SWBTB (10/10) 222 (a)

KPMG

HEALTHCARE

Annual Audit Letter

2009/10

Sandwell and West Birmingham Hospitals NHS Trust

2 September 2010

AUDIT

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Content

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This report is addressed to the Trust and has been prepared for the sole use of the Trust. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Michael McDonagh who is the engagement lead to the Trust or Trevor Rees, the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. You can contact the Complaints Unit by: Phone: 0844 798 3131 [Local rate call] Email: complaints@audit-commission.gov.uk Website: www.audit-commission.gov.uk/aboutus/contactus Text phone (minicom): 020 7630 042 Post: Complaints Unit Manager, Audit Commission , Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR.

Executive Summary

Purpose

This Annual Audit Letter (the letter) summarises the key issues arising from our 2009/10 audit at Sandwell and West Birmingham Hospitals NHS Trust (the Trust). Although this letter is addressed to the directors of the Trust, it is also intended to communicate these issues to key external stakeholders, including members of the public. The letter will also be published on the Audit Commission website at www.audit-commission.gov.uk. It is the responsibility of the Trust to publish the letter on the Trust website at www.swbh.nhs.uk. In the letter we highlight areas of good performance and also provide recommendations to help you improve performance. Our recommendations are summarised in Appendix 1. We have reported all the issues in this letter to you throughout the year and a list of all reports that we have issued is provided in Appendix 2.

Scope of our audit

The statutory responsibilities and powers of appointed auditors are set out in the Audit Commission Act 1998. Our main responsibility is to carry out an audit that meets the requirements of the Audit Commission's *Code of Audit Practice* (the *Code*) which requires us to review and report on your:

- *use of resources* - that is whether you have made proper arrangements for securing economy, efficiency and effectiveness ('value for money') in your use of resources. Our work in this area is summarised in section 2;
- *accounts* – that is the Financial Statements and the Statement on Internal Control. This work is summarised in section 3.

Key Messages

The key areas which we draw to your attention to are:

- The Trust forecast a £2.2m surplus throughout the year and as at 31 March 2010 delivered this underlying surplus. In the Statement of Comprehensive Income the Trust reported a deficit of £28.6m owing to technical accounting deficits. These resulted from the change of asset valuation basis to Modern Equivalent Asset (MEA) and resulting impairment charges as well as additional economic impairments of assets resulting from change of use. We have provided further analysis in 'Section Three' of this report.
- We raised two high risk recommendations in our Audit Memorandum to the Trust (June 2010) in relation to implementing a physical asset verification exercise and undertaking fixed asset register reconciliations. The Trust has made some progress in implementing these recommendations and commentary is provided in Appendix 1.
- The Trust's indicative Auditor's Local Evaluation (ALE) scores have been consistent with last year's performance. The indicative overall score for the Trust is a level 3 for 2009/10 *(2008/09: level 3)* - "consistently above minimum requirements, performing well". We submitted the scores to the Audit Commission for national consistency review during July 2010 and the scores were released to Trust Chief Executives on 6 August 2010 for review/ challenge. The scores for individual NHS trusts will be made available on the Audit Commission's website in September following the conclusion of the review/ challenge process.
- The Trust was proactive in preparing for the NHS accounts conversion to International Financial Reporting Standards (IFRS) in 2009/10. Significant changes to accounting policies and disclosures have been required as a result of this process. We reviewed these accounting policies and disclosures as part of our audit work and suggested several presentational adjustments in order to improve the clarity of disclosure and ensure that all necessary elements suggested by the NHS Manual for Accounts, were included.
- We have issued unqualified audit opinions on the Trust's financial statements and on its value for money conclusion in 2009/10.

Future Challenges

- The Department of Health's White Paper "Equity and excellence: Liberating the NHS" published on 12 July 2010 sets out the Government's long-term vision for the future of the NHS. This will lead to significant changes in the structure of the NHS and a potential shift in the distribution of funding between primary and secondary care – the Trust can prepare for this by working closely with the local health and social care economy to effectively implement this Government agenda.

