AC 18/07/5.1

Annual Audit Letter

Year ending 31 March 2018

Barnsley Hospital NHS Foundation Trust

28 June 2018

Contents

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1. Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Barnsley Hospital NHS Foundation Trust (the Trust) and its subsidiaries (the group) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Trust's Audit Committee as those charged with governance in our Audit Findings Report on 18 May 2018.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the National Health Service Act 2006 (the Act). Our key responsibilities are to:

- give an opinion on the Trust and group's financial statements (section two)
- assess the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Trust and group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the group's accounts to be £3,556k (Trust £3,520k), which is 1.8% of the group and Trust's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the group and Trust's financial statements on 29 May 2018. We included a material uncertainty paragraph in our report on the Trust's financial statements to draw attention to the note which explains the basis on which the Trust has determined that it is still a going concern, given the need for a liquidity cash injection at the Trust in 2018-19. This did not affect our opinion that the statements gave a true and fair view of the Trust's financial position and its income and expenditure for the year.
NHS Group consolidation template (WGA)	We also reported on the consistency of the accounts consolidation template provided to the NAO with the audited financial statements. We concluded that these were consistent.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money (VFM) arrangements	We were satisfied that the Trust put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Directors of the Trust on 29 May 2018. This was a significant achievement for the Trust which has been subject to 'adverse' VFM qualifications recently as two years ago, and was subject to an 'except for' qualification last year, 2016-17.

Executive Summary

Quality Report	We completed the review of the Trust's Quality Report and issued our report on this on 25 May 2018. We concluded that the Quality Report and the indicators we reviewed were prepared in line with the NHS foundation trust annual reporting manual and supporting guidance. As with the VFM conclusion above, this represented an improved performance for the Trust, having been subject to a qualified opinion on the Quality Report in previous years.
Certificate	We certify that we have completed the audit of the accounts of the group and Trust in accordance with the requirements of the Code of Audit Practice.

Working with the Trust

We received draft financial statements on 24 April 2018 and accompanying working papers at the commencement of our work, in accordance with the national deadline. Regular liaison meetings were held between the audit team and key finance officers prior to preparation of the draft accounts, and during the fieldwork, which enabled early resolution of emerging issues in most areas.

The significance of the Barnsley Facilities Services Limited (BFS) transaction whereby the Trust transferred assets, services and staff to BFS on 1 September 2017 under and Operated Healthcare Facilities Agreement (OHFA) raised a number of complex accounting requirements.

A number of meetings took place with the senior finance team and the Trust's advisor on the transaction, QEF Ltd, a subsidiary of Gateshead FT, who had set up their equivalent OHFA some years ago.

The process of understanding the Trust's rationale and obtaining supporting documentation of the accounting for the transaction, and indeed our challenge of the accounting entries, was a challenging experience for all parties. We will hold a de-brief meeting with the Trust in the coming months to establish feedback on this process and any resulting actions to take forward into 2018-19.

Through the value for money conclusion we provided you with assurance on your operational effectiveness. We highlighted the need for continued financial resilience in your financial position and acknowledged the excellent outcomes received from key regulators on the Trust's financial and operational performance.

This included the lifting of the Trust's 2014 enforcement action on 28 March 2018 by NHSI. This demonstrated that the regulator was now satisfied with the measures put in place by the Trust to support its financial sustainability.

In addition, the CQC's Inspection Report on the Trust, also issued in March 2018, which awarded the Trust an overall rating of "Good" and a "Good" rating for how 'Well-Led' the Trust is, was also a significant achievement for the Trust in 2017-18.

We believe we continue to enjoy a good professional relationship with you, including:

- engaging with you on key governance areas – the Trust performed well in producing draft versions of both the Annual Governance Statement (AGS) and Annual Report on a timely basis, allowing us and other relevant stakeholders appropriate time to comment and review them
- sharing our insight – we provided regular audit committee updates covering best practice and emerging accounting and governance developments. We also shared our thought leadership reports
- reporting to the Council of Governors – we reported to governors on our first year as auditors to the Trust in August 2017 and we are looking forward to presenting to the governors on our 2017-18 audit work on 15 August 2018.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Trust's staff.

Grant Thornton UK LLP
28 June 2018

2. Audit of the Accounts

Our audit approach

Materiality
In our audit of the Trust and group's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the group accounts to be £3,556k (Trust £3,520k) which is 1.8% of the group's gross revenue expenditure. We used this benchmark as, in our view, users of the group's financial statements are most interested in where the group has spent its revenue in the year.

