



# The Annual Audit Letter for Devon Partnership NHS Trust

---

**Year ended 31 March 2015**

July 2015

**Elizabeth Cave**

Director

T 0117 305 7885

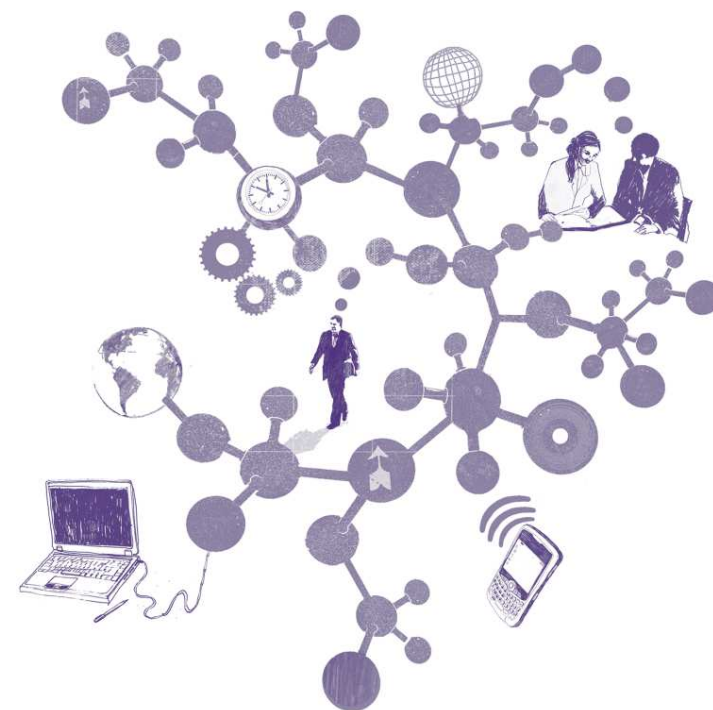
E [liz.a.cave@uk.gt.com](mailto:liz.a.cave@uk.gt.com)

**David Bray**

Senior Manager

T 0117 305 7889

E [david.bray@uk.gt.com](mailto:david.bray@uk.gt.com)



---

# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	4
2. Audit of the accounts	7
3. Value for Money	10
4. Audit related services	14

## **Appendices**

A Reports issued and fees

---

# Section 1: Executive summary

**01. Executive summary**

**02. Audit of the accounts**

**03. Value for Money**

**04. Audit related services**

---

# Executive summary

## Purpose of this Letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the following work that we have carried out at Devon Partnership NHS Trust (the Trust) for the year ended 31 March 2015:

- auditing the accounts (Section two)
- assessing the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- other audit related services carried out for the Trust during the year i.e. reviewing the Trust's Quality Account (Section four)

The Letter is intended to communicate key messages to the Trust and external stakeholders, including members of the public.

We reported the detailed findings from our audit work on the accounts and arrangements for securing economy, efficiency and effectiveness in its use of resources to those charged with governance in the Audit Findings Report on 3 June 2015 and reported the detailed findings from our work on the Trust's Quality Account in our separate Quality Account Report on 13 July 2015.

## Responsibilities of the external auditors and the Trust

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

The Trust is responsible for preparing and publishing its financial statements, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with our Audit Plan issued on 6 February 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice (the Code), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## Audit conclusions

The audit conclusions which we have provided in relation to 2014/15 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Trust's financial position as at 31 March 2015 and the Trust's income and expenditure for the year;
- an unqualified conclusion in respect of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We also issued an unqualified limited assurance report in respect of the Trust's Quality Account in relation to this separate engagement.

---

# Executive summary (continued)

## Key areas for the Trust's attention

The Trust's 'SMART Recovery Programme' is a challenging transformational programme which aims to improve quality and reduce costs. Inevitably it carries risks that need to be managed effectively. The Trust recognises that delivering the planned savings will be difficult and is addressing these challenges proactively through engagement of staff and revision of its forecasts to ensure they are deliverable.

