

Board of Directors Public Board

25th May 2018

**MEETING OF THE BOARD OF DIRECTORS ON FRIDAY 25th MAY 2018, 3PM
THE BOARDROOM, EDUCATION CENTRE, ARROWE PARK HOSPITAL**

AGENDA

1	Apologies	v
Chair		
2	Declaration of Interests	v
Chair		
3	Approval of Annual Report and Accounts 2017/18	d
	• Annual Accounts 2017-18 and Letter of Representation	d/p
	Interim Director of Finance	
	• Quality Account Annual Report	d
	Deputy Medical Director	
	• Annual Report and Governance Statement	d
	Acting Chief Executive	
4	External Audit Opinions	d
Grant Thornton		
5	Any Other Business	v
Chair		
6	Evaluation of the Board Meeting	v
Chair		

Board of Directors	
Agenda Item	3
Title of Report	Annual Accounts 2017/18 and Letter of Representation
Date of Meeting	25 May 2018
Author	Deborah Harman Assistant Director of Finance – Financial Services
Accountable Executive	Karen Edge Acting Director of Finance
BAF References <ul style="list-style-type: none">• Strategic Objective• Key Measure• Principal Risk	8. Strategic Objective – Enabled by financial, commercial and operational excellence
Level of Assurance <ul style="list-style-type: none">• Positive• Gap(s)	Positive
Purpose of the Paper <ul style="list-style-type: none">• Discussion• Approval• To Note	Approval
Data Quality Rating	Gold – externally validated data
FOI status	Document may be disclosed in full
Equality Impact Assessment Undertaken <ul style="list-style-type: none">• Yes• No	No

1. Executive summary

The Trust is required under the National Health Service Act 2006 to prepare annual accounts. These accounts must comply with HM Treasury-approved directions issued by NHS Improvement, in exercising statutory functions conferred on Monitor. In particular, the accounts must comply with the *Department of Health and Social Care Group Accounting Manual (DHSC GAM)*.

The Trust is also required annually to present a letter of management representation to the external auditor. In this letter, management state that the financial statements are, to its knowledge, correct and compliant, and the letter can be relied upon by the auditor in any areas where other types of audit evidence were not available or sufficient.

The purpose of this paper is to present the 2017/18 annual accounts and letter of representation to the Board of Directors for approval.

2. Letter of representation

The draft letter of representation on the financial statements is included at Appendix 1. The composition of the letter follows a set format, and the required content is guided by Grant Thornton UK LLP, as it needs to satisfy the external auditor's requirement.

If approved by the Board of Directors, the Acting Chief Executive Officer and the Acting Director of Finance will sign the letter on its behalf.

3. Annual accounts

Draft annual accounts and Trust Accounts Consolidation (TAC) schedules were submitted to NHS Improvement on 24 April 2018. Copies were provided to the Trust's external auditor, Grant Thornton UK LLP for the purposes of statutory audit. The draft accounts are to be circulated to members separately.

If approved by the Board of Directors, the Acting Chief Executive Officer will sign the accounts on its behalf.

4. 2017/18 accounts headlines

The Acting Director of Finance will present key messages from the Trust's annual accounts. Headline financial metrics for 2017/18 are noted below.

	£m
Deficit	(17.4)
Income and gains	337.0
Expenditure	(354.4)
Cash balance at 31 March	8.0
Net borrowings in year	22.4
Capital expenditure in year	13.6

5. Conclusions

- The draft annual accounts have been prepared in accordance with IFRSs and sector-specific accounting guidance.
- The signed letter of representation should be presented to the auditor, after which the Trust expects to receive the signed audit opinion for inclusion in the final Annual Report and Accounts.
- The Audit Committee of 17 May 2018 is expected to recommend to the Board of Directors the approval of both the letter of representation and the accounts.
- The final accounts will be submitted to NHS Improvement on or before 29 May 2018, presented within the Trust's Annual Report and Accounts 2017/18.

6. Recommendation

The Trust's Board of Directors is asked to approve the 2017/18 letter of representation (Appendix 1) and annual accounts.

Deborah Harman
Assistant Director of Finance – Financial Services

May 2018

Grant Thornton UK LLP
4 Hardman Square
Manchester
M3 3EB

25 May 2018

Dear Sirs

Wirral University Teaching Hospital NHS Foundation Trust financial statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Wirral University Teaching Hospital NHS Foundation Trust for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, the NHS Foundation Trust Annual Reporting Manual issued by NHS and the Department of Health and Social Care Group Accounting Manual 2017-18.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i As Trust Board members, we have fulfilled our responsibilities under the National Health Services Act 2006 for the preparation of the financial statements in accordance with International Financial Reporting Standards, the NHS Foundation Trust Annual Reporting Manual (the ARM) and the Department of Health and Social Care Group Accounting Manual 2017-18 (GAM); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Trust and these matters have been appropriately reflected and disclosed in the financial statements.

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- iii The Trust has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of the Care Quality Commission or other regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
 - iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
 - v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
 - vi In calculating the amount of income to be recognised in the financial statements from other NHS organisations we have applied judgement, where appropriate, to reflect the appropriate amount of income expected to be derived by the Trust in accordance with the International Financial Reporting Standards and the GAM. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with International Financial Reporting Standards and the GAM, and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
 - vii We acknowledge our responsibility to participate in the Department of Health and Social Care's agreement of balances exercise and have followed the requisite guidance and directions to do so. We are satisfied that the balances calculated for the Trust ensure the financial statements and consolidation schedules are free from material misstatement, including the impact of any disagreements.
 - viii Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Trust has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
 - ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the GAM.

- x All events subsequent to the date of the financial statements, and for which International Financial Reporting Standards and the GAM require adjustment or disclosure, have been adjusted or disclosed.
- xi The financial statements have been amended for disclosure changes raised during the audit. The financial statements are free of material misstatements, including omissions.
- xii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. In particular, the Board has assessed the likelihood of any liability crystallising from the current legal claim by Ryhurst and, having sought independent legal advice, consider that the legal claim is properly classified as a contingent liability.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Information Provided

- xiv We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Trust from whom you determined it necessary to obtain audit evidence.
- xv We have communicated to you all deficiencies in internal control of which management is aware.
- xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Trust and involves:

-
- a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Trust's financial statements communicated by employees, former employees, analysts, regulators or others.
- xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi We have disclosed to you the identity of the Trust's related parties and all the related party relationships and transactions of which we are aware.
- xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- xxv The Trust will require an additional cash loan of £25m in 2018/19 to maintain current payment performance assuming that it delivers its savings plan. Although the Trust has not received formal notification of future financing, this has always been available in the past in accordance with the need of the Trust to meet all essential liabilities and there is no indication that this will not continue. If the Trust fails to deliver its savings plan in full or its financial deficits are greater than planned in 2018/19 then further cash loans will be required. As the Trust's continuing operational stability depends on finance that has not yet been approved this represents a material uncertainty for the Trust

Although these factors represent a material uncertainty that may cast significant doubt over the Trust's ability to continue as a going concern, the Directors, having made appropriate enquiries, still have reasonable expectations that the Trust will have adequate resources to continue in operational existence for the foreseeable future. As directed by the GAM, the Directors have prepared the financial statements on a going concern basis as they consider that the services currently provided by the Trust will continue to be provided in the foreseeable future.

Annual Report

xxiii The disclosures within the Annual Report fairly reflect our understanding of the Trust's financial and operating performance over the period covered by the financial statements.

Annual Governance Statement

xxiv We are satisfied that the Governance Statement fairly reflects the Trust's risk assurance framework and we confirm that we are not aware of any significant risks that are not disclosed within the Governance Statement.

Approval

The approval of this letter of representation was minuted by the Trust's Board at its meeting on 25 May 2018.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Trust's Board of Directors

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Board of Directors	
Agenda Item	3
Title of Report	Quality Account Annual Report
Date of Meeting	25.5.18
Author	Joe Roberts, Head of Assurance
Accountable Executive	Mrs Gaynor Westray, Director of Nursing and Midwifery Dr Susan Gilby, Medical Director
BAF Reference	Risk 1
Level of Assurance	Full
Purpose of the Paper	For discussion
Data Quality Rating	Mixture of gold, silver and bronze data
FOI status	Document may be disclosed in full
Equality Impact Assessment Undertaken	Not required

1. Executive Summary

The final draft of the Quality Account for 2017/18 has been circulated separately to members. Earlier drafts were reviewed by the Clinical Governance Group at its meeting on 19th April, by the Quality and Safety Committee on 9th May, and by the Audit Committee on 17th May. The draft report was also presented to Wirral Borough Council's Adult Care and Health Overview & Scrutiny Committee on 9th May.

2. Background

The Health and Social Care Act 2009 requires every Trust to produce a Quality Account describing the performance of its clinical services during the previous financial year. The annual Quality Account should measure performance against both mandatory national targets, and local targets which each organisation has set for itself because they are important from the point of view of patient experience, patient safety or clinical

effectiveness. The format and content of the report is prescribed by national regulations, with limited flexibility to amend it.

Some changes have been made to the report since the draft that was presented to the Audit Committee. The principal changes were to:

- Update the performance figures for the A&E 4-hour target in section 2.4, to show separate figures for the Emergency Department alone, as advised by External Audit (earlier drafts showed only a combined performance figure covering the whole site, both our ED and the Walk In Centre run by Wirral Community NHS Trust)
- Include in the appendices the written feedback received from our external statutory consultees, which is copied verbatim.
- Update section 3.2.2 and Appendix 2 (national clinical audits) with some information which was only received shortly before the deadline
- Add the statement provided by Grant Thornton LLP following the completion of their audit of the Quality Account (Appendix 4)

The only other changes were very minor changes to phrasing or presentation, in response to feedback received from readers.