We also set a lower level of specific materiality for the senior officer remuneration disclosure in the Remuneration Report. This had a specific materiality of £5,000 based on the disclosure bandings, due to its sensitive nature.

We set a lower threshold of £175k, above which we reported errors to the Audit Committee in our Audit Findings (ISA260) Report.

The scope of our audit
Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed
- the significant accounting estimates made by management are reasonable
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Annual Report to check it is consistent with our understanding of the Trust and with the accounts included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the group's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Accounts

Key Audit Risks

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

<table>
<tr><th>Risks identified in our Audit Plan</th><th>How we responded to the risk</th><th>Findings and conclusions</th></tr>
<tr><td>Revenue recognition (healthcare and non-healthcare)
Under ISA (UK and Ireland) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.
For this Trust, we concluded that the greatest risk of material misstatement relates to:
• the occurrence of healthcare revenue including Sustainable Transformation Funding income and existence of receivables
• the valuation of healthcare revenues
• the existence of non-healthcare revenue and receivables
• revenue cut-off to ensure revenue was recorded in the correct period.
Activity based contracts and non-contract activity income is subject to verification and agreement by the Trust’s commissioners.
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.</td><td>As part of our audit work we have:
• evaluated the Trust's accounting policy for recognition of revenue from patient care activities and other operating revenue for appropriateness
• gained an understanding of the Trust's system for accounting for revenue from patient care activities and other operating revenue, and evaluating the design of the associated controls
• obtained an exception report from the Department of Health (DoH) 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 calculated by the DoH as being in excess of £300k, obtaining corroborating evidence to support the amount recorded in the financial statements by the Trust
• agreed amounts recognised as revenue from the main NHS Commissioners in the financial statements to signed contracts, contract variations and invoices or supporting documentation, and associated receivables at year end to subsequent cash receipts
• agreed, on a sample basis, for the remaining NHS Commissioner contracts, amounts recognised as revenue in the financial statements to signed contracts, contract variations and invoices; and associated receivables at year end to subsequent cash receipts
• agreed revenue from the STF recognised in the financial statements
• assessed the validity of the revenue and the associated receivables relating to the fourth quarter
• agreed the total revenue from the Fund (including any finance incentive, bonus payments or additional income from the final distribution) to communications from NHS England
• agreed for the remaining population of other operating revenue, on a sample basis, amounts recognised in revenue in the financial statements to signed contracts and invoices; and associated receivable balances to subsequent cash receipt or other supporting information.</td><td>We obtained sufficient audit evidence to conclude that:
• the Trust’s accounting policy for recognition of operating income complies with the Group Accounting Manual 2017-18 and has been properly applied
• income was not materially misstated.
Our audit work did not identify any issues in respect of revenue recognition.</td></tr>
</table>

Audit of the Accounts

Risks identified in our Audit Plan	How we responded to the risk	Findings and conclusions
Management override of controls 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 external pressures to meet agreed targets, and this could potentially place management under undue pressure in terms of how they report performance. Management over-ride of controls is a risk requiring special audit consideration.	As part of our audit work we have: • Reviewed accounting estimates, judgements and decisions made by management • Tested journals entries. No inappropriate journals were noted but we raised a recommendation for the Trust to comply with its journal authorisation procedures • Reviewed unusual significant transactions – we discuss the review of the revaluation of the Trust's estate and the link to the BFS transaction of 1 September 2017 below and overleaf • Tested accruals at the year end • Reviewed and tested PPE revaluations and the associated impairments • Substantively tested samples of items from all material transaction streams and balances.	Our audit work did not identify any issues in respect of management override of controls.
Valuation of property, plant and equipment (PPE) The Trust re-values its land and buildings to ensure that the carrying value is not materially different from fair value. This represents a significant estimate by management in the accounts. The Trust transferred almost all of its hospital estate to Barnsley Facilities Services Limited under a lease arrangement on 1 September 2017 and entered into an 'Operated Healthcare Facilities Agreement' with the company. The Trust commissioned valuers to value the Estate at 1 September 2017 and also as at 31 March 2018. Both valuations have been carried out on a 'net of VAT' assumption on the advice of the valuer and also the Trust's VAT advisers. Assumptions on VAT in the re-provision of buildings in the NHS is a complex area. We have therefore identified the valuation of land and buildings revaluations and impairment as a risk requiring special audit consideration.	As part of our audit work we have: • Reviewed management's processes and assumptions for the calculation of the estimate • Reviewed the competence, expertise and objectivity of any management experts used • Reviewed the instructions issued to valuation experts and the scope of their work • Discussed with the Trust's valuer the basis on which the valuation was carried out, challenging the key assumptions • Reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding • Tested revaluations made during the year to ensure they were input correctly into the Trust's asset register • Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these were not materially different to current value, and has satisfied themselves that these are not materially different to fair value. Key findings: following our review of the Trust's valuation of PPE we raised the following matters: • Requested the Board receive documentation from the Trust's advisers (QEF Ltd) and valuers (Cushman & Wakefield), setting out the details of the Trust's valuation approach, and confirmation that the Board was satisfied with this approach • Requested additional disclosures in the accounts explaining to the reader the rationale for the Trust's decision to value its estate net of VAT following the 1 September 2017 transaction with BFS • Requested a formal representation from management highlighting the decision to value its estate on a net of VAT basis in the letter of representation.	We obtained sufficient audit evidence to conclude that: • the Trust's accounting policy for valuation of property, plant and equipment complies with the Group Accounting Manual 2017-18 and has been properly applied • property, plant and equipment was not materially misstated.

