

Meeting of the Council of Governors
 Wednesday 25 July 2018 at 1730-1915
 Lecture Theatre, Blair Bell Education Centre, Liverpool Women's Hospital,
 Crown Street, Liverpool L8 7SS

Refreshments will be available in the Atrium, Blair Bell Education Centre at 1700.

Item no. 2018	Title of item	Objectives/desired outcome	Process	Item presenter	Time allocated to item	CQC Fundamental Standard
037	Welcome & Apologies for absence	Receive apologies	Verbal	Chair	1730	Well led
038	Patient Story	To receive	Verbal/ Presentation	Patient/Staff		
039	Meeting guidance notes	Receive and note	Written guidance	Chair		Well led
040	Declarations of interest – <i>do Governors have any interests to declare?</i>	Identify and avoid conflicts of interest	Verbal	Chair		Well led
041	Minutes of the previous meeting	Confirm as an accurate record the minutes of the previous meeting	Written minutes	Chair	1750	Well led
042	Matters arising and action log - <i>No formal actions arising from the meeting.</i>	Provide an update in respect of any matters arising	Verbal	Chair		Well led

043	Chair's announcements <ul style="list-style-type: none"> • <i>Genetics Laboratories</i> • <i>Electronic Patient Records</i> • <i>Single Neonatal Service</i> • <i>Neonatal Build</i> • <i>Governor Elections</i> • <i>Future Generations</i> 	Report recent and announce items of significance not elsewhere on the agenda	Verbal	Chair & relevant Executive Directors	1755	Well led
MATTERS FOR RECEIPT / APPROVAL						
044	Activity Report from the Governor Group Meetings. <ol style="list-style-type: none"> 1. <i>Quality and Patient Experience Group</i> 2. <i>Finance and Performance Group</i> 3. <i>Communications and Membership Engagement Group</i> 	Receive activity reports for assurance	Verbal Verbal Verbal	Group Chairs Pat Speed John Foley Cynthia Dowdle	1815	All
045	Annual Report and Accounts 2017/18 & ISA 206 report	To receive the Annual Report and accounts and report from the Auditors	Written/ Presentation	Director of Finance/ Trust Secretary/ Trust Auditor	1830	Well Led
046	Just and Fair Culture	To note	Presentation	Director of Workforce and Marketing	1900	Well Led
ITEMS FOR INFORMATION AND DISCUSSION						
047	Review of risk impacts of items discussed	Identify any new risk impacts	Verbal	Chair		Well Led
048	Any other business	Consider any urgent items of other business	Verbal or written	Chair		Well Led

049	Review of meeting	Review the effectiveness of the meeting	Verbal	Chair / all	Meeting end 1915	Well Led
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Date, time and place of next meeting: *Wednesday 24 October 2018 at 1730 in the Lecture Theatre, Blair Bell Education Centre, Liverpool Women's Hospital*

COUNCIL OF GOVERNORS

Minutes of a meeting held on Wednesday 25th April 2018 at 17:30
in the Lecture Theatre, Blair Bell Education Centre, Liverpool Women's Hospital

Present:

Mr Robert Clarke	Chair
Mrs Sheila Gwynn-Adams	Public Governor (South Liverpool)
Mr Adrian O'Hara	Public Governor (North Liverpool)
Mr Isaac Olaitan Okeya	Appointed Governor (Central)
Mr Adel Soltan	Staff Governor (Doctors)
Mr John Foley	Staff Governor (Admin)
Mrs Mary McDonald	Appointed Governor (Community/voluntary/orgs)
Mr Saad Al-Shukri	Public Governor (Central Liverpool)
Dr Aminu Musa Audu	Public Governor (Rest of England & Wales)
Ms Carole McBride	Public Governor (Sefton)
Mr Richard Roberts	Public Governor (South Liverpool)
Ms Terri Ann Green	Public Governor (Central Liverpool)
Ms Pat Speed	Public Governor (Sefton)
Mrs Sarah Carroll	Public Governor (Central)
Ms Gillian Walker	Staff Governor (Nurses)
Dr Ana Alfirevic	Appointed Governor (University of Liverpool)

Apologies Council of Governors:

Cllr Patricia Hardy	Public Governor (Sefton)
Ms Liz Williams	Public Governor (North)
Professor Valerie Fleming	Liverpool John Moores
Reverend Cynthia Dowdle	Appointed Governor (Community/voluntary groups)
Councillor Tim Beaumont	Appointed Governor (Liverpool City Council)
Mrs Pauline Kennedy	Staff Governor (Midwives)
Cllr Tim Beaumont	Liverpool City Council

In Attendance:

Mrs Kathryn Thomson	Chief Executive
Mr Colin Reid	Trust Secretary
Ms Jo Moore	Non-Executive Director
Mr Jeff Johnston	Director of Operations
Ms Jenny Hannon	Director of Strategy & Planning
Ms Julie King	Acting Director of Nursing & Midwifery
Dr Jo Topping	Associate Medical Director
Mr Andrew Duggan	Deputy Head of Communications
Mrs Michelle Turner	Director of Workforce & Marketing
Mr Tony Okotie	Non-Executive Director (Senior Independent Director)
Mr Phil Huggon	Non-Executive Director
Ms Susan Milner	Non-Executive Director
Dr Devender Roberts	Associate Medical Director

Apologies (attendees)

Mr Andrew Loughney

Medical Director

Mr David Astley

Non-Executive Director

Mr Ian Knight

Non-Executive Director (Chair of Audit Committee)

015 **Welcome & Apologies for absence**

Apologies as noted above.

016 **Meeting guidance notes**

Received and noted.

017 **Declarations of interest**

No-one present declared any relevant interests in the business of the Council.

018 **Minutes of previous meetings on the 24th January 2018**

The minutes of the previous meeting were taken as read, agreed as a true and correct record.

019 **Matters arising and action log**

No formal actions arising from the meeting. Nevertheless, the Chairman gave the below updates:

- CQC inspection: The Chair advised that the Trust had received the draft report from CQC and was being reviewed for accuracy, the final report being due mid-May. Feedback from the inspection was very positive.
- Amendment to the trust Constitution: The Chair reported on the amendment made to the trust constitution which had been approved by the Council at its meeting on 24 January 2018. One of the amendments was the inclusion of a student representative as an appointed governor. The Trust Secretary advised that arrangements were being made with the student body of University of Liverpool to provide an appointed Governor who would hold office for a two year period. He explained that as soon as the University provides a name he would advise the Council.
- Open Door sessions with the Chair: The Chair thanked all the Governors who attended the scheduled one-to-one meeting during the previous weeks.
- Secure access to board papers by all Governors: The Trust Secretary reported that he was working on the provision of a shared website that was secure and would enable Governors using their personal email address to access. He explained that it was important the website was secure and did not pose any risk to data being access by non-Governors/administrators.
- Employment Tribunal: The Chief Executive reported on the recent tribunal she and the director of Workforce had attended as witnesses together with a number of other members of staff and the university of Liverpool staff regarding Mr Mark Tattersall. She advised that the Trust awaited the judgement of the case which was likely to be received in early to mid May 2018.