The Trust has made good progress on its medium term financial planning and is working on a medium term financial plan which will cover a five year period up to 2019/20.

Given the financial pressures within the health economy, and the inherent uncertainties associated with planning over such a long timescale, it is important for the Board to challenge the assumptions underpinning these financial projections.

## Acknowledgements

This Letter has been agreed with the Trust's Director of Finance and Chief Executive.

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**  
**July 2015**

---

## Section 2: Audit of the accounts

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Audit related services

---

# Audit of the accounts

## **Audit of the accounts**

The key findings of our audit of the accounts are summarised below:

### **Preparation of the accounts**

The Trust presented us with draft accounts in accordance with the national deadline.

The draft financial statements and the supporting working papers were again prepared to a good standard and the Trust dealt with our additional audit requests and queries in a timely manner.

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

We did not identify any material errors in the Trust's financial statements or any adjustments affecting its reported surplus for the year. We made a small number of minor adjustments to improve the presentation of the financial statements.

However, we encountered difficulties in verifying the existence of some items of plant and equipment, particularly those which had been fully depreciated. We recommended that the Trust undertakes a review of its fixed assets register, removing assets that it no longer owns.

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

Our audit did not identify any concerns regarding the Trust's Annual Governance Statement or its draft Annual Report.

## **Conclusion**

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Committee at the Trust). We presented our report to the Audit Committee on 3 June 2015 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Trust's 2014/15 accounts on 4 June 2015, meeting the deadline set by the Department of Health. Our opinion confirms that the accounts give a true and fair view of the Trust's financial affairs and of the income and expenditure recorded by the Trust.

## Financial performance 2014/15

The Trust's Performance against its financial targets is set out in the table below:

	Target	Met?
<b>Surplus/ (deficit)</b>	Breakeven	Yes
<b>Capital cost absorption rate</b>	3.5%	Yes
<b>Capital resource limit</b>	Not to exceed £3,244k	Yes
<b>External finance limit</b>	Not to exceed £1,825k	Yes

The Trust met all of its financial targets in 2014/15, reporting a surplus for the year of £1.278m.

The Trust's performance against its savings plans for the year are covered in our Value for Money section on page 11.

## Looking forward

The Trust is planning for a surplus of £1.35m in 2015/16.

Underpinning the delivery of this surplus is the Trust's 'SMART Recovery Programme'.

This is a challenging transformational programme which aims to improve quality and reduce costs. Inevitably it carries risks that need to be managed effectively. The Trust recognises that delivering the planned savings will be difficult and is addressing these challenges proactively through engagement of staff and revision of its forecasts to ensure they are deliverable.



---

## Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Audit related services

---

# Value for Money

## Value for Money conclusion

The Code describes the Trust's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

**The Trust has proper arrangements in place for securing financial resilience.** The Trust has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

**The Trust has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Trust is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Trust's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance
- Financial planning
- Financial control.

The key findings from our work are:

### Strategic financial planning

The Trust has made good progress on its medium term financial plan. In June 2014 it produced a 5 year medium term financial plan, which it submitted to the Trust Development Authority (TDA).

More recently, the Trust provided the TDA with a detailed submission for the 2015/16 financial year. It is currently using this submission to update its medium term financial plan, which will cover a five year period up to 2019/20.

Given the financial pressures within the health economy and the inherent uncertainties associated with planning over such a long timescale, it is important for the Board to challenge the assumptions underpinning these financial projections

### Delivery against 2014/15 budget

In 2014-15 the Trust delivered a surplus of £1.272m, in line with its budget.

The Trust's budgetary control arrangements have historically been sound and the financial statements for the year ended 31 March 2015 confirm this remains true.

---

# Value for Money

## **Savings achieved against the cost improvement programme (CIP).**

The Trust's budget for 2014/15 required the achievement of savings totalling £5.587m, of which 70% were expected to be achieved on a recurrent basis. The Trust reported savings for the year totalling £5.547m, approximately £40k less than the original plan.