Audit of the Accounts

Risks identified in our Audit Plan	How we responded to the risk	Findings and conclusions
Significant transaction that occurred in the year: Accounting for the 1 September 2017 transaction between the Trust and BFS BFS is a wholly owned subsidiary of the Trust and aims to deliver procurement efficiencies and new income streams to the Trust. It has been subject to significant expansion in 2017-18. During 2016-17, the turnover of the Company was some £4.6m, however, following the transaction on 1 September 2017, under the Operated Healthcare Facilities Agreement, turnover for the company increased to £21.3m as at 31 March 2018. Turnover is expected to increase further in 2018-19 and beyond as the full year effect of the transaction and the BFS growth plans continue. On 1 September 2017 a number of changes took place, including: • the Trust transferred a range of Trust staff (c140 WTEs) responsible for the provision of facility services to BFS under TUPE arrangements • the Trust procured a number of facilities management related services from BFS • the Trust leased almost the full hospital estate to BFS to be provided back under the provision of facility services. We liaised with the Director of Finance and his team regularly to consider changes introduced by the Trust and the agreements entered into with BFS, particularly in respect of the impact on the Trust's finances, the associated accounting entries and their implications, whether the Trust has sought external legal advice, the proposals around VAT recoveries and whether these have been agreed with HMRC, and the impact on delivering value for money. For this reason we considered the transaction between the Trust and BFS on 1 September 2017 as a risk requiring special audit consideration.	As part of our audit work we: • Held a number of meetings with the senior finance team and the Trust's advisor on the transaction, QEF Ltd – a subsidiary of Gateshead FT, who had set up their equivalent Operated Healthcare Facilities Agreement some years ago • Reviewed correspondence between the Trust and HMRC • Considered the lease agreement between the Trust and BFS • Reviewed the accounting paper produced by the Trust setting out the proposed accounting treatment for the transaction • Reviewed the Service Level Agreements between the Trust and BFS, including key performance measures introduced to ensure the Trust holds BFS to account for the quality of its service delivery • Reviewed the accounting entries within the Trust, BFS and group accounts to ensure an understanding of the presentation of financial statements and compliance with the Group Accounting Manual. Given that HMRC, at the time of our audit work, was yet to give a formal view on the transaction, and in order to provide additional assurance over the transaction we suggested to management that they obtain formal correspondence from QEF and present this to the Board that sets out: • The key aspects from QEF's own subsidiary model with Gateshead FT and confirmation that these aspects are mirrored in the BFS/Barnsley model • Confirmation that Gateshead/QEF received a visit from HMRC and that the findings from that review did not flag any concerns in relation to the model and associated VAT recovery • Confirmation that Gateshead/QEF value their estate net of VAT. In addition, we suggested that the report of the Trust's valuers (Cushman & Wakefield) which set out their rationale for valuing the Trust's estate on a net of VAT basis, should formally be presented to the Board. In May, both correspondence from QEF and Cushman & Wakefield were shared and approved by the Board. This provided the Board with additional assurance on the transaction given the commentary received from the two Trust advisors, along with providing assurance to us. We requested the Trust make additional disclosures within the accounts in respect of the change of estimate basis from 1 September 2017 for the valuation of the Trust's estate (see comments on page 7 of this Letter). The additional disclosure noted the impact of the net of VAT valuation on other aspects of the accounts, including reduced depreciation charges (of £0.2) and reduced PDC Dividend (of £0.175m). The Trust has processed this disclosure change.	We ultimately obtained sufficient audit evidence to conclude that: • the Trust's accounting for the BFS transaction complies with the Group Accounting Manual 2017-18 • following some agreed presentational audit adjustments, the disclosure of the BFS transaction in the Trust's accounts was not materially misstated.