Executive Summary (continued)

Future Challenges (continued)

- Whilst the new Coalition Government have committed to "guarantee[ing] …health spending increases in real terms in each year of the Parliament" and to protecting "frontline" NHS services, it is widely acknowledged that in order to deliver improvements in quality and continue to respond to more challenging healthcare priorities, there will be a need to further invest in healthcare services requiring large scale efficiency improvements and more efficient use of resources in the future. The Trust needs to recognise and prepare for these increased financial challenges by reviewing its Quality and Efficiency plans (QuEPs) and overall strategy in light of the impact of these funding and regulatory changes as and when they come to light.
- The Trust continues to progress its application for Foundation Trust (FT) status whilst also exploring alternative strategic options for the structure and future of the organisation, such as the 'Social Enterprise' model. Whatever future organisational form is selected for the Trust will result in unique strategic and governance challenges.
- The Trust is progressing with the "Right care, Right Here" (formerly "Towards 2010") programme, the centrepiece of which will be a new hospital replacing the Trust's existing City and Sandwell General Hospitals. The programme may result in additional accounting issues for discussion and resolution in the coming period, particularly in relation to the acquisition of assets and commencement of construction works. The Trust should ensure that the Board continues to be fully informed of any issues as the project progresses.

We will liaise with the Trust regarding these and any other issues as they emerge. We will work with you to continue to achieve a smooth accounts and audit process.

Fees

Our fee for the audit of the Trust's financial statements* and use of resources work in 2009/10 was £188,500 excluding VAT. This fee was in line with our agreed audit plan.

* there was an additional fee of £12,000 in respect of IFRS balance sheet restatement work mandated by the Audit Commission. This was offset with a rebate from the Audit Commission for this one-off cost of transition to IFRS.

Use of resources

The main elements of our use of resources work are:

- *Auditor's Local Evaluation (ALE)* - we assess how well you manage and use financial resources by providing scored judgements on arrangements in five areas (Financial Reporting, Financial Management, Financial Standing, Internal Control, and Value For Money). We also follow up prior year recommendations to support this conclusion.
- *Value for Money conclusion* – we issue a conclusion on whether we are satisfied that you have put in place proper arrangements for securing economy, efficiency and effectiveness in your use of resources. This is based on the ALE assessment and on the local reviews carried out.

The findings from this work are summarised below.

Element of work	Key findings
Auditors Local Evaluation	Our assessment of Sandwell and West Birmingham Hospitals NHS Trust against the five specified areas resulted in the following scores on a scale of one (inadequate) to four (performing strongly): Area / Score: Financial reporting – 3 Financial management – 3 Financial standing – 4 Internal control – 3 Value for money – 3 These scores result in an overall ALE score of level three meaning that the Trust is assessed as "consistently above minimum performance, performing well". The scores have been locally moderated by the West Midlands Strategic Health Authority local moderation panel. We submitted the scores to the Audit Commission for national consistency review during July 2010 and the scores were released to Trust Chief Executives on 6 August 2010 for review/ challenge. The scores for individual NHS trusts will be made available on the Audit Commission's website in September following the conclusion of the review/ challenge process The 2009/10 ALE assessment remains consistent with the 2008/09 ALE scores for all specified areas. Although the Trust has maintained a consistent trajectory in terms of ALE performance overall, we note that control issues associated with the accounting for fixed assets identified during final accounts have resulted in reconsidering our indicative score of level three in relation to KLOE 2.3 (The Trust manages its asset base) reported to you in our interim report in May 2010. We have revised this score downward to a level two. This will not impact on the Trust's overall ALE score.
Value for money conclusion	We issued an unqualified value for money conclusion for 2009/10. This means that we are satisfied that you put in place proper arrangements for securing economy, efficiency and effectiveness in your use of resources.
New VFM Approach	From 2011/12 we as Auditors will be required to plan local VFM audit work based on an assessment of local audit risk, including: securing financial resilience (managing financial risks), and challenging how you secure economy, efficiency and effectiveness (prioritising resources, and improving productivity). We will discuss and agree our approach to the new VFM regime as further information is released by the Audit Commission.

Based upon our work we concluded that the Trust had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources during 2009/10. We issued our VFM conclusion on 11 June 2010.

We provide an annual update of progress against all recommendations arising from our use of resources and accounts work to the Audit Committee in Appendix 1.

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Audit opinion

We issued an unqualified opinion on your accounts on 11 June 2010. This means that we believe the accounts give a true and fair view of the financial affairs of the Trust and of the income and expenditure recorded during the year. We have also confirmed that you have complied with the Department of Health requirements in the preparation of your Statement on Internal Control (SIC).