019 **Chair's announcements**

The Chair thanked all members who attended the Dedicated to Excellence event on 20 April 2018.

Referring to RTT and 62 day cancer the Chair asked the Director of Operations to provide a brief summary of the current status, recognising that reports on both RTT and 62 Day Cancer had been provided to the Quality and patient Experience Group and the Finance and Performance Group.

The Director of Operations updated the Council and advised that with regards to RTT the Trust had a validated performance of 87% achievement against a target of 92% and the recovery plan of 86%. He advised that this was better than expected noting the work being undertaken in the

Trust to bring the indicator back on target. With regards to full recovery the Director of Operations was hopeful that this would be achieved in July 2018. He added additional context to the performance reporting that the national position for RTT reporting for gynaecology in February was 87.9%. The Director of operations advised that it take longer to bring the 62 day cancer performance back in line with expectations. He explained that there were a number of external factors that influence performance including access to diagnostics and and shortages in consultant manpower. Responding to questions from Pat Speed, the Director of Operations advised that additional clinics had been provided and reported that this would continue to the foreseeable future and advised that consultant availability was not only a problem for the Trust but was a national problem.

Cheshire and Mersey STP: the Chair provided an overview of the role of the Cheshire and Mersey STP explaining that the group included commissioners and providers from across the NHS working in collaboration to achieve savings and transformation for the patients benefit. He explained that the Trust was a member of the STP which was broken down into individual areas due to the size of the overall region. The Trust was part of the North Mersey region and the capital requirement for any new build would be processed through the Cheshire and Mersey STP.

021 Activity Report from the Governor Group Meetings

1. Quality and Patient Experience Group

Pat Speed, Chair of the Governor Quality and Patient Experience Group, reported on the topics discussed at the meeting held on 19 March 2018 as set out in the notes of the meeting included in the papers. She advised that there was some really good discussion that took place particularly surrounding the concerns in delivery of RTT and 62 Day Cancer and that the Chairs reports from the Board Quality Committee and Putting People First Committee was well-received. Pat Speed felt that holding the Group meetings prior to the Council allowed for greater understanding of the issues being faced by the trust and what the Directors were doing about it.

Responding to a question on the gender pay gap requirements, the Director of Workforce advised that the Trust had published its data which could be found on the website. She explained that the review had indicated that there were no significant differences between female and male pay.

2. Finance and Performance Group

John Foley, Chair of the Governor Finance and Performance Group, reported on the topics discussed at the meeting held on 26 March 2018 as set out in the notes of the meeting included in the papers. John Foley encouraged Governors to attend the Group meetings as it provided additional assurances on the performance of the Trust and asked that if they required any additional information that they contact him in person.

The Chair stated that if anyone was interested in chairing the Finance and Performance Group, to let the Trust Secretary know as John Foley's term of office as a Governor ended at the AMM on 13 October this year.

3. Communications and Membership Engagement Group

The Chair presented the work of the Communications and Membership Engagement Group meeting in Cynthia Dowdle's absence. The Trust Secretary advised that the on-line Governor effectiveness review would be undertaken during May/June and asked that when received by email that each Governor complete the questionnaire so that it would inform on the future needs of the Council.

022 Governor Elections 2018

The Trust Secretary explained the Governor Elections' process that would be undertaken for 2018. The Chair asked that all Governors reflect on how the trust could promote and the positive aspects of the role of Governor and provide any ideas to the Trust Secretary. The Council noted that the process would commence at the end of July and conclude at the AMM on 13 October 2018.

023 NED role at LWH

Jo Moore, Non-Executive Director provided an insight into why she became a Non-Executive Director of the Trust and what her role has been since being appointed. Jo Moore advised that she had found a number of similarities between the investment banking, which was her background and the financial needs of the Trust given both worked within an extremely regulated environment.

The Chair thanked Jo Moore.

024 Review of risk impacts of items discussed

No new risks identified, although recognise the risks to the delivery of RTT and 62 day cancer performance.

025 Any other business

Adel Soltan, referring to changes made in the provision of printers across the Trust asked whether the impact of such an introduction had gone through the quality impact assurance process as he was finding that clinical time was being impacted on. The Director of Finance was not certain of the process that was taken when the final decision was made. She felt that there was a resilience quest to be raised and would take the matter up with the Chief Information Officer.

Referring to the Electronic Personal Records process; the Chair advised that this was a massive transformation undertaking organisationally and that he would suggest that a short presentation is provided to the Council or one of its Groups.

The Chair informed that the Council that the Maternity Department was having an event 'Who's Shoes' on the 8th of June 2018 and all Governors are invited. The Trust Secretary would send out to governors the relevant details.

026 Review of meeting

The meeting was effective and all items were covered in a timely manner.

Annual Report and Accounts 2017/18

A copy can be provided at the meeting
on request from the Trust Secretary



External Audit Report

Liverpool Women's NHS Foundation Trust

—
29 May 2018

I confirm that this is the final version of our ISA 260 Audit Memorandum relating to our audit of the 2017/18 financial statements for Liverpool Women's NHS Foundation Trust. This document was discussed and approved by the Trust's Audit Committee on 18 May 2018.

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Timothy Cutler

Partner for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Manchester

29 May 2018

Our audit opinions and conclusions:

Financial Statements: **material uncertainty in relation to going concern**

Use of resources: **qualified (except for)**

Quality Reports (content): **clean**

Quality Report (indicators): **adverse**

Content

The contacts at KPMG in connection with this report are:

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Important Notice

This report is presented under the terms of our audit engagement letter. Circulation of this report is restricted. The content of this report is based solely on the procedures necessary for our audit. This report is addressed to Liverpool Women's NHS Foundation Trust (the Trust) and has been prepared for your use only. We accept no responsibility towards any member of staff acting on their own, or to any third parties. The National Audit Office (NAO) has issued a document entitled Code of Audit Practice (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the Trust. External auditors do not act as a substitute for the Trust'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.