3. Key Issues

Performance against our targets: The Trust did not meet the targets which it set itself for nutrition and hydration, for pressure ulcers, or for patient flow. We are required to identify a minimum of three priority topics for the year ahead. In accordance with feedback provided by the Council of Governors in March, the Trust will have just three Quality Account priorities in 2018/19. These will be the three listed above, and the numerical targets will also be rolled forward from 2017/18. This will allow us to concentrate our resources on the areas where improvement is most needed.

Starting from this year, Trusts are required to report the percentage of deaths of their patients which have been reviewed to identify lapses in care which could have contributed to the death, and to learn lessons. The Trust revised its Mortality Review Framework in early 2017 in response to national guidance that it should seek to review all deaths occurring in our hospital. However, the new process got off to a slow start at the beginning of 2017/18; approximately 12% of deaths which occurred during the year have been reviewed.

External Audit: Grant Thornton LLP, External Auditors, have audited the Quality Account alongside their audit of the Trust's financial accounts. They focused on three performance indicators within the report. Two of these were national targets which NHS Improvement require to be audited – the four-hour target for Accident and Emergency, and 18 weeks referral to treatment (incomplete pathways), and the other was a local performance indicator selected by the Council of Governors – compliance with MUST nutritional screening assessments for patients who have been in the hospital for seven days or more.

For the two national indicators, the auditors stated that there was “*no evidence that these two indicators were not reasonably stated in all material respects in accordance with the NHS Foundation Trust Annual Reporting Manual 2017/18 and supporting guidance*”. They found the same for the nutrition and hydration target although they are not required to provide a formal limited assurance opinion for local performance indicators.

The auditor’s opinion represents an improvement for the Trust – in both 2016/17 and 2015/16 they issued qualified audit opinions because of inaccuracies found while testing the two national indicators.

Core Indicator Data: Some of the data in section 2.4.5 (Core Indicators) is up to a year old; this has also been the case in previous years. The data is provided by NHS Digital and is the most recent that was available on their portal at the time of writing. No further updates are scheduled by NHS Digital until late June, after the deadline for publishing Quality Accounts.

4. Next Steps

Final approval of report: following approval by the Board, the Quality Account will be signed by the Interim Chairman and Acting Chief Executive, and made available on our website and on NHS Choices. It is incorporated within the Annual Report.

5. Conclusion

The Quality Account describes an extremely busy and challenging year at the Trust.

6. Recommendation

The Board is asked to discuss and approve the report so that it can be published.

Audit Committee	
Agenda Item	3
Title of Report	Draft Annual Report including Annual Governance Statement
Date of Meeting	25 May 2018
Author	Carole Self, Director of Corporate Affairs
Accountable Executive	David Jago. Interim Chief Executive
BAF References <ul style="list-style-type: none">• Strategic Objective• Key Measure• Principal Risk	All
Level of Assurance <ul style="list-style-type: none">• Positive• Gap(s)	Full
Purpose of the Paper <ul style="list-style-type: none">• Discussion• Approval• To Note	Recommendation to the Board
Data Quality Rating	Silver – quantitative data that has not been externally validated
FOI status	Document may be disclosed in full
Equality Impact Assessment Undertaken <ul style="list-style-type: none">• Yes• No	N/A

1. Executive Summary

The draft Annual Report including the Annual Governance Statement has been circulated to members under separate cover as the Trust is not permitted to publish the document to the wider public until this has been laid before Parliament.

The Audit Committee reviewed the draft Annual Report including Annual Governance Statement at its meeting on the 17th May 2018 and specific feedback regarding the recommendation will be provided via the Chair of Audit Committee report.

The draft report has been supplied to the External Auditors who have concluded that this is consistent with the requirements.

2. Next Steps

The final text for the Annual Report along with the Annual Accounts will be submitted to NHS Improvement on the 29th May 2018 before noon.

The period between the 29th May 2018 and submission to Parliament is to allow Trusts time to format the document to the standards required for publication.

The final Annual Report and Accounts must be sent to the Parliamentary Clerk at the Department of Health by the 25th June 2018 for laying before Parliament.

Once the Annual Report and Accounts are laid before Parliament the Trust will present these to the Annual Members Meeting.

3. Recommendations

The Board is asked to approve the Annual Report and the Annual Governance Statement.

Board of Directors	
Agenda Item	4
Title of Report	Audit Findings Report 2017/18 and draft opinion documents
Date of Meeting	25 May 2018
Author	Stephen Nixon, Grant Thornton UK LLP
Accountable Executive	Karen Edge, Acting Director of Finance
BAF References Strategic Objective Key Measure Principal Risk	N/A
Level of Assurance Positive Gap(s)	N/A
Purpose of the Paper Discussion Approval To Note	To note
Data Quality Rating	N/A
FOI status	Document may be disclosed in full
Equality Impact Assessment Undertaken Yes No	No

Independent auditor's report to the Council of Governors of Wirral University Teaching Hospital NHS Foundation Trust

Report on the Audit of the Financial Statements

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Wirral University Teaching Hospital NHS Foundation Trust (the 'Trust') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including the accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the NHS foundation trust annual reporting manual 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the NHS foundation trust annual reporting manual 2017/2018; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Council of Governors of the Trust, as a body, in accordance with Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Trust's Council of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Council of Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

Material uncertainty related to going concern

We draw attention to note 1.3.1 in the financial statements, which indicates that the Trust is seeking additional cash support of £25 million in 2018/19 from NHS Improvement. As stated in note 1.3.1, NHS Improvement has not, at the date of our report, confirmed this support. These events or conditions, along with the other matters explained in note 1.3.1, indicate that a material uncertainty exists that may cast significant doubt about the Trust's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

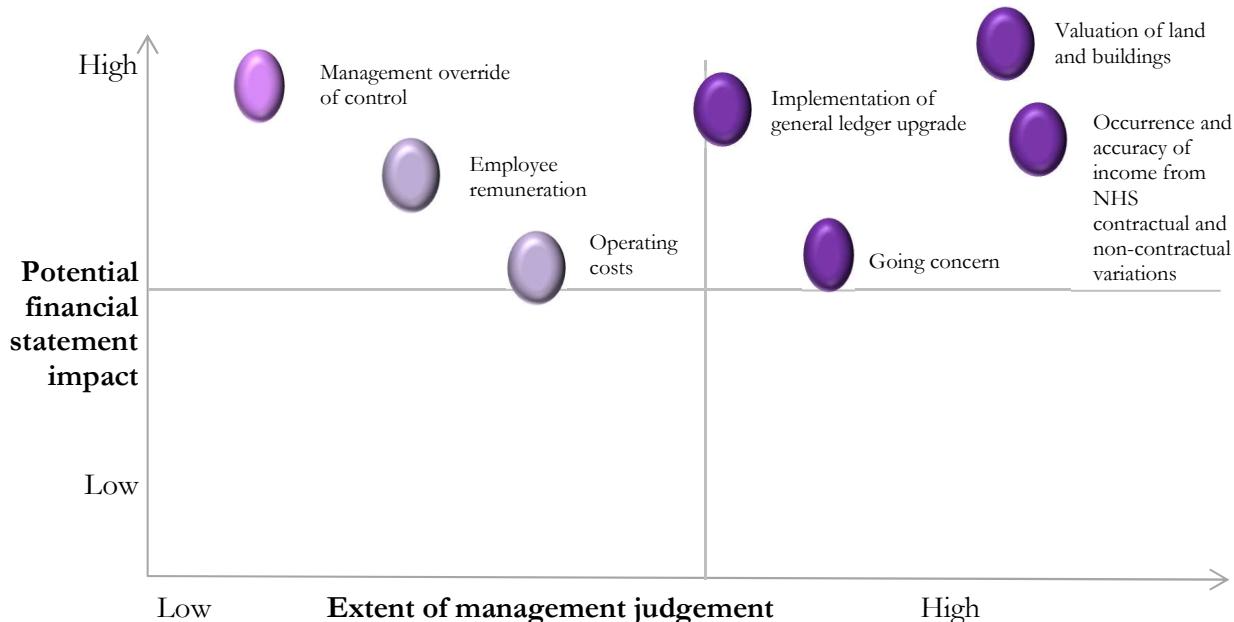
Overview of our audit approach



- Overall materiality: £6,664,000 which represents 1.9% of the Trust's gross operating costs (consisting of operating expenses and finance expenses);
- Key audit matters were identified as:
 - Valuation of land and buildings
 - Occurrence and accuracy of income from NHS contractual and non-contractual variations
 - Implementation of general ledger upgrade
- We performed a full scope audit of Wirral University Teaching Hospital NHS Foundation Trust. We have tested all of the Trust's material income and expenditure streams and assets and liabilities.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the matter was addressed in the audit
<p>Risk 1 – Valuation of land and buildings</p> <p>The Trust revalues its land and buildings on a five-yearly basis to ensure the carrying value in the Trust's financial statements is not materially different from fair value at the financial statements date. The last full revaluation was performed at 31 March 2014. In the intervening years between full revaluations interim desktop revaluations are performed on an annual basis.</p> <p>This valuation represents a significant estimate by management in the financial statements.</p> <p>We therefore identified valuation of property as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work assessing the competence, capabilities and objectivity of the valuation expert understanding the basis on which the valuation was carried out and critically assessing the valuer's report challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding assessing and challenging the overall reasonableness of the valuation movement. <p>The Trust's accounting policy on valuation of property is shown in note 1.8 to the financial statements and related disclosures are included in note 12.</p> <p>The Audit Committee identified valuation of land and buildings as a significant issue in its report on page 77 of the Annual Report, where the Audit Committee also described the action that it has taken to address this issue.</p> <p>Key observations</p> <p>We obtained sufficient audit assurance to conclude that:</p> <ul style="list-style-type: none"> the basis of the valuation was appropriate and the assumptions and processes used by management in determining the estimate were reasonable; the valuation of land and buildings disclosed in the financial statements is reasonable.