Before we give our opinion on the accounts, we are required to report to your Board via the Audit Committee, any significant matters identified. We presented our draft ISA260 on the 11 June 2010 and the key issues are summarised here.

Accounts production and adjustments to the accounts

- We received a set of complete draft accounts in accordance with the Department of Health deadline. The draft accounts were of an adequate standard and quality. We also received the draft annual report and SIC during the course of the audit in accordance with the timetable agreed with the Trust.
- The documentation and working papers provided by the Trust for audit were of a good standard and were clearly referenced to our requirements. The responsiveness of the Trust's finance team to audit queries was also good and this contributed to an efficient audit which met the deadlines set by the Department of Health.
- We agreed a number of presentational changes to the accounts with the finance team, many but not all of which related to compliance with the more onerous requirements of IFRS.
- We raised two high risk recommendations in our Audit Memorandum to the Trust (June 2010) in relation to implementing a physical asset verification exercise and undertaking fixed asset register reconciliations. The Trust has made some progress in implementing these recommendations and commentary is provided in Appendix 1.

Financial Standing

NHS bodies are given financial targets every year. One of these, the breakeven duty, is statutory, which means you **must** achieve it. The others are administrative, which means you **should** achieve them. Your performance against the targets is outlined below:

Target name	What it means	Your performance
In-year breakeven	Keeping expenditure payable for the year within the amount of income received for the year	✓ You reported an in-year surplus of £2.2m*
Cumulative breakeven	As above, over a three year period.	✓ You reported a break even over a three year period.
External Financing Limit (EFL)	Keeping the requirement for cash financing within a limit set by the Strategic Health Authority	✓ You remained within the EFL by £7.908m.
Capital Resource Limit (CRL)	Keeping net capital expenditure within a limit set by the Strategic Health Authority	✓ You remained within the CRL by £0.265m.

*The Trust forecast breakeven throughout the year, and as at 31 March 2010 delivered a financial position of £2.2m surplus. However, the Trust 's Statement of Comprehensive Income reported a deficit of £28.6m. The table overleaf shows how the Trust's underlying performance (of a £2.2m surplus) was made up.

A new method for valuing buildings has been introduced based on Modern Equivalent Asset (MEA) values. The age of some of the Trust's estate has contributed to a significant reduction in values and based on professional reports by the District Valuer, this reduction was reflected as a charge to the accounts of £35.9m.

In addition to the above exclusion there were some limited economic impairments of assets resulting from change of use – this amounted to £5m. In agreement with West Midlands SHA this £5m is a technical adjustment removed from the disclosure of underlying performance for the purposes of assessing compliance with the statutory breakeven duty.

Budgetary / Accounts Performance	2009/10 £000s
Surplus / (Deficit) per Statutory Accounts	(28,646)
Exclude: impairments & IFRIC12 within Nonpay	35,906
Surplus/(Deficit) per SHA monitoring	**7,260**
Adjust for: economic impairments	(5,059)
Surplus/(Deficit) per Trust Target performance i.e. true underlying performance	**2,201**

Challenges for 2010/11 and beyond

- In 2009/10 NHS Trusts must plan for a minimum 3.5% cost improvement. The Trust is currently planning Quality and Efficiency Plan (QuEP) savings of 5.4% (which equates to savings of £20m) and is forecasting a surplus of £2.0m for the year ending 31 March 2010. Key risks to this forecast include:
  - achievement of the QuEP;
  - additional costs incurred by the Trust associated with the "Right Care, Right Here" programme; and
  - any impact on the Trust of developments within primary care through provider separation.