Basis of preparation: We have prepared this External Audit Report (Report) in accordance with our Letter of Appointment dated 14 March 2018.

Purpose of this report: This Report is made to the Trust's Audit Committee (and for the quality report work we will share the findings with governors) in order to communicate matters as required by International Audit Standards (ISAs) (UK and Ireland), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

Restrictions on distribution: This Report is subject to disclosure restrictions as set out in our Letter of Appointment.

Limitations on work performed: This Report is separate from our long form audit report and does not provide an additional opinion on the Trust's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report. The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit: Our audit is now complete.



Summary



Financial Statements Audit

Section Two

Financial Statements Audit

We audit your financial statements by undertaking the following tasks:

Work Performed	Accounts production stage		
	Before	During	After
1. Business Understanding: review your operations	✓	✓	–
2. Controls: assess the control framework	✓	–	–
3. Prepared by Client Request (PBC): issue our prepared by client request	✓	–	–
4. Accounting standards: agree the impact of any new accounting standards	✓	✓	–
5. Accounts Production: review the accounts production process	✓	✓	✓
6. Testing: test and confirm material or significant balances and disclosures	–	✓	✓
7. Representations and opinions: seek and provide representations before issuing our opinions	✓	✓	✓

We have completed the first six stages shown above and report our key findings below:

1. Business Understanding	In our audit plan we assessed your operations to identify significant issues that might have a financial statements consequence. We confirmed this risk assessment as part of our audit work. We have provided an update on each of the risks identified later in this section.
2. Assessment of the control environment	<p>We have assessed the effectiveness of your key financial system controls that prevent and detect material fraud and error. We found that the financial controls on which we seek to place reliance are operating effectively. We have raised 4 recommendations arising from our audit of the property, plant and equipment note. The implementation of these recommendations will strengthen the control environment at the Trust.</p> <p>We have reviewed the work undertaken by Mersey Internal Audit Agency, your internal auditors, in accordance with ISA 610 and used the findings to inform our planning and audit approach. We have chosen not to place reliance on their work due to the approach we adopted for the financial statements audit.</p>
3. Prepared by client request	We produced this document to summarise the working papers and evidence we ask you to collate as part of the preparation of the financial statements. We discussed and tailored our request with the Acting Financial Controller and this was issued as a final document to the finance team. The working papers were of a high standard and were provided in a timely manner.
4. Accounting standards	We work with you to understand the changes to accounting standard and other technical issues. For 2017/18 the key areas that we have considered as part of our audit are set out on page 9 to 12.

Section Two

Financial Statements Audit

5. Accounts Production	We received complete draft accounts by 24 April 2018 in accordance with NHSI's deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of ARM and GAM. We will debrief with the Finance team to share views on the final accounts audit. Hopefully this will lead to further efficiencies in the 2018/19 audit process. In particular we would like to commend Trust finance staff who were available throughout the audit visit to answer our queries. We thank the finance team for their co-operation throughout the visit which allowed the audit to progress and complete within the allocated timeframe.
6. Testing	We have summarised the findings from our testing of significant risks and areas of judgement within the financial statements on the following pages. During the audit we identified only presentational issues which have been adjusted as they have no material effect on the financial statement.
7. Representations	You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Director of Finance on 17 May 2018. We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. We are asking management to provide specific representations on management's full disclosure of all information relevant to the material uncertainty surrounding the Trust's cash position.

We are required under ISA 260 to communicate to you any matters specifically required by other auditing standards to be communicated to those charged with governance; and any other audit matters of governance interest. As the Trust is required to comply with elements of the UK Corporate Governance Code through the Foundation Trust Code of Governance, ISA 260 also requires us to communicate to you any information that we believe is relevant to understanding our rationale and the supporting evidence for the exercise of our professional judgement. This includes our view of: Business risks relevant to the financial reporting objectives, the application of materiality and the impact of our judgements on these areas for the overall audit strategy and audit plan; significant accounting policies; management's valuations of the Trust's material asset and liabilities and the related disclosures; the quality of management's assessment of the effectiveness of the system of internal control included in the AGS; and any other matters identified during the course of the audit. We have not identified any other matters to specifically report.

To ensure that we have provided a comprehensive summary of our work, we have over the next pages set out:

- The results of the procedures we performed over valuation of NHS income and receivables and valuation of land and buildings which were identified as significant risks within our audit plan and which will form a part of our audit opinion;
- The results of our procedures to review the required risks of the fraudulent risk of revenue recognition and management override of control; and
- Our view of the level of prudence you have applied to key balances within your financial statement

Section Two

Financial Statements Audit

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Valuation of land and buildings	Land and buildings, £64,049K, PY £59,588K Revaluations £3,134K, PY £2,214K	<p>Our procedures included:</p> <ul style="list-style-type: none"> — Assessing valuers credentials: We assessed the competence, capability, objectivity and independence of the Trust's external valuer and assessed the accuracy and completeness of the information provided to the valuer in 2017/18, to inform the desktop valuation; — Methodology choice: We critically assessed the valuation method and the reasonableness of the assumptions used by the valuer to arrive at the final valuations; — Test of detail: We reconciled the valuation report to the financial statements to ensure that valuation movements had been applied correctly both in total and at an individual asset level; and — Test of detail: We critically assessed the Trust's formal consideration of indications of impairment and surplus assets within its estate, including the process undertaken. <p>In all respects we are satisfied that the Trust has accounted for land and buildings appropriately and that there are no material misstatements.</p>

Section Two

Financial Statements Audit

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Existence of NHS income and receivables	NHS income £109,268K, PY £103,474K NHS receivables £7,372K, PY £6,247K	Our procedures included: <ul style="list-style-type: none"> — Test of detail: We compared the actual income for the Trust's most significant commissioners against the block contracts agreed at the start of the year and checked the validity of any significant variations between the actual income and the contracted income to appropriate third party confirmations; — Test of detail: We inspected confirmations of balances provided by the Department of Health as part of the AoB exercise and compared the relevant receivables recorded in the Trust's financial statements to the payable balances recorded within the accounts of commissioners and, where applicable, investigating variances via breakdown analysis and review of relevant correspondences to assess reasonableness; and — Test of detail: We agreed the receipt of Sustainability and Transformation Funding monies, including the basis for agreement of quarter four funding based on relevant financial and performance measures, and confirmed the treatment is in line with guidance from the NHS Improvement. <p>In all respects we are satisfied that the Trust has accounted for NHS income and NHS receivables appropriately and that there are no material misstatements.</p>