Key Audit Matter	How the matter was addressed in the audit
<p>Risk 2 – Occurrence and accuracy of activity based contract income and non-contract activity income</p> <p>89% of the Trust's operating income is for income from patient care activities which includes £288.6 million from block contracts, and £6.8 million for non-contract activities.</p> <p>Activity based contract income and non-contract activity income is subject to verification and agreement by the Trust's commissioners.</p> <p>We therefore identified the occurrence and accuracy of activity based contract income and non-contract activity income as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> evaluating the Trust's accounting policy for recognition of income for compliance with the Department of Health and Social Care (DHSC) Group Accounting Manual 2017/18; gaining an understanding of the Trust's system for accounting for activity based contract income and non-contract activity income and evaluating the design of the associated controls; agreeing a sample of activity based contract income and non-contract activity income to supporting evidence and testing that it has been accounted for in accordance with the stated accounting policy. <p>The Trust's accounting policy on income is shown in note 1.4 to the financial statements and related disclosures are included in note 2.</p> <p>The Audit Committee identified recognition of income from patient care activities as a significant issue in its report on page 76 of the Annual Report, where the Audit Committee also described the action that it has taken to address this issue.</p> <p>Key observations</p> <p>We obtained sufficient audit evidence to conclude that:</p> <ul style="list-style-type: none"> the Trust's accounting policy for recognition of income complies with the DHSC Group Accounting Manual 2017/18 and has been properly applied; and income from patient care activities is not materially misstated.
<p>Risk 3 - Implementation of general ledger upgrade</p> <p>The Trust's general ledger system is provided by North East Patches (NEP).</p> <p>In December 2017, the Trust became a first wave pilot for the implementation of a significant general ledger upgrade. As a result, there were two general ledger systems in operation during 2017/18. The transactions for the first eight months of 2017/18 were transferred into the updated general ledger system during the year. There is a risk over the completeness and accuracy of the data transfer.</p> <p>We therefore identified the implementation of the general ledger upgrade as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> obtaining an understanding of the IT controls operating over the upgraded general ledger system agreeing the transactions and balances from the old general ledger for the first 8 months of 2017/18 to the opening position in the upgraded general ledger. <p>The Audit Committee identified the implementation of the general ledger upgrade as a significant issue in its report on page 77 of the Annual Report, where the Audit Committee also described the action that it has taken to address this issue.</p> <p>Key observations</p> <p>We obtained sufficient audit evidence to conclude that the transactions for the first 8 months of 2017/18 had been completely and accurately transferred into the upgraded general ledger system.</p>

Our application of materiality

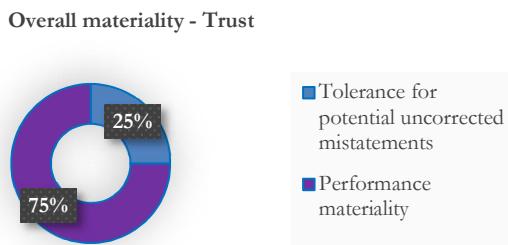
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Trust
Financial statements as a whole	<p>£ 6,664,000 which is 1.9% of the Trust's gross operating costs (consisting of operating expenses and finance expenses). This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.</p> <p>Materiality for the current year is at the same percentage level of gross operating costs as we determined for the year ended 31 March 2017 as we did not identify any significant changes in the Trust or the environment in which it operates.</p>

Performance materiality used to drive the extent of our testing	75% of financial statement materiality
Specific materiality	Disclosure of senior managers' remuneration in the Remuneration Report £20,000 based on 2% of the total senior managers' remuneration.
Communication of misstatements to the Audit Committee	£300,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Trust's business. It included an evaluation of the Trust's internal controls including relevant IT systems and controls over key financial systems.

Our work involved obtaining evidence about the amounts and disclosures in the financial statements to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. The scope of our audit included:

- undertaking an interim audit visit where we:
 - obtained an understanding of and evaluated the Trust's overall control environment relevant to the preparation of the financial statements, including its IT systems;
 - completed walk through tests of the Trust's controls operating in key financial systems where we consider that there is a risk of material misstatement to the financial statements;
 - performed interim testing, on a sample basis of operating expenditure and income.
- performing year-end testing on the Trust's financial statements, which focussed on gaining assurance around the Trust's material income streams and operating costs, testing the Trust's employee remuneration costs and the notes to the accounts to ensure that they were compliant with the Department of Health and Social Care's Group Accounting Manual for 2017/18.
- We tested, on a sample basis of:
 - all of the Trust's material income streams;
 - all of the Trust's operating expenses;
 - current and non-current assets; and
 - current and non-current liabilities.

Other information

The Accounting Officer is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Trust obtained in the course of our work including that gained through work in relation to the Trust's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable in accordance with provision C.1.1 of the NHS Foundation Trust Code of Governance – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is 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, is materially inconsistent with our knowledge of the Trust obtained in the audit; or
- The Audit Committee reporting in accordance with provision C.3.9 of the NHS Foundation Trust Code of Governance – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not meet the disclosure requirements set out in the NHS foundation trust annual reporting manual 2017/18. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Our opinion on other matters required by the Code of Audit Practice is unmodified

In our opinion:

- the parts of the Remuneration Report and the Staff Report to be audited have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the NHS foundation trust annual reporting manual 2017/18 and the requirements of the National Health Service Act 2006; and
- based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Trust gained through our work in relation to the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under Schedule 10 (3) of the National Health Service Act 2006 in the course of, or at the conclusion of the audit; or
- we have referred a matter to the regulator under Schedule 10 (6) of the National Health Service Act 2006 because we had reason to believe that the Trust, or a director or officer of the Trust, was about to make, or had made, a decision which involved or would involve the incurring of expenditure that was unlawful, or was about to take, or had taken a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency.

We have nothing to report in respect of the above matters.

Responsibilities of the Accounting Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Accounting Officer's responsibilities, the Chief Executive, as Accounting Officer, is responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions included in the NHS foundation trust annual reporting manual 2017/18, for being satisfied that they give a true and fair view, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trust lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Trust.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in November 2017, except for the effects of the matters described in the basis for qualified conclusion section of our report, we are satisfied that, in all significant respects, Wirral University Teaching Hospital NHS Foundation Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for qualified conclusion

Our review of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources identified the following matters:

- The Trust has set a deficit budget of £25 million for 2018/19. The Trust does not have sufficient cash to meet its commitments without receiving significant external funding from the Department of Health. The Trust's reliance on revenue support indicates weaknesses in the Trust's arrangements for setting a sustainable budget with sufficient capacity to absorb emerging cost pressures.
- During the year, an independent review of the Trust's governance arrangements found cultural, behavioural and governance issues at the Trust. These issues led to several resignations from the Trust's Board, which have adversely impacted the Trust's leadership capacity and capability. In March 2018, NHS Improvement invoked an additional license condition on the Trust under section 111 of the Health and Social Care Act 2012 in respect of this matter.

These matters are evidence of weaknesses in the proper arrangements for:

- sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions; and
- informed decision making by acting in the public interest, through demonstrating and applying the principles and values of sound governance.

Responsibilities of the Accounting Officer

The Accounting Officer is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the Trust's resources.

Auditor's responsibilities for the review of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under paragraph 1 of Schedule 10 of the National Health Service Act 2006 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects, the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018, and to report by exception where we are not satisfied.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Wirral University Teaching Hospital NHS Foundation Trust in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Code of Audit Practice.

Signature to be added

Andrew Smith, Director

for and on behalf of Grant Thornton UK LLP

4 Hardman Square

Manchester

M3 3EB

Date to be added

Independent Practitioner's Limited Assurance Report to the Council of Governors of Wirral University Teaching Hospital NHS Foundation Trust on the Quality Report

We have been engaged by the Council of Governors of Wirral University Teaching Hospital NHS Foundation Trust to perform an independent limited assurance engagement in respect of Wirral University Teaching Hospital NHS Foundation Trust's Quality Report for the year ended 31 March 2018 (the "Quality Report") and certain performance indicators contained therein against the criteria set out in the 'NHS foundation trust annual reporting manual 2017/18' and additional supporting guidance in the 'Detailed requirements for quality reports 2017/18' (the 'Criteria').

Scope and subject matter

The indicators for the year ended 31 March 2018 subject to the limited assurance engagement consist of the national priority indicators as mandated by NHS Improvement:

- Percentage of patients with a total time in A&E of four hours or less from arrival to admission, transfer or discharge – Arrowe Park A&E only
- Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways

We refer to these national priority indicators collectively as the 'Indicators'.

Respective responsibilities of the directors and Practitioner

The directors are responsible for the content and the preparation of the Quality Report in accordance with the criteria set out in the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance issued by NHS Improvement.

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that:

- the Quality Report is not prepared in all material respects in line with the Criteria set out in the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance;
- the Quality Report is not consistent in all material respects with the sources specified in NHS Improvement's 'Detailed requirements for external assurance for quality reports 2017/18'; and
- the indicators in the Quality Report identified as having been the subject of limited assurance in the Quality Report are not reasonably stated in all material respects in accordance with the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance and the six dimensions of data quality set out in the 'Detailed requirements for external assurance for quality reports 2017/18'.

We read the Quality Report and consider whether it addresses the content requirements of the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance, and consider the implications for our report if we become aware of any material omissions.