Savings totalling £3.534m were achieved on a recurrent basis, which is 89% of the original target for recurrent savings. The difference compared to the target of £400k is largely attributable to the delays in selling surplus properties. This meant that the associated cost savings were not realised as soon as was originally hoped.

The Trust planned for an element of non-recurrent savings in 2014/15 to give it the headroom to develop its 'SMART Recovery Programme'.

This is a challenging transformational programme which aims to improve quality and reduce costs. Inevitably it carries risks that need to be managed effectively. The Trust recognises that delivering the planned savings will be difficult and is addressing these challenges proactively through engagement of staff and revision of its forecasts to ensure they are deliverable.

## **Challenging economy, efficiency and effectiveness**

We have reviewed whether the Trust has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

The key findings from our work are:

## **Care Quality Commission (CQC) Inspection**

The CQC undertook a re-inspection in May 2014 to monitor compliance with the warning notice it had previously issued. This re-inspection found that the required improvements had been made.

## **Workforce**

The Trust has recognised that, in common with many other NHS organisations, it has been heavily reliant on bank and agency staff.

This reliance is due to a combination of unfilled vacancies within the Trust and high sickness levels, although the time lost to sickness does appear to be falling.

Reliance on bank and agency staff not only has financial implications, but there may also be quality implications if inexperienced staff are working on wards in key areas. In practice, most of the individuals are engaged frequently by the Trust and so the risk is not as high as it could be. The Trust is working to address its high reliance on agency workers.

The Trust has also recognised that its staff survey results are below average and considerable energy is being devoted to improve commitment and morale whilst bringing in the necessary changes.

---

# Value for Money

## **Overall VfM conclusion**

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

---

## Section 4: Audit related services

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Audit related services

---

# Audit related services

## Quality Accounts

For 2014/15 the Trust is required to obtain external audit assurance on its Quality Account. In order to provide this assurance we have undertaken limited assurance procedures in accordance with guidance issued by the Audit Commission to assess whether:

- the Quality Account is prepared in all material respects in line with the criteria set out in the Regulations
- the Quality Account is consistent in all material respects with the sources specified in the *NHS Quality Accounts Auditor Guidance 2014/15* issued by the Audit Commission ('the Guidance')
- the indicators in the Quality Account identified as having been the subject of limited assurance, are reasonably stated in all material respects in accordance with the Regulations and the six dimensions of data quality set out in the Guidance.

## Key findings

We provided the Trust with a report setting out the detailed findings of our work on 13 July 2015.

We concluded that the Quality Account was prepared in line with the criteria set out in the Regulations and was consistent in all material respects with the sources specified by the Audit Commission.

During the course of our work, we reviewed the following two performance indicators included in the Trust's Quality Accounts:

- the percentage of patients on Care Programme Approach (CPA) followed up within seven days of discharge from psychiatric inpatient care; and
- the percentage of admissions to acute wards for which the Crisis Resolution Home Treatment Team (CRHT) acted as a gatekeeper.

We did not identify any significant issues regarding these performance indicators.

However, we did note that the final published iteration of the Quality Accounts was version number 14 and the Trust should aim to streamline the production of this document in future years.

## Conclusions

We provided an unqualified limited assurance opinion on the Trust's Quality Account, in accordance with the requirements, on 18 June 2015.

# Appendices

# Appendix A: Reports issued and fees

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

## Fees for audit and independent examination services

	Per Audit plan £	Actual fees £
Trust audit	43,776	43,776
Charitable fund independent examination (to be completed in August 2015)	1,800	TBC
<b>Total fees</b>	<b>45,576</b>	<b>TBC</b>

## Fees for other services

Service	Fees £
<b>Audit related services</b>	
Quality Accounts	10,000
<b>Non-audit related services</b>	Nil

## Reports issued

Report	Date issued
Audit Plan	February 2015
Audit Findings Report	May 2015
Quality Account Report	July 2015
Annual Audit Letter	July 2015





© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

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