Section Two

Financial Statements Audit

Risks that ISAs require us to assess in all cases	Why	Our findings from the audit
<p>Fraud risk from revenue recognition</p>	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>We recognise that the incentives in the NHS differ significantly to those in the private sector which have driven the requirement to make a rebuttable presumption that this is a significant risk. These incentives in the NHS include the requirement to meet regulatory and financial covenants, rather than broader share based management concerns.</p>	<p>In addition to the income testing set about above, we also considered areas of management judgement, valuation and estimation and the impact of any identified audit adjustments on the delivery of the planned deficit that was agreed with NHS Improvement.</p> <p>We have nothing to report in respect of this risk.</p>
<p>Fraud risk from management override of controls</p>	<p>Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We have considered that there is a heightened risk of management override of control based upon the incentives and performance oversight offered and deployed by NHSI during the 2017/18 period.</p>	<p>Our procedures, including testing of journal entries, accounting estimates and significant transaction outside the normal course of business, no instances of fraud were identified.</p> <p>We have performed specific procedures to:</p> <ul style="list-style-type: none"> • Understand the Q4 judgement management reach which have led to receipt of STF funding; • Review accounting judgements which are impacting the reported outturn position (see page 12); • Reconciled the year end performance to in year financial report to ensure that divergence in performance can be understood and justified; and • Reviewed the year end cut off processed to ensure that revenue and expenditure items have been reflected within the correct period.

Section Two

Financial Statements Audit

Judgements in your financial statements

We consider the level of prudence within key judgements in your financial statements. We have summarised our view below using the following range of judgement:



Assessment of subjective areas				
Asset/liability class	Current year	Prior year	Balance (£m)	KPMG comment
Provisions	2	n/a*	£4.5m (PY:£3.0m)	The largest provision relates to legal claims ongoing at the 31 March 2018. Since the balance sheet date one of the legal claims has ended with the Trust successfully defending the claim. We therefore consider the balance to be cautious. The second largest provision relates to a restructuring. We consider the related disclosures proportionate.
Accruals (current)	3	n/a	£6.25m (PY:£6.0m)	The balance comprises of both system generated creditors (accounts payable) and other creditors in relation to goods and services received but not yet invoiced. We consider the related disclosures to be proportionate.
Deferred income	3	n/a	£3.8m (PY:£3.1m)	The balance comprises income in respect of research projects and other sources, the most significant of which relate to income associated with the future electronic patient records system and from Liverpool University in respect of the Centre for Better Births. We consider the related disclosures to be proportionate.
Debtors provisioning	3	n/a	£1.006m (PY:£0.559m)	We consider the related balances and disclosures to be proportionate and the Trust's level of prudence to be balanced based on the profile of debts and pattern of repayment.

* Not applicable given this is the first year that KPMG has audited the Trust.

Section Two

Financial Statements Audit

Assessment of subjective areas				
Asset/liability class	Current year	Prior year	Balance (£m)	KPMG comment
Assets (lives, VAT and valuations)	3	n/a	£75.5m (PY:£71.7m)	<p>We consider the related balances and disclosures to be proportionate and the Trust's level of prudence to be balanced given the application of annual desktop reviews and the specific impairment review carried out by the Trust.</p> <p>We have raised a recommendation around valuation/impairment of IT assets and intangibles which is discussed in Appendix 1. This relates to the consideration of impairment and whether any costs need to be written off.</p>

Annual report

We have read the contents of the Annual Report (including the Accountability Report, Performance Report and AGS) and audited the relevant parts of the Remuneration Report. We have checked compliance with the NHS Foundation Trust Annual Reporting Manual (ARM) issued by NHSI. Based on the work performed:

- We have not identified any inconsistencies between the contents of the Accountability, Performance and Director's Reports and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the director's statements. As Directors you confirm that you consider that the annual report and accounts taken as a whole are 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.
- The part of the Remuneration Report that is required to be audited were all found to be materially accurate;
- The AGS is consistent with the financial statements and complies with relevant guidance subject to updates as outlined within section three; and
- The report of the Audit Committee included in the Annual Report is currently being reviewed by management to ensure that it appropriately addresses matters communicated by us to the Audit Committee, and meets guidance as set out in the ARM.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Section Two

Financial Statements Audit

Audit Fees

Our fee for the audit was £48,920 plus VAT. This fee was in line with that highlighted within our audit plan agreed by the Audit Committee in January 2018. Our fee for the external assurance on the quality report was £10,208 plus VAT.

KPMG has also completed non audit work which impacts on the Trust. KPMG has provided the ISAE 3402 service for NEP SSG, a Shared System Provider for 35 NHS Trusts. Liverpool Women's is one of the 35 Trusts using NEP. The total fee for this service was £29,500 plus VAT which equates to £843 plus VAT per Trust.

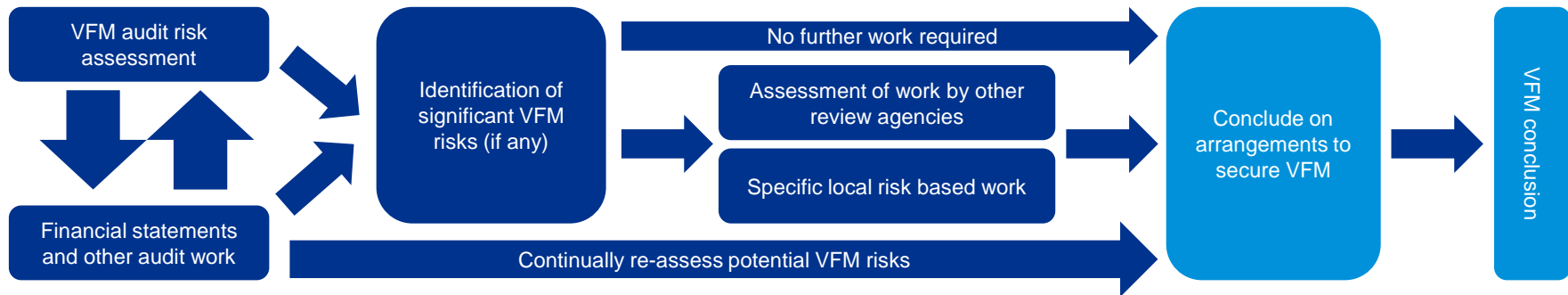


Value for Money

Section Three

Value for Money

For 2017/18 our value for money (VFM) work follows the NAO's guidance. It is risk based and targets audit effort on the areas of greatest audit risk. Our methodology is summarised below. We identified two significant VFM risks which are reported overleaf. We also provide a summary below of the routine work required to issue our VFM conclusion. Our conclusion is that we are satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018, with one exception reflected in the first significant risk set out overleaf.