We read the other information contained in the Quality Report and consider whether it is materially inconsistent with:

- Board minutes for the period April 2017 to May 2018;

- papers relating to quality reported to the Board over the period 1 April 2017 to May 2018;
- feedback from commissioners dated May 2018;
- feedback from governors dated March 2018;
- feedback from local Healthwatch organisations dated May 2018;
- feedback from the Overview and Scrutiny Committee dated May 2018;
- the Trust's complaints report published under regulation 18 of the Local Authority Social Services and National Health Service Complaints (England) Regulations 2009, dated April 2018;
- the national inpatient survey dated June 2017;
- the national staff survey dated February 2018; and
- the Head of Internal Audit's annual opinion over the Trust's control environment dated May 2018.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with those documents (collectively, the "documents"). Our responsibilities do not extend to any other information.

The firm applies International Standard on Quality Control 1 (Revised) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are in compliance with the applicable independence and competency requirements of the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics. Our team comprised assurance practitioners and relevant subject matter experts.

This report, including the conclusion, has been prepared solely for the Council of Governors of Wirral University Teaching Hospital NHS Foundation Trust as a body, to assist the Council of Governors in reporting Wirral University Teaching Hospital NHS Foundation Trust's quality agenda, performance and activities. We permit the disclosure of this report within the Annual Report for the year ended 31 March 2018, to enable the Council of Governors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the indicators. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of Governors as a body, and Wirral University Teaching Hospital NHS Foundation Trust for our work or this report, except where terms are expressly agreed and with our prior consent in writing.

Assurance work performed

We conducted this limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ('ISAE 3000'). Our limited assurance procedures included:

- evaluating the design and implementation of the key processes and controls for managing and reporting the indicators
- making enquiries of management

- limited testing, on a selective basis, of the data used to calculate the indicators tested against supporting documentation
- comparing the content requirements of the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance to the categories reported in the Quality Report; and
- reading the documents.

A limited assurance engagement is smaller in scope than a reasonable assurance engagement. The nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

The absence of a significant body of established practice on which to draw allows for the selection of different, but acceptable, measurement techniques that can result in materially different measurements and can affect comparability. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision of these criteria, may change over time. It is important to read the Quality Report in the context of the criteria set out in the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance.

The scope of our limited assurance work has not included governance over quality or non-mandated indicators, which have been determined locally by Wirral University Teaching Hospital NHS Foundation Trust.

Our audit work on the financial statements of Wirral University Teaching Hospital NHS Foundation Trust is carried out in accordance with our statutory obligations. This engagement will not be treated as having any effect on our separate duties and responsibilities as Wirral University Teaching Hospital NHS Foundation Trust's external auditors. Our audit reports on the financial statements are made solely to Wirral University Teaching Hospital NHS Foundation Trust's members, as a body, in accordance with paragraph 24(5) of Schedule 7 of the National Health Service Act 2006. Our audit work is undertaken so that we might state to Wirral University Teaching Hospital NHS Foundation Trust's members those matters we are required to state to them in an auditor's report and for no other purpose. Our audits of Wirral University Teaching Hospital NHS Foundation Trust's financial statements are not planned or conducted to address or reflect matters in which anyone other than such members as a body may be interested for such purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than Wirral University Teaching Hospital NHS Foundation Trust and Wirral University Teaching Hospital NHS Foundation Trust's members as a body, for our audit work, for our audit reports, or for the opinions we have formed in respect of those audits.

Conclusion

Based on the results of our procedures, as described in this report, nothing has come to our attention that causes us to believe that, for the year ended 31 March 2018:

- the Quality Report is not prepared in all material respects in line with the Criteria set out in the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance;
- the Quality Report is not consistent in all material respects with the sources specified in NHS Improvement's 'Detailed requirements for external assurance for quality reports 2017/18'; and
- the indicators in the Quality Report identified as having been subject to limited assurance have not been reasonably stated in all material respects in accordance with the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance.

To be signed

Grant Thornton UK LLP
Chartered Accountants
Manchester

To be dated

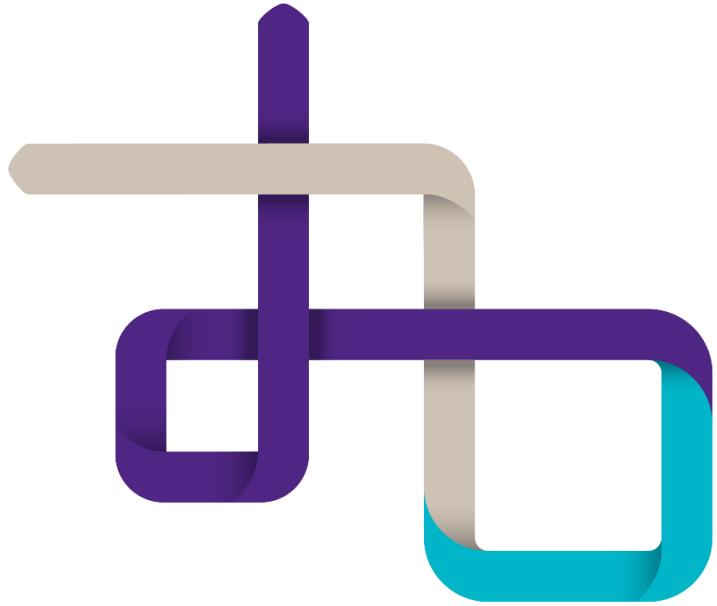


Report to the Governors on the Quality Report

Year ended 31 March 2018

Wirral University Teaching Hospital NHS Foundation Trust

22 May 2018



Contents

Section	Page
1. Headlines	3
2. Compliance with regulations	4
3. Consistency of information	5
4. Data quality of reported performance indicators	6



Your key Grant Thornton team members are:

Appendices

- A. Action plan
- B. Form of limited assurance report

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control at a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or retraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

The Quality Report

The Quality Report is a mandatory part of a foundation trust's Annual Report. Its specific aim is to encourage and improve the foundation trust's public accountability for the quality of the care it provides. It allows leaders, clinicians, governors and staff to show their commitment to continuous, evidence-based quality improvement, and to explain progress to the public.

Purpose of this report

This report to governors summarises the results of our independent assurance engagement on your Quality Report. It is issued in conjunction with our signed limited assurance report, which is published within the Quality Report section of the Trust's Annual Report for the year ended 31 March 2018.

In addition, this report provides the findings of our work on the indicator you selected for us to perform additional substantive testing on to support your governance responsibilities. In performing this work, we followed NHS Improvement's 'Detailed requirements for external assurance for quality reports 2017/18' (Guidance).

The output from our work is a limited assurance opinion on whether anything has come to our attention which leads us to believe that:

- the Quality Report is not prepared, in all material respects, in line with the criteria set out in the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance;
- the Quality Report is not consistent, in all material respects, with the sources specified in NHS Improvement's 'Detailed requirements for quality reports 2017/18';
- the indicators in the Quality Report identified as having been the subject of limited assurance in the Quality Report have not been reasonably stated, in all material respects, in accordance with the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance. These indicators are A&E 4 hour waits and Referral to Treatment 18 week waits; and
- the indicator in the Quality Report chosen by the Council of Governors which is not subject to limited assurance in the Quality Report opinion has not been reasonably stated, in all material respects, in accordance with the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance. The chosen indicator is MUST (Malnutrition Screening Tool) completion within 7 days.

Conclusion

- Our work on your Quality Report is substantially complete although we are finalising our procedures in respect of:
- checking the final version of the Quality Report, reflecting changes discussed with management
 - reviewing feedback from stakeholders to ensure that it is reflected in the final version of the Quality Report

- obtaining a letter of representation from management.

Subject to this, we are proposing to issue an unqualified opinion on your Quality Report. The text of our proposed limited assurance report can be found at Appendix C.

Key messages

- We confirm that the Quality Report has been prepared in all material respects in line with the requirements of the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance
- We confirm that the Quality Report is not materially inconsistent with the sources specified in NHS Improvement's Guidance
- Our testing of two indicators included in the Quality Report found no evidence that these two indicators were not reasonably stated, in all material respects, in accordance with the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance
- Our testing of the indicator selected by the governors found no evidence that this indicator was not reasonably stated, in all material respects, in accordance with relevant guidelines on calculation. In line with NHS Improvement's Guidance, we do not express any assurance in respect of this indicator.

We have made recommendations for improvement in relation to the MUST performance indicator which we have discussed and agreed with management. These can be found at Appendix A.

Fees

The fee for the Quality Report audit is £6,000 plus VAT. This is in accordance with the planned fee agreed with the Trust.

Acknowledgements

We would like to thank the Trust staff for their co-operation in completing this engagement.

Compliance with regulations

We checked that the Quality Report had been prepared in line with the requirements set out in the 'NHS foundation trust annual reporting manual 2017/18 and supporting guidance'.

Requirement	Work performed	Conclusion
Compliance with regulations	We reviewed the content of the Quality Report against the requirements of the 'NHS foundation trust annual reporting manual 2017/18' and the supporting guidance 'Detailed requirements for quality reports for foundation trusts 2017/18'.	Based on the results of our procedures, nothing has come to our attention that causes us to believe that, for the year ended 31 March 2018, the Quality Report is not prepared, in all material respects, in line with the criteria set out in the NHS foundation trust annual reporting manual 2017/18 and supporting guidance. Further to our review, management included the indicator for Maximum six week wait for diagnostic procedures as required by the Single Oversight Framework.

Consistency of information

Consistency of information

We checked that the Quality Report had been prepared in line with the requirements set out in the 'NHS foundation trust annual reporting manual 2017/18 and supporting guidance.