  The Trust has detailed plans in place to achieve the required savings and has proven its ability to achieve challenging QuEPs in the past. However, public expenditure forecasts indicate significant pressure on future NHS funding and the Trust will have to manage the impact of funding pressures with its commissioners and continue to deliver real efficiency and productivity improvements to maintain its financial stability, whilst balancing this with continuing to deliver high quality care to patients. As at the end of June 2010, the Trust was performing at £46,000 above planned year-to-date position, while performance against the QuEP was £102,483 below plan.
- The Department of Health's White Paper "Equity and excellence: Liberating the NHS" published on 12 July 2010 sets out the Government's long-term vision for the future of the NHS. The document focuses on patient choice, improving health outcomes, and devolving power and responsibility for commissioning services to GPs working in consortia. This will lead to significant changes in the structure of the NHS and a potential shift in the distribution of funding between primary and secondary care – the Trust can prepare for this by working closely with the local health and social care economy to effectively implement this Government agenda.
- Whilst the new Coalition Government have committed to "guarantee[ing] …health spending increases in real terms in each year of the Parliament" and to protecting "frontline" NHS services, it is widely acknowledged that in order to deliver improvements in quality and continue to respond to more challenging healthcare priorities, there will be a need to further invest in healthcare services requiring large scale efficiency improvements and more efficient use of resources in the future. The Trust needs to recognise and prepare for these increased financial challenges by reviewing its Quality and Efficiency plans (QuEPs) and overall strategy in light of the impact of these funding and regulatory changes as and when they come to light. The Trust must ensure that its longer term strategy remains viable and that its current QuEPs are sufficient to cover any cuts in overall funding whilst supporting the Trust's ambitious "Right Care Right Here" plans.
- The Trust continues to progress its application for Foundation Trust (FT) status whilst also exploring alternative strategic options for the structure and future of the organisation, such as the 'Social Enterprise' model. The Social Enterprise model is outlined in the Department of Health White Paper "...to create the largest social enterprise sector in the world by increasing the freedoms of foundation trusts and giving NHS staff the opportunity to have a greater say in the future of their organisations...". Whatever future organisational form is selected for the Trust will result in unique strategic and governance challenges.

- The Trust is progressing with the "Right Care, Right Here" (formerly "Towards 2010") programme, the centrepiece of which will be a new hospital replacing the Trust's existing City and Sandwell General Hospitals. The programme may result in additional accounting issues for discussion and resolution in the coming period, particularly in relation to the acquisition of assets and commencement of construction works. The Trust should ensure that the Board continues to be fully informed of any issues as the project progresses.

We will liaise with the Trust regarding these and any other issues as they emerge. We will work with you to continue to achieve a smooth accounts and audit process.

Appendix 1: Key recommendations

This appendix summarises the recommendations that we have identified during 2009/10, along with your response to them. Two "priority one" (high priority) recommendations were made during the year as shown below.

Recommendation	Management Response / Timescale for implementation
The following recommendations have been agreed	
Accounting for Fixed Assets **Issue** Our testing of fixed asset disposals identified that from a list of 112 medical assets disposed of in year from the Trust's EMAT system, only 27 items were found to have been disposed from the Trust's CARS fixed asset register. 85 disposed items had never been included on CARS despite appearing to be of a capitalisable value and nature. We understand that some of these assets may not belong to the Trust. We also note that vast majority of the items identified as not included on the fixed asset register had zero net book value (NBV). Assuming that all of the assets identified from the EMAT disposal report with a residual NBV should have been included on the fixed asset register we calculate a maximum misstatement of PPE NBV in relation to these assets of £235,000. This value is not material in the context of the accounts. However, the lack of a physical verification exercise over fixed assets (reported to the Trust in our May 2010 Interim Report) combined with the inconsistency between EMAT and CARS raises clear questions over the completeness and accuracy of the Trust's fixed asset register and indicates that the historical cost and accumulated depreciation values for Property, Plant and Equipment (PPE) are misstated. We note that medical equipment assets are shorter life assets (with a maximum life per Trust policy of 15 years) and therefore this misstatement is not likely to be material. **Recommendation** The Trust must establish a physical asset verification exercise and undertake a review of the systems and controls in place over the fixed asset register to ensure that the fixed asset register is reconciled to the EMAT system in the first instance and that thereafter periodic updates to the fixed asset register and EMAT systems are subject to independent review and authorisation. **Risk Rating** High	The current practice in the Trust is, wherever possible, to specifically identify equipment within the fixed asset register, including the EMAT reference number so direct comparison between the fixed asset system and the EMAT system is possible. This practice was introduced approximately 3 years ago in response to previous audit recommendations. However, prior to this, EMAT numbers were not recorded and descriptions of assets varied between the 2 systems. Moving further into the past (some of this prior to merger), some individual assets were not specifically identified within the fixed assets system but grouped within an overall facility or service. This does not necessarily mean that the assets are not recorded in the fixed asset register. What it does mean is that they are either not individually recorded or that they are recorded with a different description to that held in the EMAT system. The capital accountant already works closely on an ongoing basis with Medical Engineering staff to ensure completeness and compatibility of the two systems and this relationship has been strengthened in recent years. During the autumn, the capital accountant will work with Medical Engineering staff to ensure that records held by the fixed asset system are compatible and reconcilable with the EMAT system. Where possible, records held within the CARS fixed asset system will be updated but it may be necessary to remove some records completely from CARS and replace them with updated EMAT information. Once initial work is completed, the capital accountant will update the CARS system on a quarterly basis with details of disposals or other changes logged by Medical Engineering within EMAT (this is only an extension of what is already done). Physical verification of assets will be undertaken by Medical Engineering staff and quarterly reconciliations between the two systems will then by reviewed by the Head of Financial Management and Deputy Director of Finance. Timetable for completion of initial update: December 2010. Thereafter, quarterly updates.