AGS review	Regulatory review	Other matters considered in risk assessment
<p>We reviewed the 2017/18 AGS and took into consideration the work of internal audit.</p> <p>We confirm that the AGS reflects our understanding of the Trust's operations and risk management arrangement.</p>	<p>We considered the outcomes of relevant regulatory reviews (NHS Improvement, CQC, etc.) in reaching our conclusion.</p> <p>NHSI has placed Liverpool Women's in segment 3 of the single oversight framework. A foundation trust will only be in segments 3 or 4 where it has been found to be in breach or suspected breach of its licence.</p> <p>The Trust were subject to a CQC review in February 2018. The report was published in May 2018 and gave the Trust an overall 'good' rating.</p>	<p>As part of our risk assessment we reviewed various matters, including:</p> <ul style="list-style-type: none"> • forecast run rate position. • core assumptions in the 2018/19 Annual Plan. • recurrent cost improvement schemes are identified and delivered. • current operational performance and commissioner relationships / contractual risks. • planned vs actual outturn. • significant one-off items affecting the outturn position. • management's assessment of the Trust's ability to continue as a going concern. • financial support received. • partnership arrangements / relationships with key third parties.

Section Three

Value for Money

Significant risk based VFM audit work

The table below sets out the detailed findings of our significant risk based VFM work. This work was completed to address the residual risks remaining after our assessment of the higher level controls in place to address the VFM risks identified in our planning and financial statements audit work.

Value for money risk	Why this risk is significant	Our audit response and findings
<p>Financial Sustainability</p>	<p>As part of our responsibilities in relation to reaching our use of resources conclusion we are required to perform any work that we regard as necessary to allow us to conclude on whether you have effectively, efficiently and economically exercised your functions.</p> <p>Due to a combination of regulatory scrutiny and significant financial challenge in the sector and locally across the health economy, we will undertake a detailed consideration of your developing financial position and sustainability.</p> <p>In 2017/18 the Trust accepted a £4m control total deficit.</p> <p>The Trust achieved a deficit of £1.3m, following receipt of a further £2.3m of STF money after over-achieving against the control total deficit.</p> <p>In 2017/18 the Trust indicated a requirement for distress funding of £4m but only drew down £2m during the year. As at the end of 2017/18, the Trust had working capital loans from the department of health totalling £12.25m.</p> <p>Although a loan of £5.6m was due for repayment in March 2018 the Trust was not in a position to make the repayment without borrowing further funds and notified NHSI. The Trust received instruction from NHSI that the repayment date had been rolled forward to March 2019. The Trust has an expectation that they will not be required to pay this back in 2018/19 and therefore have not included the repayment in their 2018/19 plan. Should this not prove to be the case, the Trust will not have sufficient cash resources to repay the loan without borrowing further funds.</p> <p>No distress revenue funding has been drawn down in the 2018/19 year to date however the Trust is anticipating it will require £1.6m to be drawn down in the 2018/19 year and this has been built into the Trust's 2018/19 financial plan.</p>	<p>Our work included:</p> <ul style="list-style-type: none"> — Performing an analysis of the Trust's actual position against plan; — Considering the core assumptions in the Trust's 2018/19 Annual Plan submission; — Considering the extent to which recurrent cost improvement schemes were achieved in 2017/18 and identified for 2018/19; — Reviewing the Trust's cashflow forecasts and availability of distress funding, as well as consideration of the level of debt within the Trust; and — Reviewing the number of material contracts with commissioners which have been agreed for 2018/19 and the supporting risk analysis as reported to the Board. <p>In considering the Trust's arrangements for securing sustainable resource deployment, we identified the following matters:</p> <ul style="list-style-type: none"> — The Trust is reliant on cash support from the Department of Health. Cumulatively, at the 31st March 2018, the Trust has drawn down £12.25m of distressed funding. — £5.6m of distressed funding is due to be repaid in the 2018/19 financial year however the Trust has an expectation this will not need to be repaid without borrowing further funds and therefore has not built this repayment into the 2018/19 annual plan. — The Trust's 2018/19 annual plan includes a requirement for £1.6m of further revenue support. <p>In considering the Trust's arrangements for securing sustainable resource deployment, we have concluded on this information to reach an 'except for' opinion.</p>

Section Three

Value for Money

Significant risk based VFM audit work (continued)

Our audit strategy and plan remain flexible as risks and issues change throughout the year. We update our risk assessment throughout the year and have identified that two of these risks are value for money risks in 2017/18 year. We communicated to the Audit Committee in March 2018 that we had identified CQC inspection response as a significant VFM risk. Following a review of the report published by the Care Quality Commission in May 2018 we have concluded that this is not a significant VFM risk to the Trust.



Quality Report

Section Four

Quality Report

Conclusion on content of quality report

We are satisfied that there is sufficient evidence to provide a limited assurance opinion on the content of the quality report.

Work performed and findings

We consider two criteria:

- Review of content to ensure it addresses the requirements set out in the Detailed Requirements for Quality Reports for Foundation Trusts in 2017/18 issued by NHSI; and
- Review of content in the quality report for consistency with other information specified by NHSI.

Our findings are set out below:

Issue considered	Findings
Inclusion of all mandated content	<p>The content of the quality report presented for audit was accurately reported in line with the quality report regulations.</p> <p>We noted minor matters concerning the availability of specified information for learning from deaths however the Trust has updated the quality report to include this information.</p>
Are significant matters in the specified information sources reflected in the quality report and significant assertions in the quality report supported by the specified information sources?	<p>We identified that the Trust's quality report reflected its significant matters, relevant to the selected priorities from the specified information sources.</p> <ul style="list-style-type: none">• Significant assertions in the quality report are supported by the relevant information sources; and• Significant assertions in the draft of the quality report were supported by the specified information sources.

Audit of indicators within the quality report

We carried out work on two mandated indicators, which require a public opinion, as specified by NHSI in its guidance:

- Maximum waiting time of 62 days from urgent GP referral to first treatment for all cancers; and
- Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways.

In addition, we carried out work on a locally selected indicator chosen by your Council of Governors. The indicator selected was the number of never events. This indicator is not subject to a limited assurance opinion.

Conclusion

Our work on the two mandated indicators has concluded that there is not sufficient evidence to provide a limited assurance opinion in respect of 62 day cancer waits and 18 weeks for patients on incomplete pathways. We are unable to provide a limited assurance opinion in respect of the two indicators due to data quality issues that have been identified by the Trust in the year of audit.