Requirement	Work performed	Conclusion
Consistency with other sources of information	We reviewed the content of the Quality Report for consistency with specified documentation, set out in the auditor's guidance provided by NHS Improvement. This includes the board minutes and papers for the year, feedback received on the Quality Report, survey results from staff and patients and the Head of Internal Audit opinion.	Based on the results of our procedures, nothing has come to our attention that causes us to believe that, for the year ended 31 March 2018, the Quality Report is not consistent, in all material respects, with the sources specified in NHS Improvement's 'Detailed requirements for external assurance for quality reports 2017/18'.
Other checks	We also checked the Quality Report to ensure that the Trust's process for identifying and engaging stakeholders in the preparation of the Quality Report has resulted in appropriate consultation with patients, governors, commissioners, regulators and any other key stakeholders.	Overall, we concluded that the process has resulted in appropriate consultation.

Data quality of reported performance indicators

We undertook substantive testing on certain indicators in the Quality Report.

Selecting performance indicators for review

The Trust is required to obtain assurance from its auditors over three indicators.

NHS Improvement requires that we select two indicators in a prescribed order of preference from the list of four mandated indicators that are relevant to this Trust. These two indicators are subject to a limited assurance opinion in line with the requirements set by NHS Improvement. We have to report on whether there is evidence to suggest that they have not been reasonably stated in all material respects in accordance with the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance.

In line with the auditor guidance, we have reviewed the following indicators:

- Percentage of patients with a total time in A&E of four hours from arrival to admission, transfer or discharge selected as the first priority from the subset of mandated indicators.
- Assurance is limited to Arrowe Park A&E department only
- Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period selected as the second priority from the subset of mandated indicators.

In 2017/18, NHS foundation trusts also need to obtain assurance through substantive sample testing over one additional local indicator included in the Quality Report, selected by the governors of the Trust. Although the Trust's external auditors are required to undertake the work, this indicator does not form part of the limited assurance report.

In line with the auditor guidance, we have reviewed the following local indicator:

- Achieve 95% in the quarterly point prevalence study which measures compliance with MUST assessments at seven days, by the end of quarter 4. This was selected by the Council of Governors at their March 2018 meeting due to the Trust's priority to ensure patients' nutritional needs are identified and met. Governors were aware that the Trust had been performing poorly in this area in early 2017/18 which was reinforced by poor ratings for food in the national PLACE (Patient Led Assessment of the Care Environment) assessment in summer 2017.

Data quality of reported performance indicators – Indicators subject to limited assurance report

Indicator & Definition	Indicator outcome	Work performed	Conclusion
Percentage of patients with a total time in A&E of four hours from arrival to admission, transfer or discharge – Arrowe Park A&E only	2017/18 Target 95% Performance 74.6%	We documented and walked through the process used by the Trust 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 10 items in order to ascertain the accuracy, completeness, timeliness, validity, relevance and reliability of the data, and whether the calculation of the indicator was in accordance with the definition. No data quality errors were identified in the sample tested. The draft Quality Report included only the composite A&E wait for Arrowe Park site including the Walk In Centre. Management updated the Quality Report to report the Trust's own A&E performance upon which our opinion is based.	Based on the results of our procedures, nothing has come to our attention that causes us to believe that, for the year ended 31 March 2018, the indicator has not been reasonably stated in all material respects in accordance with the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance.

Data quality of reported performance indicators – Indicators subject to limited assurance report (continued)

Indicator & Definition	Indicator outcome	Work performed	Conclusion
Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways	2017/18 Target 92% Performance 79.12%	<p>We documented and walked through the process used by the Trust to collect data for the indicator. We checked that the indicator presented in the Quality Report reconciled to the underlying data.</p> <p>We then tested a sample of 10 items in order to ascertain the accuracy, completeness, timeliness, validity, relevance and reliability of the data, and whether the calculation of the indicator was in accordance with the definition. No data quality errors were identified in the sample tested.</p>	<p>Based on the results of our procedures, nothing has come to our attention that causes us to believe that, for the year ended 31 March 2018, the indicator has not been reasonably stated in all material respects in accordance with the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance.</p> <p>It should be noted that this indicator was qualified in 2016/17 and 2015/16 due to incorrect reporting of clock start and clock stop times. As reported last year, the Trust has recruited specialist staff and implemented a training programme to improve RTT data quality. The Trust has also received support from NHS Improvement and the National Intensive Support Team to revisit and cleanse patient treatment lists (PTL). The Trust now validates 100% of all clock starts and stops to ensure data accuracy. This investment in data quality has led to an improvement in the RTT data for 2017/18.</p>

Data quality of reported performance indicators – Local indicator not subject to limited assurance report

Indicator & Definition	Indicator outcome	Work performed	Conclusion
<p>Achieve 95% in the quarterly point prevalence study which measures compliance with MUST assessments at seven days, by the end of quarter 4. (source: point prevalence audit undertaken by the Trust's Corporate Nursing Team)</p> <p>In line with the requirements of NHS Improvement's Guidance, this indicator is not subject to a limited assurance opinion. We do not provide the governors with any formal assurance in relation to whether this indicator is fairly stated.</p>	<p>2017/18 Target 95% Performance 59% (compliance at 7 days)</p>	<p>We documented and walked through the process used by the Trust 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 10 items in order to ascertain the accuracy, completeness, timeliness, validity, relevance and reliability of the data, and whether the calculation of the indicator was in accordance with the definition. No data quality errors were identified in the sample tested.</p> <p>Our sample of MUST assessments included one case where another patient's assessment was included in the patient's Wirral Millennium case notes file. The error was noted and a MUST assessment subsequently carried out on the correct patient within the prescribed timescale.</p> <p>Although the sample patient passed the data quality testing, staff have indicated that mis-filing is not isolated and we have therefore recommended that a process is introduced to improve filing of MUST assessments.</p>	<p>Based on the results of our procedures we did not identify any material issues in relation to the calculation of this indicator or the six dimensions of data quality.</p>

Action plan

We have identified 1 recommendation as a result of issues identified during the course of our work on the Trust's Quality Report. We have agreed our recommendations with management and we will report on progress on these recommendations during 2018/19.

Assessment	Issue and risk	Recommendations
1	<p>Our sample of MUST assessments included one case where another patient's assessment was included in the patient's Wirral Millennium case notes file. The error was noted and a MUST assessment subsequently carried out on the correct patient within the prescribed timescale.</p>	<ul style="list-style-type: none"> We recommend that management introduce procedures to check that MUST assessments are correctly filed in the right patient's records, for example by checking that the patient's NHS number is consistent on the MUST form and patient file. <p>Management response</p>

Assessment

- Significant deficiency – issue leading to qualification of limited assurance report or risk of significant misstatement
- Deficiency – issue for improvement in processes or risk of consequential misstatement

Draft form of limited assurance report

Independent Practitioner's Limited Assurance Report to the Council of Governors of Wirral University Teaching Hospital NHS Foundation Trust on the Quality Report

We have been engaged by the Council of Governors of Wirral University Teaching Hospital NHS Foundation Trust to perform an independent limited assurance engagement in respect of Wirral University Teaching Hospital NHS Foundation Trust's Quality Report for the year ended 31 March 2018 (the "Quality Report") and certain performance indicators contained therein against the criteria set out in the 'NHS foundation trust annual reporting manual 2017/18' and additional supporting guidance in the 'Detailed requirements for quality reports 2017/18' (the 'Criteria').

Scope and subject matter

The indicators for the year ended 31 March 2018 subject to the limited assurance engagement consist of the national priority indicators as mandated by NHS Improvement:

- Percentage of patients with a total time in A&E of four hours from arrival to admission, transfer or discharge – Arrowe Park A&E only
- Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways

We refer to these national priority indicators collectively as the 'Indicators'.

Respective responsibilities of the directors and Practitioner

The directors are responsible for the content and the preparation of the Quality Report in accordance with the criteria set out in the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance issued by NHS Improvement.

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that:

- the Quality Report is not prepared in all material respects in line with the Criteria set out in the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance;
- the Quality Report is not consistent in all material respects with the sources specified in NHS Improvement's 'Detailed requirements for external assurance for quality reports 2017/18'; and
- the indicators in the Quality Report identified as having been the subject of limited assurance in the Quality Report are not reasonably stated in all material respects in accordance with the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance and the six dimensions of data quality set out in the "Detailed requirements for external assurance for quality reports 2017/18'.

We read the Quality Report and consider whether it addresses the content requirements of the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance, and consider the implications for our report if we become aware of any material omissions.

We read the other information contained in the Quality Report and consider whether it is materially inconsistent with:

- Board minutes for the period April 2017 to May 2018;
- Papers relating to quality reported to the Board over the period 1 April 2017 to May 2018;
- feedback from commissioners dated May 2018;
- feedback from governors dated March 2018;
- feedback from local Healthwatch organisations dated May 2018;
- feedback from the Overview and Scrutiny Committee dated May 2018;
- the Trust's complaints report published under regulation 18 of the Local Authority Social Services and National Health Service Complaints (England) Regulations 2009, dated June 2017;
- the national inpatient survey dated June 2017;
- the national staff survey dated February 2018; and
- the Head of Internal Audit's annual opinion over the Trust's control environment dated May 2018.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with those documents (collectively, the "documents"). Our responsibilities do not extend to any other information.

The firm applies International Standard on Quality Control 1 (Revised) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are in compliance with the applicable independence and competency requirements of the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics. Our team comprised assurance practitioners and relevant subject matter experts.