Audit of the Accounts

Risks identified in our Audit Plan	How we responded to the risk	Findings and conclusions
Going concern material uncertainty disclosures In our Audit Plan we highlighted a risk that the Trust may not adequately disclose uncertainties about the appropriateness of the going concern assumption in preparing its financial statements. In light of the Trust's recent financial performance, reliance on external cash support, deficit financial outturn for 2017-18 and planned for 2018-19, there were uncertainties about the appropriateness of the going concern assumption for the Trust's financial statements. We noted the disclosures made in the prior year financial statements and the 'emphasis of matter' paragraph contained within our prior year audit opinion. This highlighted the Trust's financial position and requirement for external support. Given the projected financial position for the Trust we anticipated similar levels of disclosure and implications for our 2017-18 opinion. Management were in agreement for the need for a continuing disclosure note in respect of Going Concern. The Director of Finance and his senior team provided us with their analysis to support the going concern basis for the Trust's accounts and the disclosure note thereon.	We reviewed the Directors' assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2017-18 financial statements. We considered the Trust's financial projections for 2018-19 noting a control total deficit of £8.7m, including the requirement to deliver a £8.5m cost improvement programme (CIP). In our consideration the Trust's 2018-19 £8.5m CIP plan, at the time of issuing our opinion, the Trust had plans to deliver £6.4m of the CIP, of which £3.8m of schemes were deemed at full maturity level 4 or maturity levels 2 and 3. This left a gap of £2.1m (25%) to be identified and £2.8m of higher risk maturity level 1 schemes. The Trust will require a cash injection of £17.3m in 2018-19, which includes £8.4million to repay an existing loan in November 2018, which at the time of this review has not been formally agreed and approved by DH. Subject to some additional narrative we agreed with the Trust, any material uncertainties in relation to the future of the Group and Trust and its anticipated cash flows were adequately disclosed in the Going Concern Statement in note 1 to the financial statements. We brought this note to the attention of the readers of the financial statements in our audit opinion.	We reviewed the Directors' assessment and were satisfied with management's assessment that the going concern basis is appropriate for the 2017-18 financial statements. The material uncertainties in relation to the future of the Group and Trust and its anticipated cash flows were adequately disclosed in the Going Concern Statement in note 1 to the financial statements. We brought this note to the attention of the readers of the financial statements in a 'material uncertainty related to going concern' section in our audit opinion We highlighted to the Audit Committee's attention the significant value of loans (£37m) that are required to be repaid by March 2020. Whilst this is outside of the usual 12 month period from the date the current financial statements are approved, we did raise the issue with the senior finance team. The Director of Finance is aware of the loan repayment requirement and we will be monitoring the Trust's plans for repayment and re-profiling of its borrowings as part of our 2018-19 audit planning work.

3. Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

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

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out overleaf.

We noted the continued strengthening of the Trust's arrangements throughout 2017-18 in forming our VFM conclusion, including:

- The lifting of the Trust's 2014 enforcement action on 28 March 2018 by NHSI. This demonstrated that the regulator was now satisfied with the measures put in place by the Trust to support its financial sustainability (other aspects of the enforcement action in respect of governance and accident and emergency performance had been lifted in previous years)
- The CQC's Inspection Report on the Trust, also issued in March 2018, which awarded the Trust an overall rating of "Good" and a "Good" rating for how 'Well-Led' the Trust is – this was a significant achievement for the Trust.

In addition, the Trust continued to strengthen its financial sustainability in 2017-18 as noted in the following areas:

- the Trust exceeded its £10.1m deficit control total, ending the year with a deficit of £5.8m
- as a result of this over-performance, the Trust received an additional £4.35m of STF funding
- for the fourth consecutive year the Trust delivered its Cost Improvement Programme (CIP) target. Indeed, the Trust over achieved against its £7.8m 2017-18 CIP target by £1.5m, delivering a CIP of £9.3m of which 67% were deemed recurrent savings.