Appendix 1: Key recommendations (continued)

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Recommendation	Management Response / Timescale for implementation
Reconciliation of Fixed Asset Register **Issue** We recommended in our previous ISA 260 report that the fixed asset register be fully updated and reconciled to the general ledger by the Capital Accountant on at least a quarterly basis so that any discrepancies are discovered and corrected in a timely manner. This recommendation was originally raised as medium risk but has been raised to high risk due to non-implementation. As part of our interim audit visit we reviewed the summary presentation of the reconciliation (previous output produced all movements in assets) that partially reconciles the FAR to the general ledger, however as the majority of additions and disposals do not occur until the last quarter of the year, there is still no full reconciliation throughout the year. We note that at the year end the CARS fixed asset register was fully reconciled to the ledger. **Recommendation** The fixed asset register must be fully updated and reconciled both to the general ledger and to the EMAT system by the Capital Accountant on at least a quarterly basis so that any discrepancies are discovered and corrected in a timely manner. **Risk Rating** High	The Trust traditionally incurs most of its capital spend in the final quarter of the year so, whatever processes are in place for reconciliation of financial systems, they can only reconcile what exists at the time and while this pattern of spend persists, reconciliation of the majority of new capital items can only occur at the year end. The current reconciliation process in place focuses primarily on capital additions (and the limited number of disposals when they occur). This can readily be extended to add opening and closing asset values thereby providing a fuller reconciliation between the two systems. Reconciliation with the EMAT system is covered above. Existing quarterly reconciliations will be extended to provide a full reconciliation of asset values wef 30th September 2010 and quarterly thereafter.
Salary Overpayments **Issue** We identified a liability of £81,000 in the draft accounts in relation to staff overpayments deemed unlikely to be recovered. These overpayments arise due to departments failing to inform payroll of leavers on a timely basis. **Recommendation** Although the value of these overpayments is not significant in the context of the accounts, stricter controls need to be implemented in order to ensure that payroll is informed of leavers with sufficient notice to avoid overpayments being made. **Risk Rating** Low	Additional reporting arrangements have been introduced in the current year with "naming and shaming" of offending departments as well as involvement of senior management in helping to tackle problem areas. Enhanced reporting and controls already introduced but correcting the problem will require ongoing and concerted pressure.

Appendix 1: Key recommendations (continued)

Recommendation	Management Response / Timescale for implementation
Operating Segments **Issue** IFRS 8 requires disclosure of significant operating segments. Although the standard uses revenue as the principal measure for identification of significant operating segments, the Manual for Accounts states that operating segments can be reported by reference to operating expenses of the Trust. **Recommendation** The Trust has reported one segment in its 2009-10 accounts. As the Trust is placing increased focus internally on moving towards a service-line reporting approach, there is a risk that reporting one segment will not be considered compliant with the Manual for Accounts in future years. As a result, the Trust should review the reporting of its segments during 2010/11, considering the expenditure level as a minimum. In addition, the Trust will need to consider any further guidance issued by the Department of Health in year. **Risk Rating** Low	Service line reporting is still not embedded within normal reporting or management of Trust performance and current management as a single entity is compliant with IFRS 8. However, if and when this situation changes, compliance with IFRS 8 will also have to be reviewed. In addition any guidance issued by the DoH will need to be taken into account. Ongoing review of reporting and management arrangements during 10/11 and recognition of any new or changed DoH guidance.
Assets held for Sale **Issue** Our audit testing identified four domestic properties (dwellings) owned by the Trust that were advertised for sale in year but not accounted for correctly as assets held for sale. Such assets should be separately identified as "held for sale", revalued to open market value (OMV), recognising any impairment cost or revaluation gain immediately, and the depreciation of the assets should cease. **Recommendation** The total value of the properties was £263,000 (cost) / £163,000 (NBV) and therefore inconsequential in the context of the Trust's accounts as a whole. However, we note that the new hospital project element of the Right Care Right Here programme is likely to result in the Trust engaging in significant land and property transactions and the Trust needs to ensure that it correctly applies the principles of accounting for assets held for sale. **Risk Rating** Low	Checks on the status of assets will need to be enhanced as the potential for disposal of property increases with RCRH developments. Ongoing enhanced work with Estates on proposed property disposals.