This report, including the conclusion, has been prepared solely for the Council of Governors of Wirral University Teaching Hospital NHS Foundation Trust as a body, to assist the Council of Governors in reporting Wirral University Teaching Hospital NHS Foundation Trust's quality agenda, performance and activities. We permit the disclosure of this report within the Annual

Form of limited assurance report

Report for the year ended 31 March 2018, to enable the Council of Governors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the indicators. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of Governors as a body, and Wirral University Teaching Hospital NHS Foundation Trust for our work on this report, except where terms are expressly agreed and with our prior consent in writing.

Assurance work performed

We conducted this limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ('ISAE 3000'). Our limited assurance procedures included:

- evaluating the design and implementation of the key processes and controls for managing and reporting the indicators
- making enquiries of management
- limited testing, on a selective basis, of the data used to calculate the indicators tested against supporting documentation
- comparing the content requirements of the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance to the categories reported in the Quality Report; and
- reading the documents.

A limited assurance engagement is smaller in scope than a reasonable assurance engagement. The nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

The absence of a significant body of established practice on which to draw allows for the selection of different, but acceptable, measurement techniques that can result in materially different measurements and can affect comparability. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision of these criteria, may change over time. It is important to read the Quality Report in the context of the criteria set out in the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance.

The scope of our limited assurance work has not included governance over quality or non-mandated indicators, which have been determined locally by Wirral University Teaching Hospital NHS Foundation Trust.

Our audit work on the financial statements of Wirral University Teaching Hospital NHS Foundation Trust is carried out in accordance with our statutory obligations. This engagement will not be treated as having any effect on our separate duties and responsibilities as Wirral University Teaching Hospital NHS Foundation Trust's external auditors. Our audit reports on the financial statements are made solely to Wirral University Teaching Hospital NHS Foundation Trust's members, as a body, in accordance with paragraph 24(5) of Schedule 7 of the National Health Service Act 2006. Our audit work is undertaken so that we might state to Wirral University Teaching Hospital NHS Foundation Trust's members those matters we are required to state to them in an auditor's report and for no other purpose. Our audits of Wirral University Teaching Hospital NHS Foundation Trust's financial statements are not planned or conducted to address or reflect matters in which anyone other than such members as a body may be interested for such purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than Wirral University Teaching Hospital NHS Foundation Trust and Wirral University Teaching Hospital NHS Foundation Trust's members as a body, for our audit work, for our audit reports, or for the opinions we have formed in respect of those audits.

Conclusion

Based on the results of our procedures, as described in this report, nothing has come to our attention that causes us to believe that, for the year ended 31 March 2018:

- the Quality Report is not prepared in all material respects in line with the Criteria set out in the 'NHS foundation trust annual reporting manual 2017/18' and supporting guidance;
- the Quality Report is not consistent in all material respects with the sources specified in 'NHS Improvement's Detailed requirements for external assurance for quality reports 2017/18'; and
- the indicators in the Quality Report identified as having been subject to limited assurance have not been reasonably stated in all material respects in accordance with the NHS foundation trust annual reporting manual 2017/18 and supporting guidance.

Grant Thornton UK LLP
Chartered Accountants
Manchester

To be dated

Item 4 - External Audit Opinions - Report to the Governors on the Quality Report



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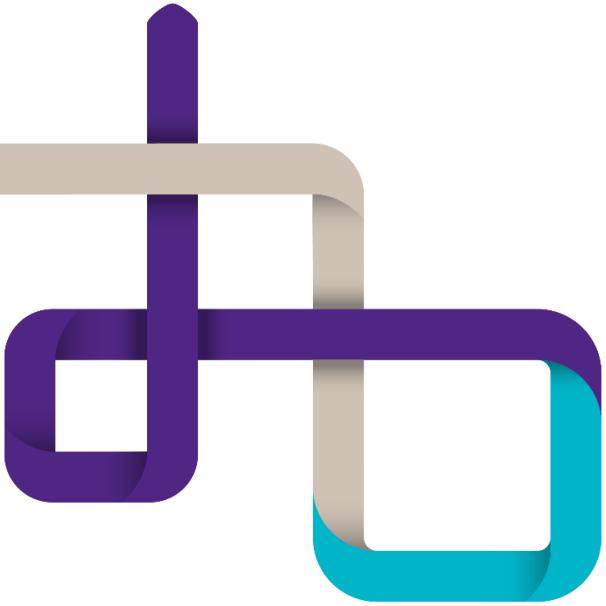
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Audit Findings Report

Year ended 31 March 2018

Wirral University Hospital NHS Foundation Trust
22 May 2018



Contents

Section	Page
1. Headlines	3
2. Financial statements	4
3. Value for money	13
4. Other statutory powers and duties	17
5. Independence and ethics	18



Your key Grant Thornton team members are:

Appendices

- A. Audit adjustments
- B. Fees

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

Introduction

This table summarises the key issues arising from the statutory audit of Wirral University Teaching Hospital NHS Foundation Trust ('the Trust') and the preparation of the Trust's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	<p>Under International Standards of Audit (ISAs (UK)) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the Trust's financial statements give a true and fair view of the financial position of the Trust and its expenditure and income for the year; andThe Trust's financial statements, including the audited parts of the Remuneration Report and the Staff Report have been properly prepared in accordance with International Financial Reporting Standards, the NHS foundation trust annual reporting manual 2017/18, and the requirements of the National Health Service Act 2006.	<p>Our final accounts audit work was completed on site during April and May 2018. Our findings are summarised in this report. We have not identified any adjustments to the financial statements that impact on the Trust's retained deficit position. Audit adjustments are detailed in Appendix A</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Board meeting on 25 May 2018. These outstanding items include:</p> <ul style="list-style-type: none">items highlighted in red within the body of this report;receipt of management representation letter, final version of the Annual Report; Annual Governance Statement and financial statements; andfinal review and quality control checking of the audit file.	<p>We have concluded that the other information published with the financial statements, which includes the Annual Report, is consistent with our knowledge of your organisation and the financial statements we have audited.</p>	<p>We have completed our risk based review of the Trust's value for money arrangements. We have satisfied ourselves that Wirral University Teaching Hospital Trust NHS Foundation Trust has proper arrangements to secure economy, efficiency and effectiveness in its use of resources, except for in relation to sustainable resource deployment and informed decision making as set out in section 3 of this report.</p> <p>We therefore anticipate issuing a qualified 'except for' value for money conclusion. Our findings are summarised in section D of this report.</p>
Value for Money arrangements	<p>Under the Code we are required to report by exception whether, in our opinion:</p> <ul style="list-style-type: none">the Trust has not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	<p>We have not exercised any of our additional statutory powers or duties.</p>	<p>We have not exercised any of our additional statutory powers or duties.</p>	
Statutory duties	<p>The National Health Service Act 2006 ('the Act') also requires us to:</p> <ul style="list-style-type: none">report to you if we have applied any of the additional powers and duties ascribed to us under the Act; andcertify the closure of the audit.	<p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>	<p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>	

Acknowledgement

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

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

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

Audit approach

Our audit approach was based on a thorough understanding of the Trust's business and is risk based, and in particular included:

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Audit approach (continued)

- Audit approach**
- An evaluation of the Trust's internal control environment including IT systems and controls and specifically the data transfer and controls associated with the iCloud general ledger implementation; and
 - Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.
- Conclusion**
- We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Board meeting on 25 May 2018.,

	Materiality Amount (£)	Qualitative factors considered
Materiality for the financial statements	6,664,000	Considered to be the level above which users of the accounts would wish to be aware in the context of overall expenditure.
Performance materiality	4,998,000	Assessed to be 75% of financial statement materiality.
Trivial matters	300,000	Based upon the minimum threshold set by the National Audit Office for Department of Health consolidation purposes. This has increased from the previous level of £250,000 stated in the Audit Plan.
Materiality for specific transactions, balances or disclosures	Senior manager remuneration 20,000	This item merits a lower materiality than financial statement level materiality due to being of particular interest to the public.

Significant audit risk - Going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern material uncertainty disclosures

The Trust incurred a £17.4 million financial deficit in delivering its services in 2017/18 and has received financial revenue support via working capital loans of £23 million during the year. Management anticipates that it may take a number of years before the Trust's income equals or exceeds its expenditure. The Trust will therefore require further cash support via revenue loans to meet its liabilities in 2018/19 and 2019/20. The source and value of the loans has yet to be confirmed. We therefore identified the adequacy of disclosures relating to material uncertainties that may cast doubt on the Trust's ability to continue as a going concern in the financial statements as a significant risk requiring special audit consideration. Given the sensitive nature of these disclosures, we have identified this a key audit matter for the audit.