Overall Value for Money conclusion

The Trust continues to project a deficit in 2018-19 of £8.7m and the need for additional cash funding to ensure the Trust can settle its liabilities and remain in a positive cash position (of some £17.3m to May 2019). However, the arrangements in place at the Trust and which have been strengthening for a period of time, are deemed sufficient and appropriate to result in a 'clean' VFM conclusion.

This is a significant achievement for the Trust as it has been subject to 'adverse' VFM qualifications recently as two years ago, and was subject to an 'except for' qualification last year, 2016-17.

As such, we have satisfied ourselves that the Trust has proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

Therefore, we had nothing to report by exception in our audit opinion.

Value for Money conclusion

Significant Value for Money Risks

Risks identified in our Audit Plan	How we responded to the risk	Findings and conclusions
Underlying financial deficit position The Trust continued to operate under significant financial pressures with an underlying projected deficit of £15.9m for 2017-18. A control total of £10.1m deficit was agreed with NHSI for 2017-18 which included £5.88m of Sustainability and Transformation Fund (STF) funding. Given the impact of the underlying deficit, there is a shortfall in the Trust's cash position. To deliver the budgeted outturn position, cost improvement savings of £7.8m were required for 2017-18. We continued to monitor the Trust's financial position and consider the year end outturn position to secure STF funding of £5.88m. We will also consider the adequacy of cash resources.	Our review noted the Trust has strengthened its financial sustainability in 2017-18 in the following areas: • The last remaining element of the Trust's Enforcement Action from 2014 was lifted at the end of March 2018. The means the Trust no longer has any breaches of its licence with NHSI – this was a significant achievement by the Trust • the Trust exceeded its £10.1m deficit control total, ending the year with a deficit of £5.8m • as a result of this over-performance, the Trust received an additional £4.4m Sustainability and Transformation (STF) funding taking the total STF received for the year to £9.1m • for the fourth consecutive year the Trust delivered its CIP target. Indeed, the Trust over achieved against its £7.8m 2017-18 CIP target by £1.5m, of which 67% were deemed recurrent savings • The Trust does remain in a deficit position with the need for continued revenue cash support to fund its deficit position. A deficit control total of £8.7m has been agreed for 2018-19. • In our consideration the Trust's 2018-19 £8.5m CIP plan, at the time of producing this report, the Trust had plans to deliver £6.4m of the CIP, of which £3.8m of schemes were deemed at full maturity level 4 or maturity levels 2 and 3. This leaves a gap of £2.1m (25%) to be identified and £2.8m of higher risk maturity level 1 schemes. • The Trust will require a cash injection of £17.3m in 2018-19 which at the time of our audit had not been formally agreed and approved by DH (note this includes £8.4m to repay a loan in November 2018). The Trust disclosed this matter in its going concern disclosure note in Note 1 of the accounts. For this reason we have included a 'going concern material uncertainties' paragraph in our audit opinion.	Overall, the Trust's financial position whilst still challenging given the deficit and need for future cash support, is in a strengthened position during 2017-18 and in 2018-19 to date. This builds on the sound foundations put in place in recent years. This context has been considered to inform our overall VFM conclusion. In relation to the VFM criteria: • we concluded the Trust has appropriate arrangements in place to ensure sustainable resource deployment.

Value for Money conclusion

Significant Value for Money Risks

Risks identified in our Audit Plan	How we responded to the risk	Findings and conclusions
Delivering key NHS targets and CQC improvements The Trust faces challenges in the delivery of key NHS targets, and required improvement in a number of areas following the CQC inspection in January 2016 (providing safe and well led services). The outcome of an unannounced CQC visit in October 2017 is still awaited at the time of our Audit Plan. We continued to discuss with management the action being taken to improve the delivery of key NHS metrics and the developments to address the issues identified by the CQC.	• The CQC's Inspection Report on the Trust, issued in March 2018, awarded the Trust an overall rating of "Good" and a "Good" rating for how 'Well-Led' the Trust is – this was a significant achievement for the Trust. • As part of our assurance work on the 2017-18 Quality Report, we performed a 'limited assurance' audit of the percentage of incomplete pathways within 18 weeks for patients on incomplete pathways (RTT) and compliance with the four hour accident and emergency target (A&E). • In summary, we confirmed that both indicators were fairly stated which is an improvement on the Trust's previous performance.	In relation to the VFM criteria: • we concluded the Trust has appropriate arrangements in place to ensure informed decision making and working with partners.