For the local indicator, the number of never events, we have concluded that if required we would be in a position to provide a limited assurance opinion.

Please note that the extent of the procedures performed is reduced for limited assurance. The nature of the procedures may be different and less challenging than those used for reasonable assurance. Therefore, our work was not a reasonable assurance audit of either the performance indicators or the processes used to collate and report them.

Results of our work

We have set out overleaf the key findings from our work as described above in relation to the two mandated indicators and the locally selected indicator. In reaching our conclusions we required to have assessed the design and operational of the systems of control over the data against the six data quality dimensions defined by the NAO. In reaching our conclusion we have assessed these arrangements to consider whether they can be graded as:

- **Green:** No improvement to achieve compliance with the dimensions of data quality noted.
- **Amber:** Opportunities to achieve great efficiency or better control in compliance with the dimensions of data quality noted.
- **Red:** Concern that systems will not achieve compliance with one or more aspects of the dimensions of data quality and therefore a limited assurance opinion cannot be provided.

Section Four

Quality Report

Design of system and processes and operation				Results of our sample testing	Conclusion reached
Data quality dimension	Design	Operation	Commentary on ratings		
Mandated Indicator: Maximum waiting time of 62 days from urgent GP referral to first treatment for all cancers					
Accuracy	●	●	Due to the issues identified with data quality we have not been able to gain assurance over the six elements of data quality. The Trust reported to NHSE issues with the data submitted for this indicator when they became aware of the issues. Therefore there are known data issues with the months April to January. The Trust has revised its processes and reported data it believes to be correct in both February and March.	Through our testing of the final two months of the year we did not identify any data issues with the sample of 7 selected for testing.	The Trust identified issues which suggest that data may not be presented in line with national guidance for the first 10 months of the year.
Completeness	●	●			
Relevance	●	●			
Reliability	●	●			
Timeliness	●	●			
Validity	●	●			
Overall	●	●	Overall, as identified by the Trust there were not appropriate arrangements in place to ensure data quality in the 2017/18 year.		

Section Four

Quality Report

Design of system and processes and operation				Results of our sample testing	Conclusion reached
Data quality dimension	Design	Operation	Commentary on ratings		
Mandated Indicator: Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways					
Accuracy	●	●	Due to the issues identified with data quality we have not been able to gain assurance over the six elements of data quality. The Trust reported to NHSE issues with the data submitted for this indicator when they became aware of the issues. Therefore there are known data issues with the months April to January. The Trust has revised its processes and reported data it believes to be correct in both February and March.	Through our testing of the final two months of the year we identified that one out of seven patients had been excluded from March's submission incorrectly. Our testing did not identify any other significant issues.	The Trust identified issues which suggest that data may not be presented in line with national guidance for the first 10 months of the year.
Completeness	●	●			
Relevance	●	●			
Reliability	●	●			
Timeliness	●	●			
Validity	●	●			
Overall	●	●	Overall, as identified by the Trust there were not appropriate arrangements in place to ensure data quality in the 2017/18 year.		

Section Four

Quality Report

Design of system and processes and operation				Results of our sample testing	Conclusion reached
Data quality dimension	Design	Operation	Commentary on ratings		
Local Indicator: The number of never events.					
Performance target: 0.					
Performance recorded in Quality Report: 2 events in the year. 1 de-escalated following guidance from NHSE.					
Accuracy	●	●	An incident is recorded as a never event on the Ulysses incident reporting system. A daily report is run and reviewed by the Head of Governance and Quality to identify such incidents. If an incident is identified as a never event, a 72 hour report is produced. This report is then sent to the Medical Director and Director of Nursing for them to agree whether it is in fact a never event or a serious incident. The incident is put onto StEIS (Strategic Executive Information System).	The Trust recorded two never events in the 2017/18 year. For both never events recorded we were able to review the incidents to ensure that the procedures designed by the Trust had been followed. We have to give an amber conclusion on the completeness dimension as it is not possible to test completeness as we are testing what has been reported.	While we not required to give an opinion on this indicator, we have not come across any indications that data for this indicator is not produced in line with national guidance.
Completeness	●	●	Completeness of this indicator is reliant on the review of all serious incidents by the Medical Director and the Director of Nursing.		
Relevance	●	●	Never events are identified as such on the Ulysses incident reporting system. We have not identified any significant issues with the relevance of the data.		
Reliability	●	●	Data for the indicator is extracted from Ulysses. We have not identified any significant issues with the reliability of the data.		
Timeliness	●	●	Daily reports are run to identify any never events. We have not identified any significant issues with the timeliness of the data.		
Validity	●	●	An investigation is launched into each incident once it has been confirmed as a never event. We have not identified any significant issues with the validity of the data.		
Overall	●	●	Overall, there are appropriate arrangements in place to ensure the quality of data for this indicator.		



Appendices

Appendix 1

Recommendations raised and followed up

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations		
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2
		Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
		3
		Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
Financial Statements			
1	3	<p>High levels of property, plant and equipment with gross book values but nil net book values</p> <p>Through our testing of property, plant and equipment we have been unable to reconcile back the gross element of the assets to the asset register as there are a number of historical adjustments which mean these do not balance back to the asset register. This is because historically, gross balances on fully depreciated assets were set to nil within the asset register. The difference on the gross costs in respect of Plant & Machinery assets is £7,439k, representing the difference between the value in the financial statements of £23,725k and £16,286k for the value in the asset register. The net book value of the population reconciles back to £5,103k in both records.</p> <p>The Trust is assured that all assets remain in existence through their annual existence verification exercise which they undertake. There is no impact to the net book value of the Trust's assets as these can be reconciled through to the existing assets on the Trust's asset register.</p> <p>There is a risk that there are assets included at gross values on the balance sheet that have been disposed of by the Trust. Carrying a high gross value of assets that have a nil net book value implies that the original asset lives assigned to these assets may have been too short.</p> <p>The Trust should also consider whether the asset lives for these assets is appropriate and revise their policy on asset lives appropriately.</p>	<p>The Trust is aware of the historic difference between the fixed asset register and the ledger in respect of gross book values and accumulated depreciation. However, the Trust has compensating controls and assurance as follows:</p> <p>(i) There has never been any historic difference between the closing Net Book value of the assets</p> <p>(ii) The Trust carries out a twice yearly fixed asset verification exercise and gains assurance that all assets are disposed of on a timely basis.</p> <p>(iii) The Trust assigns asset lives to differing asset categories on a consistent and prudent basis as per the accounting policies of the Trust.</p> <p>Notwithstanding this the Trust will;</p> <p>(A) Review the categorisation of the historic entries in the fixed asset register with a view to bringing them back into alignment with the ledger values</p> <p>(B) Perform an in depth review the asset lives of the equipment assets of the Trust</p> <p>Officer: Financial Controller</p> <p>Due date: March 2019</p>