	Auditor commentary
Management's assessment process	<p>In addressing the risk relating to going concern we have:</p> <ul style="list-style-type: none"> ▪ considered the Trust's financial plans for 2018/19 and 2019/20, including cash flow forecast and the underlying assumptions for cash support ▪ considered management's assessment of going concern in the financial statements and as presented to the Finance Business Performance and Assurance Committee ▪ referred management's justification for going concern to Grant Thornton National Consistency Panel to ensure that a consistent approach is taken by auditors ▪ We have considered management's initial assessment of going concern and the process followed. We agree with management that there is a material uncertainty to disclose in the financial statements.
Work performed	<p>We reviewed the Trust's financial plan for 2018/19 and the cash requirement up to 31 May 2019. We have also reviewed the main commissioner contracts which are signed for 2018/19 and the associated cash flows that will accrue. The 2018/19 Plan forecasts a financial deficit of £25 million with an underlying cash loan requirement of £25 million</p> <p>We agree with management's assessment that a material uncertainty exists regarding the uncommitted loan £25 million requirement for 2018/19.</p> <p>Management intended to amend the narrative to the going concern note to include quantitative data, which was provided once the 2018/19 Financial Plan was submitted to NHSI on 30 April 2018.</p>
Concluding comments	<p>We consider the going concern disclosure regarding future availability of funds to be a key audit matter to detail in our enhanced audit report (audit opinion)</p> <p>No further evidence has come to light about events or conditions identified in the course of the audit that may cast significant doubt on the entity's ability to continue as a going concern.</p>

Significant audit risks

Risks identified in our Audit Plan	Commentary
1 Improper revenue recognition	Auditor commentary
Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	In addressing the risk relating to income from patient activities we; evaluated the Trust's accounting policy for recognition of income from patient care activities for appropriateness (and evaluating the appropriateness of changes from the prior year)
89% 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 (activity based contract variations and non-contract activity income) 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.	<ul style="list-style-type: none"> ■ gained an understanding of the Trust's system for accounting for income from patient care activities and evaluating the design of the associated controls ■ obtained an exception report from the Department of Health and Social Care (DHSC) that details differences in reported income and expenditure; and receivables and payables between NHS bodies; agreeing the figures in the exception report to the Trust's financial records; and for differences above £300 000 calculated by the DHSC for the Trust's main commissioners, obtaining corroborating evidence to support the amount recorded in the financial statements by the Trust ■ agreed, on a sample basis, amounts recognised as income from patient care activities in the financial statements to signed contracts, contract variations, invoices or other supporting documentation ■ agreed on a sample basis, receivable balances due at 31 March 2018 to subsequent cash receipts or invoices
We therefore identified the occurrence and accuracy of activity based contract income and non-contract activity income as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work has not identified any issues in respect of fraudulent transactions within revenue recognition or the risks identified. The majority of income received from NHS commissioners comes from Wirral CCG.
2 Management override of controls	Auditor commentary
Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Trust faces pressure to meet external targets, and this could potentially place management under undue pressure in terms of how they report performance.	In addressing the presumed risk of management override of controls we have: <ul style="list-style-type: none"> ■ reviewed the entity level controls; ■ tested the completeness of the journals listing; ■ identified and tested high risk or unusual journals entries; ■ reviewed the accounting estimates, judgements and decisions made by management; and ■ reviewed unusual significant transactions.
We identified management override of controls as a risk requiring special audit consideration.	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.

Significant audit risks

Risks identified in our Audit Plan	Commentary
Auditor commentary	
Valuation of property, plant and equipment	<p>In addressing the valuation risk we have:</p> <ul style="list-style-type: none"> ■ obtained management's assessment of the valuation of property, plant and equipment and understanding the valuation process, including key controls and assumptions used by management; ■ assessed the competence, objectivity and expertise of management's valuer, including using the work of an auditor's expert to assess whether we could place reliance on management's expert valuer's work; ■ assessed the appropriateness of the instructions issued to the valuer and the scope of their work, including the completeness of the data provided to the valuer; ■ for the land and buildings assets revalued in the year, agreed the valuation from the valuer's desk top report to asset register and the financial statements; ■ challenged the assumptions made by management in relation to the modern equivalent asset valuation and the appropriateness of the related alternative single site valuation methodology; ■ agreed the total valuation adjustments made to the fixed asset register and the financial statements to the valuation report provided by the Trust's valuer. <p>Our audit work has not identified any significant issues in relation to valuation of property, plant and equipment.</p>

Significant audit risks

Risks identified in our Audit Plan	Commentary
Implementation of new general ledger system	Auditor commentary
<p>4 The Trust's general ledger system is provided by North East Patches (NEP).</p> <p>In December 2017, the Trust became a first wave pilot for the implementation of a significant general ledger upgrade. As a result, there were two general ledger systems in operation during 2017/18. The transactions for the first eight months of 2017/18 were transferred into the updated general ledger system during the year. There is a risk over the completeness and accuracy of the data transfer.</p> <p>We therefore identified the implementation of the general ledger upgrade as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>In addressing the risk associated with the ledger implementation we have:</p> <ul style="list-style-type: none"> - completed an IT environment review by our IT audit specialists to document, evaluate and test the IT controls operating with the general ledger system; - mapped the transfer of the first eight months of transactions and balances from the old 2017/18 general ledger to the opening position in the new general ledger for 2017/18. <p>Our audit work has not identified any significant issues in relation to the new ledger implementation.</p>

Reasonably possible audit risks

Risks identified in our Audit Plan	Commentary	Auditor commentary
5 Employee remuneration	<p>Payroll expenditure represents a significant percentage (67%) of the Trust's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and two different sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> ▪ gained an understanding of the systems used to recognise payroll expenditure and evaluated the design of the associated controls ▪ reconciled expenditure on employees recorded in the general ledger to the payroll system reports for each month to ensure that all transactions from the payroll system are reflected in the financial statements ▪ tested on a sample basis, payments made to employees during the year to confirm the completeness and accuracy of employee remuneration ▪ performed a substantive analytical procedure of payroll costs and investigating unusual variations to ensure that all expected costs were included in the financial statements <p>Our audit work has not identified any significant issues in relation to employee remuneration.</p>
6 Operating expenses	<p>Non-pay expenses on other goods and services also represents a significant percentage (33%) of the Trust's operating expenses.</p> <p>Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non-pay expenses as a risk requiring particular audit attention.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> ▪ gained an understanding of the systems used to recognise expenditure on goods and services and year-end accruals, and evaluating the design of the associated controls ▪ reviewed the year-end reconciliation of the subsidiary interface and general ledger control account, to ensure that all transactions from the subsidiary system are reflected in the financial statements ▪ tested, on a sample basis, payments made during the year to ensure they are properly reported in the financial statements ▪ tested, on a sample basis, post year-end payments one month after year-end to confirm the completeness of year-end creditors and accruals and ensure that expenditure was being allocated to the correct period ▪ used a summary of income from the Trust accounted for by other NHS bodies, provided by DHSC, to identify any significant differences above £300,000 in expenditure and any associated payable balances with contracting bodies ▪ considered the completeness of reported accruals and provisions by review of Trust committee minutes and reports and events subsequent to the year end <p>Our audit work has not identified any significant issues in relation to expenditure recognition and completeness or the completeness of the year end creditor balance.</p>

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>Income in respect of services provided is recognised when and to the extent that performance occurs, and is measured at the fair value of the consideration receivable. The main source of income for the Trust is contracts with commissioners in respect of healthcare services.</p>	<ul style="list-style-type: none"> ■ The Trust's revenue recognition policies are consistent with standard accounting policies and with guidance issued by NHSI ■ NHSI's Annual Reporting Manual requires the Trust's revenue recognition to be congruent with the principles of IAS 18 ■ Policies are adequately disclosed within the accounts and we have not been made aware of any new material revenue streams which would require additional policies to be put in place ■ The Trust exercises judgement in arriving at the income due for part complete spells. The income for this has been agreed to the third party confirmation using the intra-NHS agreement of balances exercise. 	●
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> ■ Useful life of PPE ■ Revaluations ■ Impairments ■ Provisions and contingent liabilities ■ Accruals ■ Partially completed spells 	<p>For each of these estimates and judgements we have considered the:</p> <ul style="list-style-type: none"> ● appropriateness of the policy under the relevant accounting framework ● extent of judgement involved ● adequacy of disclosure of accounting policy <p>We have reviewed the supporting evidence for the contingent liabilities in the draft financial statements and obtained additional legal evidence from management to support their assessment.</p> <p>We are satisfied that the Trust's use of estimates and judgements is reliable and properly disclosed.</p>	●

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Land and buildings valuation methods	<p>All land and buildings are revalued by professional valuers every 5 years. The last full revaluation was performed at 31 March 2014. In the intervening years between full revaluations interim desktop revaluations are performed on an annual basis.</p> <p>Valuations are carried out by Cushman and Wakefield, which is external to the Trust, and in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual.</p> <p>In between these valuations the Trust considers whether assets are subject to significant volatility and, where this is the case, undertakes an annual valuation.</p>	<p>The Trust relies upon Cushman and Wakefield (C&W) as external valuers. C&W performed a desktop revaluation of land and buildings at 31 March 2018. At 1 April 2016, the Arrowe Park and Clatterbridge sites were revalued onto a single site modern equivalent asset basis.</p> <p>We are satisfied the Trust's accounting policy and accounting treatment of the land and buildings valuation complies with the requirements of the NHS Group Accounting Manual (GAM).</p>	●
Other critical policies	<p>The Trust has adopted the standard accounting policies as set out in the GAM.</p>	<p>We have reviewed the accounting policies adopted by the Trust and consider that they are consistently applied in the financial statements and are consistent with the GAM.</p>	●

Other communication requirements

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

Issue	Commentary
1 Matters in relation to fraud	<ul style="list-style-type: none"> ▪ We have not been made aware of any incidents which would impact on our audit risk assessment in the period. ▪ No issues have been identified during the course of our audit procedures.
2 Matters in relation to related parties	<ul style="list-style-type: none"> ▪ We are not aware of any related party transactions which have not been disclosed.
3 Matters in relation to laws and regulations	<ul style="list-style-type: none"> ▪ You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations. ▪ We have not identified any incidences of non-compliance from our audit work.
4 Written representations	<ul style="list-style-type: none"> ▪ A letter of representation has been requested from the Trust. As well as standard representation we have requested management to confirm their assessment that cash loans will be available during 2018/19 to support the going concern assertion. We have also requested a specific representation regarding the accounting for a specific contingent liability as set out on page 10 of this report.
5 Confirmation requests from third parties	<ul style="list-style-type: none"> ▪ We obtained direct confirmations from NHS Improvement (NHSI) for loans. ▪ We requested from management permission to send confirmation requests to other third party bankers. This permission was granted and the requests were sent.
6 Disclosures	<ul style="list-style-type: none"> ▪ Our review found no material omissions in the financial statements.
7 Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> ▪ All information and explanations requested from management was provided.

