is forecasting that spend in 2018/19 will be significantly lower than 2017/18 at £14.0m. This will still be in excess of the ceiling.  The £6m reduction in agency spend constitutes £1.2m (20%) of the 2018/19 CIP.



# Value for Money conclusion

## Significant Value for Money Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Cost Improvement Plans</b></p> <p>At the time of our risk assessment the Trust were forecasting the delivery of £3.0m of cost improvements against initial plans of £7.4m, and within this forecast position were a number of schemes which were not in their initial plans.</p> <p>The Trust were forecasting a year end surplus in line with their control total, but this relied on non-recurrent factors and STF monies. The forecast excluding these factors was an underlying deficit of £0.6m.</p>	<p>We have reviewed the Trust's in year CIPs performance and considered the impact of this on their financial performance and sustainability.</p> <p>We have reviewed the Trust's plans and assumptions for the 2018/19 financial year.</p>	<p>During the year the Trust has experienced a number of significant operational pressures, including significant cost and activity pressures in community services, particularly GP Out of Hours and Community Hospitals, and high demand and acuity in adult mental health services.</p> <p>The Trust achieved £3.8m CIPs against its target of £7.4m for the 2017/18 year and is forecasting a £4.4m shortfall against its CIP target, and a recurrent CIP shortfall of £5.2m going into 2018/19. The Trust's underlying arrangements for delivering CIPs are sound and the reporting and monitoring of schemes is transparent; of particular note it the rigid definition that the Trust applies to its CIPs which mean that other one off benefits are excluded from the target.</p> <p>Despite these arrangements the Trust is not able to identify sufficient schemes to meet its target. This performance against its CIP target is a cause for concern but needs to be set within context. The Trust is actively benchmarking its services and against available measures, such as reference costs, it performs well in comparison to its peers (the organisation wide RCI is 92). The Trust is in discussions with its commissioners to explore the impact that historically low levels of investment, particularly in mental health, have had on services. The Trust is also developing tools which will allow better understanding of productivity within its services which should provide an evidence base from which it can identify future opportunities for efficiencies.</p> <p>The Trust has submitted a 2018/19 financial plan with a forecast surplus of £1.9m, which represents c.0.6% of the forecast turnover. This includes an efficiency savings target of £6.0m (none of which are rated as high risk or are yet to be identified) and STF funding of £2.7m. If the target deficit is not achieved then STF funding is not expected to be received and the Trust may be liable to CCG fines if performance targets are not met.</p> <p>The Trust's forecast cash position remains strong over the 2018/19 financial year, with the financial plan including cash balances well in excess of £10m for the duration of the 2018/19 financial year, with no revenue support.</p>

# Value for Money conclusion

## Significant Value for Money Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Partnership working</b></p> <p>Delivery of the five year forward view is dependent on closer partnership working. As well as regional working via the STP you play an important role in the development of Integrated Care Systems (ICS) in both Buckinghamshire and Oxfordshire. The future development of the STP and ICS are important to the future delivery of sustainable health outcomes for local people.</p>	<p>We have reviewed the Trust's arrangements for partnership working, and how these align with the arrangements in place at both STP and ICS level.</p>	<p>The Trust plays an active role in partnership working across both Oxfordshire and Buckinghamshire health and care systems and in the STP. This is encouraging as without this involvement there is a risk that the challenges faced in the acute provider sectors of both systems mean that the important role of mental health and community services in the future shape of services may be lost.</p> <p><b>Oxfordshire</b></p> <p>CQC completed a local system review of Oxfordshire in November 2017. It found that there was a lack of system-wide planning and collaboration, and limited formal arrangements in place in the form of collaboration or intra-system accountability frameworks. The CQC determined that the BOB STP had little impact in delivering pan-Oxfordshire transformation, and that the Oxfordshire Health and Wellbeing Board did not have a clear role in influencing a strategic approach to support the joined up delivery of services.</p> <p>Work is underway to develop this overarching vision and this should help to better align much of the transformation work which to date has happened somewhat in isolation. Establishing a consensus around a coherent vision will also provide a framework against which partners and stakeholders can better hold each other to account. To successfully deliver change within the system it is acknowledged that the traditional transactional relationships between partners need to change. The risk share arrangement included in the 2017/18 contract with Oxfordshire CCG is a good example of how attitudes are starting to change. The consistency of leadership across commissioners in both Oxfordshire and Buckinghamshire and the ability to share learning and solutions across the two systems should also help to advance progress.</p> <p><b>Buckinghamshire</b></p> <p>Buckinghamshire is regarded as one of the more advanced health and care system and has a longer standing record of effective partnership working, this is reflected in its inclusion in the first wave of integrated care systems (ICS). The ICS will operate in shadow form until a single system operating plan can be produced. The current financial challenges within the Bucks system and uncertainty over exactly how sustainability funding will operate make delivering against this requirement increasingly complex. However the formal merger of the CCGs and appointment of a managing director for the ICS are important steps in building on the foundations which are already in place.</p> <p><b>STP</b></p> <p>The BOB STP has established a number of working groups looking at areas such as workforce, estates, finance and digital. Work in all these areas is still in its infancy and the appointment of an executive lead for the STP in March should enable faster progress.</p>

# Quality Report

## The Quality Report

The Quality Report is an annual report to the public from an NHS Foundation Trust about the quality of services it delivers. It allows Foundation 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 Report, following NHS Improvement (NHSI) guidance issued in February 2018. We give an opinion as to whether we have found anything from our work which leads us to believe that:

- the Quality Report is not prepared in line with the criteria specified in the NHS foundation trust annual reporting manual and supporting guidance;
- the Quality Report is not consistent with other information, as specified in the NHSI guidance; and
- the indicators in the Quality Report where we have carried out testing are not compiled in line with the NHS foundation trust annual reporting manual and supporting guidance and do not meet expected dimensions of data quality.

## Quality Report Indicator testing

We tested the following indicators:

- Early intervention in psychosis (EIP): people experiencing a first episode of psychosis treated with NICE-approved care within 2 weeks of referral;
- Inappropriate out-of-area placements for adult mental health services; and
- Reported instances of violence or aggression by patients against staff.

For each indicator tested, we considered the processes used by the Trust to collect data for the indicator. We checked that the indicator presented in the Quality Report reconciled to underlying Trust data. We then tested a sample of cases included in the indicator to check the accuracy, completeness, timeliness, validity, relevance and reliability of the data, and whether the calculation of the indicator was in accordance with the defined indicator definition.

## Key messages

- We confirmed that the Quality Report had been prepared in line with the requirements of the NHS foundation trust annual reporting manual and supporting guidance.
- We confirmed that the Quality Report was consistent with the sources specified in the NHSI Guidance.
- We confirmed that the commentary on indicators in the Quality Report was consistent with the reported outcomes
- 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 the Trust's Quality Report on 24 May 2018.

# A. Reports issued and fees

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

## Reports issued

Report	Date issued
Audit Plan	April 2018
Audit Findings Report	May 2018
Annual Audit Letter	June 2018

## Fees

	Planned £	Actual fees £
Trust Audit	£40,000	£40,000
Charitable Fund Independent Examination	£2,500	TBC
<b>Total fees</b>	<b>£42,500</b>	<b>TBC</b>

## Fees for non-audit services

Service	Fees £
Audit related services	
• Review of the Trust's Quality Report	£7,000
<b>Non-Audit related services</b>	
• None	£nil

## Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Trust. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Trust's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Trust's policy on the allotment of non-audit work to your auditor.



© 2018 Grant Thornton UK LLP. All rights reserved.

'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 UK LLP 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.