Recommendations raised and followed up

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
Financial Statements			
2	3	<p>Single site approach to revaluation</p> <p>The Trust operates a single site approach to the consideration of the asset in accounting for revaluation movements and therefore records of the individual blocks making up the buildings are not included. As a result the overall total movement is taken to the revaluation reserve. There is a risk that this could hide separate movements in the individual block components considered by the valuer.</p> <p>The Trust does not split the relevant components as it considers the Trust to be a single site, and only requests the valuer to do so in order to calculate separate elements of depreciation on the estate. This was an approach agreed with the Trust's previous auditor. However, as the valuer is identifying and providing separate asset lives for the individual 'blocks' for the building, it would seem appropriate to disaggregate to this level when accounting for revaluation movements.</p> <p>We have reviewed the past 3 valuations (including the current year revaluation) and have not identified any downward movements on any components during this period. Therefore we are satisfied that the movement of the revaluation increase to the revaluation reserve in the year is appropriate.</p> <p>The Trust should look to separate out the various components within the revaluation reserve. This will be important going forward if there are any changes to the usage of individual components.</p>	<p>The Trust has not separated out the revaluation reserve on a block component basis as it considers the main hospital site to be a single site used for the provision of its services.</p> <p>However, the Trust will review the feasibility of separating out the revaluation reserve into individual block components</p> <p>Officer: Financial Controller</p> <p>Due date: March 2019</p>
3	3	<p>Involvement of Estates in Trust's approach to impairment and valuation</p> <p>The Trust should more formally involve the Estates team in the annual impairment and valuation process. The Trust's impairment review is currently written by the Finance team. The Estates team should formally feed into the Trust's impairment review to comment on indicators of impairment including changes in use, evidence of obsolescence physical damage. The Estates team should also provide this type of information to the Valuers before they commence the annual desktop review.</p>	<p>The Trust will produce a formal impairment review paper for the March 2019 Audit Committee and ensure that this is shared with the external valuer.</p> <p>Officer: Financial Controller</p> <p>Due date: March 2019</p>

Appendix 1

Recommendations raised and followed up

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
Financial Statements			
4	3	<p>Review of IT assets and consideration of impairment on intangibles</p> <p>The Trust should review their IT asset balances for any assets that could be considered to be an intangible assets, such as software.</p> <p>The Trust should also consider impairment of IT assets and intangibles on an annual basis to ensure the carrying value of the asset and useful economic lives are appropriate. The Trust should consider if any costs need to be written off.</p>	<p>The Trust regularly reviews their IT asset balances for any assets that could be considered to be Intangible assets / impairments. The review of the assets will be formalised going forwards.</p> <p>Officer: Financial Controller</p> <p>Due date: March 2019</p>

Appendix 1

Recommendations raised and followed up

We have also follow up the recommendations from the previous years audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
1	1	0

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (May 2018)
Financial Statements				
1*	2	<p>Signed contracts are not held for all employees</p> <p>Our testing around controls in place over starters has identified that employment contracts signed by the new employees were not always held within the employee file. Although the contract is issued to the employee, the signed copy is sometimes not sent back to the HR department for filing. We recommend that HR include the signing of employee contracts within the induction process to ensure it is performed on a timely basis and that a copy is kept by HR.</p>	<p>All of the actions from the 2016 audit were implemented by June 2016. The current audit has highlighted that 7 of the 25 files audited did not include returned and signed contracts of employment. The main area of deficiency was within the medical staffing recruitment process. To address this issue a decision has been made to integrate Medical Staffing Recruitment in to the general recruitment process. This will ensure all the current controls are enforced in this area and the Medical Staffing Manager is to meet with the Recruitment Team Leader on a monthly basis to review outstanding actions.</p>	<p>Implemented.</p> <p>We sample tested 15 new starters at the Trust as part of our controls work on payroll. For all 15 new starters sample tested, we were able to review the employee's contract. Therefore we are satisfied this recommendation has been implemented.</p>

* Note - This recommendation was raised by the Trust's previous auditors, PWC, in their audit report for the year ended 31 March 2017.

Appendix 2

Audit Differences

Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Audit Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate.

We are pleased to report that there were no unadjusted audit differences arising from our report, in excess of our reporting threshold of £75k.

Under UK auditing standards (ISA UK&I 260) we are required to provide the **Audit Committee** with a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Adjusted audit differences (£m)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Trade Payables	-	£0.641	Adjustment to correct the classification of balances within the Trust's Trade and other payables disclosure, including the Trust's holiday pay accrual. This is an adjustment to the classification of balances and has no impact on the overall financial position.
	Cr Accruals	-	(£0.621)	
	Cr Other Payables	-	(£0.020)	
Total		-	£0	

Appendix 2

Audit Differences

We are required to report any inconsistencies greater than £300,000 between the signed audited accounts and the consolidation data and details of any unadjusted errors or uncertainties in the data provided for intra-group and intra-government balances and transactions regardless of whether a Trust is a sampled or non-sampled component. We have nothing to report.

Appendix 3

Audit Independence

The purpose of this Appendix is to communicate all significant facts and matters that bear on KPMG LLP's independence and objectivity and to inform you of the requirements of *ISA 260 (UK and Ireland) Communication of Audit Matters to Those Charged with Governance*.

Integrity, objectivity and independence

We are required to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

We have considered the fees paid to us by the Trust for professional services provided by us during the reporting period. We are satisfied that our general procedures support our independence and objectivity.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail. There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Board of Governors.

Audit matters

We are required to comply with *ISA (UK and Ireland) 260 Communication of Audit Matters to Those Charged with Governance* when carrying out the audit of the accounts.

ISA 260 requires that we consider the following audit matters and formally communicate them to those charged with governance:

- Relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement lead and audit staff.
- The general approach and overall scope of the audit, including any expected limitations thereon, or any additional requirements.
- The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Trust's financial statements.
- The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.
- Audit adjustments, whether or not recorded by the entity that have, or could have, a material effect on the Trust's financial statements.