Value for Money

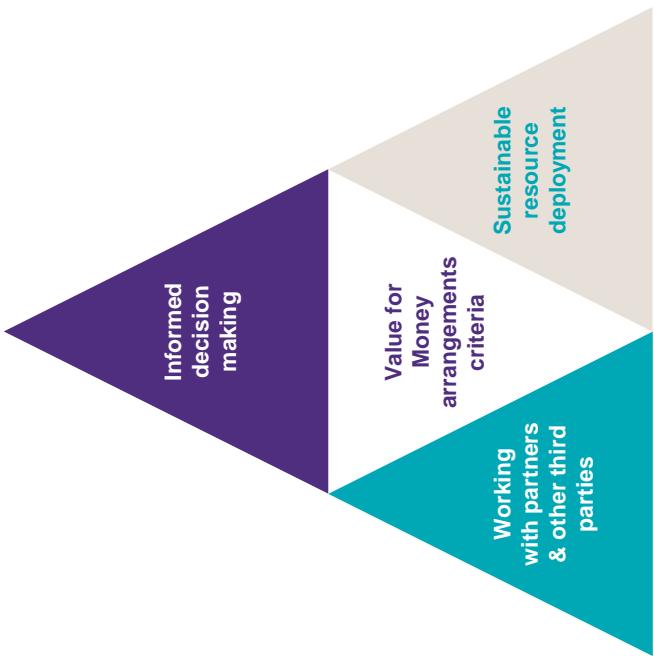
Background to our VFM approach

We are required to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception where we are not satisfied. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Trust. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single 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."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in February 2018 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 15 February 2018.

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

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Trust's arrangements for delivering economy, efficiency and effectiveness. We have focused our work on the significant risks that we identified in the Trust's arrangements. In arriving at our conclusion, our main considerations were:

- Under the Sustainable Resource Deployment criteria we have considered the Trust's financial performance in 2017/18 against the control total target set by NHSI and the deficit plan for 2018/19, including the requirement for cash loans to operate
- Under the Informed Decision Making criteria we have considered the governance concerns reported by NHSI following allegations made at the Trust in December 2017, the undertakings agreed with NHSI and the turnover at Board level

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

Overall conclusion

Our review of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources identified the following matters:

- The Trust has set a deficit budget of £25 million for 2018/19, which includes a cost improvement programme target of £11 million. The Trust does not have sufficient cash to meet its commitments without receiving significant external funding from the Department of Health and Social Care. The Trust's reliance on revenue support indicates weaknesses in the Trust's arrangements for setting a sustainable budget with sufficient capacity to absorb emerging cost pressures.

- During the year, an independent review of the Trust's governance arrangements found cultural, behavioural and governance issues at the Trust. The outcome of this review led to changes at senior Board level including Chairman and Chief Executive, which have adversely impacted the Trust's leadership capacity and capability. In March 2018, NHS Improvement invoked an additional license condition on the Trust under section 111 of the Health and Social Care Act 2012.

Overall conclusion (continued)

These matters are evidence of weaknesses in the proper arrangements for:

- sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions; and
 - informed decision making by acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Except for the matters we identified in respect of Sustainable Resource Deployment and Informed Decision Making, the Trust had proper arrangements in all significant respects. We therefore propose to give a qualified except for' conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources.

Recommendations for improvement

No recommendations have been necessary arising from our audit.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Key findings

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

Significant risk	Findings	Conclusion
1 Sustainable Resource Deployment – Financial resources and future sustainability	<p>In arriving at our conclusion we have carried out the following work:</p> <ul style="list-style-type: none"> The Trust delivered a £17.4 million deficit in 2017/18 compared to the control total set by NHSI of £0.4 million. The deficit included a £3.9 million gain from land sale at the Clatterbridge site and Sustainability and Transformation (STF) funding of £3.4 million. Cost Improvement Savings (CIS) delivered £8.4 million of the NHSI £15 million target. As a result of the deficit position the Trust has been dependent upon £223 million of working capital loans from DH to meet commitments. For 2018/19, the Trust has submitted a deficit plan of £25 million and for a third year does not agree to the NHSI control total (£11 million surplus). In arriving at the deficit plan the Trust requires £25 million of working capital loans from DHSC which is not yet formally agreed. 	<p>The Trust has set a deficit budget of £25 million for 2018/19, which includes a cost improvement programme target of £11 million. The Trust does not have sufficient cash to meet its commitments without receiving significant external funding from the Department of Health and Social Care. The Trust's reliance on revenue support indicates weaknesses in the Trust's arrangements for setting a sustainable budget with sufficient capacity to absorb emerging cost pressures.</p> <p>This matter is evidence of weaknesses in the proper arrangements for sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions as prescribed in the NAO Value for Money guidance.</p>

Key findings

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

Significant risk	Findings	Conclusion
Informed decision making arrangements to address the governance issues reported to NHSI during December 2017	<p>- The Trust's In arriving at our conclusion we have carried out the Our review of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources identified the following matter:</p> <ul style="list-style-type: none"> ■ reviewed the NHSI report dated February 2018 by Carole Taylor-Browne to understand the extent of governance concerns raised regarding the conduct of senior management at the Trust and the extent of unacceptable cultural and behavioural issues raised review was followed by an number of resignations from the Trust's Board including Chairman and Chief Executive, which have adversely impacted the Trust's leadership capacity and capability. In March 2018, NHS Improvement invoked an additional licence condition on the Trust under section 111 of the Health and Social Care Act 2012. ■ reviewed the additional licence undertaking signed by the Acting Chief Executive on 28 March 2018 to address management's response to the financial sustainability concerns and A&E performance at the Trust ■ met with senior management to understand their plans to address the concerns raised and the extent to which the concerns of staff are addressed at the Trust ■ met with the Acting Chief Executive to understand the reasons for the resignation of the Chief Executive, Chairman and other Board members following the December 2017 governance concerns which were investigated by NHSI ■ compared the results of staff surveys and friends and family tests at the Trust against the national position to understand if the Trust is an outlier 	<p>These matters are evidence of weaknesses in the proper arrangements for informed decision making by acting in the public interest, through demonstrating and applying the principles and values of sound governance.</p> <p>Overall our review has supported the findings of the March 2018 NHS Investigation Report. We have assurance that the Trust is taking the matters raised and the enforcement undertakings seriously and is making concerted efforts to fill the vacant Board positions with suitable candidates. Although the Trust's published staff survey and friends and family results are worse than average in a number of core areas, there are still some positive areas reported, and the Trust is not significantly below the average overall.</p>

Other responsibilities under the Code

Commentary

Issue	Commentary
① Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect.</p>
② Auditable elements of Remuneration and Staff Report	<p>We are required to give an opinion on whether the part of the Remuneration Report subject to audit has been prepared properly in accordance with the requirements directed by the Secretary of State with the consent of the Treasury.</p> <p>We have audited the elements of the Remuneration report, as required by the Code including the table of Director's salaries and pension entitlement and the highest paid salary multiple. We found no issues.</p>
③ Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <p>We have not identified any issues we would be required to report by exception in the following areas</p> <p>If the Annual Governance Statement does not meet the disclosure requirements set out in the Group Accounting Manual or is misleading or inconsistent with the information of which we are aware from our audit</p> <p>The information in the Annual Report is materially inconsistent with the information in the audited financial statements or apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Trust acquired in the course of performing our audit, or otherwise misleading</p> <p>We have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider that the Annual Report is fair, balanced and understandable</p> <p>The Annual Report does not appropriately disclose matters that were communicated to the Audit Committee which we consider should have been disclosed.</p>
④ Review of accounts consolidation schedules and specified procedures on behalf of the Department of Health and Social Care (DHSC) group auditor	<p>We are required to give a separate audit opinion on the Trust accounts consolidation schedules and to carry out specified procedures (on behalf of the NAO) on these schedules under the DH group audit instructions. In the group audit instructions, the Trust was selected as a sampled component.</p> <p>The procedures we carried out on the Trust's accounts consolidation schedules at the time of writing did not identify any issues. We have a few process steps to conclude prior to completing our review of the consolidation schedules</p> <p>At the time of writing we anticipate no unadjusted inconsistencies between the financial statements and the accounts consolidation schedules which we are required to report in our opinion on the consolidation schedules</p>
⑤ Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of the Trust in our auditor's report.</p>

Independence and ethics

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. The firm, its partners, senior managers, managers have complied with the Financial Reporting Council's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B.

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. No non-audit services were identified.

Audit related services

	Audit related services	£	Threats	Safeguards
Assurance on your quality report	6,000	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit of £38,400 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.	
Charitable Funds Independent Examination	1,500	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £1,500 in comparison to the total fee for the audit of £38,400 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.	

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Trust's policy on the allotment of non-audit work to your auditors . Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Adjusted and unadjusted misstatements

The audit did not identify any misstatements in the draft accounts and consequently there are no unadjusted misstatements. This is subject to completion of audit work still in progress.

Misclassification and disclosure changes

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

Disclosure	Detail	Adjusted?
Note 1.3.1 Going Concern	Management added further quantitative and qualitative disclosure to improve the readers understanding of the going concern material uncertainty. We recognise that management intended to make this change once the 2018/19 Plan was submitted on 30 April 2018.	✓

Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit Fees

	Proposed fee	Final fee
Trust Audit	£38,400	£38,400
Quality Report Audit	£6,000	£6,000
Charity Independent Examination	£1,500	£1,500
Total	£45,900	£45,900

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Item 4 - External Audit Opinions - Audit Findings Report



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