Barnsley Facilities Services Limited (BFS)
 	
The Trust channelled increased activity through BFS Limited during 2017-18. The company aims to deliver procurement efficiencies and new income streams for the Trust providing improved value for money. Turnover increased from £4.6m in 2016-17 to over £20m in 2017-18.
 	
We liaised with the Director of Finance and his team to fully understand the changes introduced by the Trust and the agreements entered into with BFS, particularly in respect of the impact on the Trust's finances, legality and value for money.
	• In July 2017 the Trust Board approved a business case for a wholly owned subsidiary to provide managed hospital services at the Trust. The Trust decided to use its existing company, Barnsley Facilities Services Limited to provide these services.
	• From 1 September 2017, BFS has provided a range of managed services to the Trust including:
	    • Facilities management
	    • Catering Services including running the restaurants within the Trust
	    • Cleaning Services
	    • Other facilities and management services (non-clinical).
	• The managed arrangements put in place by the Trust through BFS allows the Trust flexibility in terms of staff pay and terms, eliminates profits taken by third party providers and also provides potential VAT benefits on both revenue and capital spend. Expected savings in 2017-18 were expected at £0.5m with £0.8m in 2018-19 and 2019-20. Actual savings delivered for 2017-18 total some £0.8m with an improved projection of £1.4m for 2018-19.
	• The Trust is delivering improved savings through the arrangements put in place which are expected to increase year on year providing good value for money.
	• Our work has not highlighted any issues in respect of legality or the accounting arrangements adopted.
		In relation to the VFM criteria:
		• we concluded the Trust has appropriate arrangements in place to ensure informed decision making and working with partners.

4. Quality Report

The Quality Report

The Quality Report is an annual report to the public from an NHS Foundation Trust about the quality of services it delivers. It allows Foundation Trust Boards and staff to show their commitment to continuous improvement of service quality, and to explain progress to the public.

Scope of work

We carry out an independent assurance engagement on the Trust's Quality Report, following NHS Improvement (NHSI) guidance issued in February 2018. We give an opinion as to whether we have found anything from our work which leads us to believe that:

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

Quality Report Indicator testing

We tested the following two mandated indicators:

- percentage of patients with a total time in A&E of four hours or less from arrival to admission, transfer or discharge
- percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period.

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

In line with the auditor guidance, we also reviewed the following 'local' indicator, as selected by the Council of Governors:

- Percentage of patients risk-assessed for venous thromboembolism (VTE)

Key messages

- We confirmed that the Quality Report had been prepared in line with the requirements of the NHS foundation trust annual reporting manual and supporting guidance
- We confirmed that the Quality Report was consistent with the sources specified in the NHSI Guidance
- We confirmed that the commentary on indicators in the Quality Report was consistent with the reported outcomes
- Our testing of the two mandated indicators included in the Quality Report found no evidence that these two indicators were not reasonably stated, in all material respects
- Our testing of the 'local' 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 did not express any assurance in respect of this indicator.

This outcome represented a significant improved outcome for the Trust following a number of years of qualified Quality Report reviews by external audit.

Conclusion

As a result of this we issued an unqualified conclusion on the Trust's Quality Report on 25 May 2018.

A. Reports issued and fees

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

Reports issued

Report	Date issued
Audit Plan	January 2018
Audit Findings (ISA260) Report	May 2018
Annual Audit Letter	June 2018

Fees

	Planned £	Actual fees £
Statutory audit	42,700	42,700
Barnsley Facilities Services Limited*	5,950	5,950*
Barnsley Hospital Charity	2,600	2,600
Total fees	**51,250**	**51,250**

* The tendered fee for BFS for 2017-18 was £5,950, however, this was based on the previous BHSS Limited organisation and given the material change in the company during 2017-18, and the complexity and volume of the inter-group transactions, an additional audit fee for 2017-18 is anticipated along with a review of the ongoing BFS audit fee.

This will be discussed with management following completion of our audit work and an update on the outcome from those discussions will be brought to a future Audit Committee.

Fees for non-audit services

Service	Fees £
Audit related services: - Quality Report limited assurance review	6,400
Non-Audit related services: - None	Nil

Non- audit services

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

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

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