Appendix 3

Audit Independence

- Material uncertainties related to event and conditions that may cast significant doubt on the Trust's ability to continue as a going concern.
- Disagreements with management about matters that, individually or in aggregate, could be significant to the Trust's financial statements or the auditor's report. These communications include consideration of whether the matter has, or has not, been resolved and the significance of the matter.
- Expected modifications to the auditor's report.
- Other matters warranting attention by those charged with governance, such as material weaknesses in internal control, questions regarding management integrity, and fraud involving management.
- Any other matters agreed upon in the terms of the audit engagement.

We continue to discharge these responsibilities through our attendance at Audit Committees, commentary and reporting and, in the case of uncorrected misstatements, through our request for management representations.

Auditor Declaration

In relation to the audit of the financial statements of the Trust for the financial year ending 31 March 2018, we confirm that there were no relationships between KPMG LLP and the Trust, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards in relation to independence and objectivity.

Appendix 3

Audit Independence

We have summarised below the non-audit services that we have been engaged to provide, the estimated fee, the potential threats to auditor independence and the associated safeguards we have put in place to manage these.

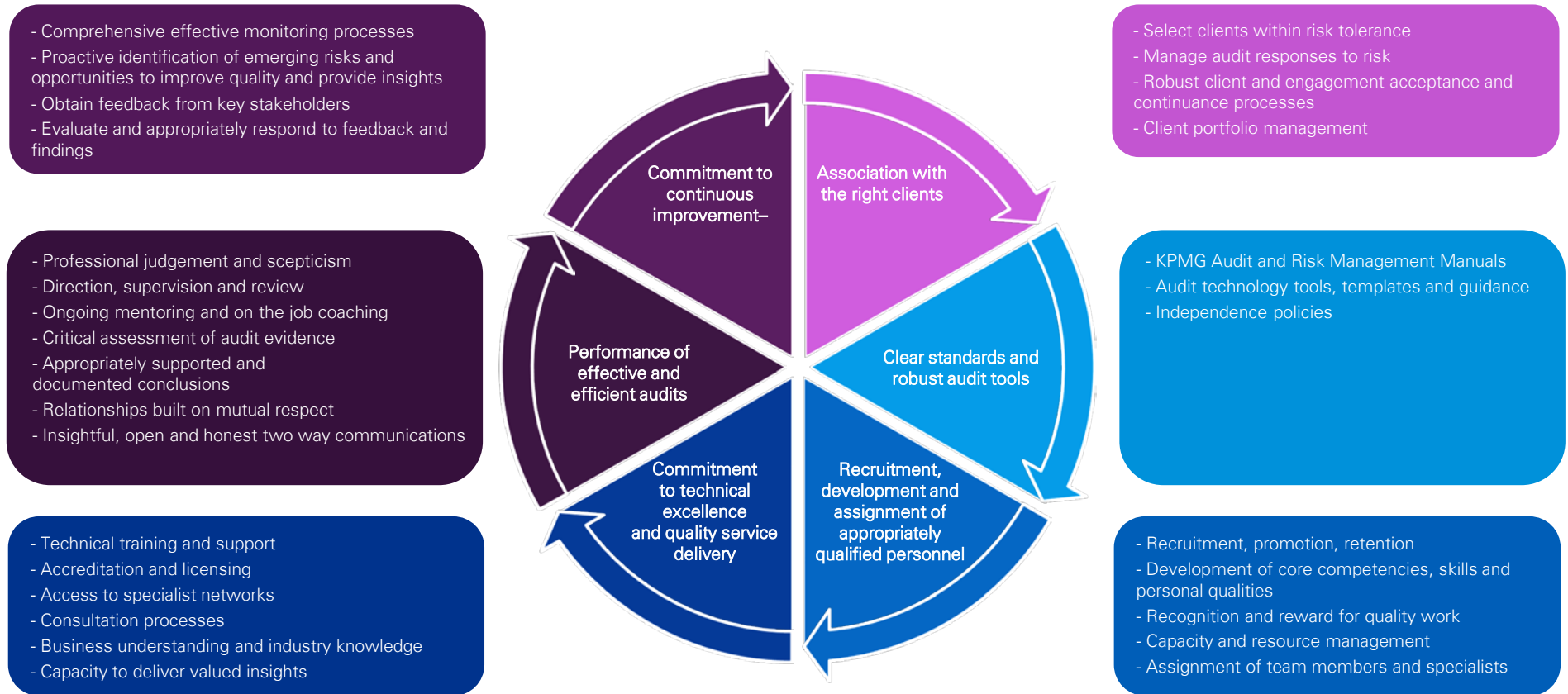
Description of non audit services	Estimated Fee 2017/18	Potential threat to auditor independence and associated safeguards in place
Quality accounts	£10,108	<p>Whilst the requirement for you to obtain a limited assurance report from your external auditors on the quality report remains a requirement of the GAM, it now falls outside of the NAO's Code of Audit Practice and is thus, for 2017/18, a non-audit service.</p> <p>The work undertake in relation to the Quality Report is specified by NHS Improvement and is wholly consistent with prior years. As a result, we do not perceive any potential threats to auditor independence from this engagement neither advocacy, self-review, self-interest, intimidation, familiarity or management.</p>
Provision of ISAE 3402 service for NEP SSG, a Shared System Provider for 35 NHS Trusts	£29,500 total which equates to £843 per Trust	<p>Self-interest: This engagement is entirely separate from the audit through a separate contract. The team is a different team to the audit team. The fee rate is low per trust in comparison to the audit fees and is not contingent on any outcomes from the assurance work.</p> <p>Self-review: The nature of this work is to provide an independent assurance report to the relevant external body. This does not impact on our other audit responsibilities.</p> <p>Management threat: This work provides a separate assurance report and does not impact on any management decisions.</p> <p>Familiarity: This threat is limited given the scale, nature and timing of the work.</p> <p>Advocacy: We will not act as advocates for the Trust in any aspect of this work. The output is an independent assurance report to the relevant external body.</p> <p>Intimidation: not applicable to this areas of work.</p>
Total fees	£843, excluding VAT	
Total fees as a percentage of the external audit fees	22.4%	

We have considered the ratio of audit to non-audit fees and as required by the APB Ethical Standards. The principal threat which arises from fees from non-audit services which are large in absolute terms of relative to the audit fee is the perception of self-interest and advocacy. In this regard, we do not consider that the above ratio creates such a self-interest or advocacy threat since the absolute level of non-audit fees is not significant to our firm as a whole and neither the audit partner nor members of the audit team are incentivised on, or rewarded in respect of, the provision of non-audit services to you. We believe that the question of perception is best addressed through appropriate disclosure as to use of the auditor for the provision of non-audit services in the Trust's annual report.

Appendix 4

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework





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