Appendix 1: Key recommendations (continued)

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Recommendation	Management Response / Timescale for implementation
Registration of Invoices and Better Payment Practice Code **Issue** Our audit cut-off testing identified a £67,000 invoice that had been included within the payables balance in the draft accounts despite the fact that an associated credit note had also been received. We note that the value of the item is not significant but that the error occurred because of a three month delay between the date of the credit note and its being registered on the ledger system. We recommended in our previous ISA260 that the Trust should review its performance against the Better Payments Practice Code and establish the reason for the failure to meet the target. This should include a review of the creditors system to consider if the performance is due to a processing or systems issue or if, in fact, the required invoice signatories are not forwarding invoices for processing within the prescribed timescale. We note that whilst the Trust's performance against BPPC has improved slightly in 2009/10, the Trust's performance continues to be weaker than other comparable NHS organisations. **Recommendation** The Trust should progress its review of its arrangements for registering and checking invoices to facilitate timely settlement of its liabilities. We understand that this issue has been raised at the Finance and Performance Committee and that the Trust is committed to addressing this issue. **Risk Rating** Low	The Trust has already undertaken reviews of performance and reported key issues to the Finance & Performance Management Committee. The vast majority of problems relate to items which are not ordered through the Oracle purchasing system or which are not properly ordered and/or receipted. Performance within the Accounts Payable Section is satisfactory in terms of compliance with the BPPC. The largest area, by a significant margin, in terms of non compliance is in relation to drugs and pharmacy purchases. These are undertaken through JACS (the pharmacy system) and currently invoices need to be certified within Pharmacy prior to being input into Oracle Financials for processing. The majority of these invoices are not paid within the 30 day BPPC period. Although an interface for the electronic capture of data has been established in Oracle for some time, it has not been possible for the JACS system to provide the data and an alternative solution is now being pursued. Other improvements are being pursued through roll out of electronic procurement via Oracle which will eliminate the need for certification of invoices for purchases not currently made through Oracle. Finalise alternative solution for interfacing between JACS and Oracle Financials. Completion 31st October 2010. Continue roll out of catalogue based electronic procurement solutions. Ongoing but significant levels of coverage to be achieved by 31st March 2011 in line with QUEP work stream.
Provisions **Issue** Our audit testing identified two specific provisions made by the Trust which did not meet the specific requirements of IAS 37 and for which we therefore identified audit adjustments. These were in relation to a provision for redundancy pay overstated by £222,000 in respect of employees who had already left the Trust and been paid prior to 31 March 2010 and a £400,000 provision for litigation arising from the Trust's redundancy programme but where no claims against the Trust had been lodged by the SOFP date. No claims have subsequently been lodged. **Recommendation** When raising provisions the Trust should consider and provide evidence to demonstrate that the specific requirements of IAS 37 have been met. All provisions must represent present obligations of the Trust arising from past events as at the SOFP date. **Risk Rating** Low	Calculation of provision levels at the year end is often in response to rapidly changing circumstances, hence assumptions made at the time can be overtaken by events (as was the case with the provision for termination costs). All finance staff to be reminded of the requirements of IAS 37 leading up to and during the production of the statutory accounts.

Appendix 2: Reports issued

Report	Date issued
Audit Plan	April 2009
Interim Audit and Auditors Local Evaluation Report	May 2010
Audit Memorandum	June 2010