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To: All NHS foundation trust Finance Directors
Cc: All NHS foundation trust named FTC contacts

30 August 2016

Dear colleague,

Closure of 2015/16 annual report and accounts process

I am writing to thank you and your teams for your cooperation and contribution throughout the year to enable both the NHS foundation trust sector and the wider departmental group to meet their respective annual reporting deadlines for 2015/16.

All but three NHS foundation trusts submitted audited accounts on time on 27 May 2016 enabling us to meet our reporting deadline for providing consolidated data for NHS foundation trusts to the Department of Health. Both the NHS foundation trust consolidated accounts and the Department of Health resource accounts were successfully laid before Parliament on 21 July before the summer recess. The document *NHS foundation trusts: consolidated accounts 2015/16* is available on our [website](#)¹.

The challenges in preparing annual reports and accounts in 2015/16 differed to previous years. Trusts continued to face challenges of a tightening financial environment. The Department recorded a £0.2 billion underspend against its total group revenue budget of £114.5 billion. The monthly information provided by foundation trusts and other bodies together with the sector's response to the financial environment helped the Department to manage its budgetary position to achieve this and I would like to thank you and your teams for your cooperation during the year.

Some foundation trusts supported us further by sharing greater details of bad debt provisions made against commissioner balances. The Department used this information to improve the accuracy of the Departmental accounts to remove these one-sided provisions mismatches where departmental level detail showed that the commissioner was recording a payable balance. As we said at the time, the foundation trust's information was not shared with the commissioner and we thank those trusts for their assistance in providing this additional information to us.

¹ <https://www.gov.uk/government/publications/nhs-foundation-trusts-consolidated-accounts-201516>

Feedback and accounts template

In 2014/15 we introduced a new optional accounts template for foundation trusts which continues to be utilised by many trusts in 2015/16. We will continue updating and developing this template and are keen to receive any feedback or ideas for its future development that we may be able to implement. Additionally we will continue to make improvements to the Foundation Trust Consolidation (FTC) spreadsheet forms. Your feedback on both the accounts template and the FTC forms is always welcome and appreciated and can be sent to ft.accounts@monitor.gov.uk.

As part of preparing the consolidated accounts, we have a number of points of feedback to share with the sector. A list of these points is provided in the annex to this letter. We will share this feedback with auditors in October when we meet with audit representatives as part of the National Audit Office's local auditors' advisory group. These points may therefore become areas of auditor focus in the coming year.

Looking forward

The Department of Health will be publishing its post-consultation Group Accounting Manual (DH GAM) for 2016/17 in the coming weeks. The DH GAM will set the accounting principles for all DH group bodies, including NHS foundation trusts for the first time in 2016/17. There are no substantial changes to the accounting requirements for foundation trusts compared to the former FT Annual Reporting Manual (FT ARM).

NHS Improvement will continue to publish the FT ARM which will contain the annual report requirements for foundation trusts. As such, chapter 2 of the DH GAM will not be applicable to foundation trusts. We hope to issue the FT ARM for 2016/17 in September or October, following the finalisation of NHS Improvement's Single Oversight Framework.

We have commenced planning for the 2016/17 accounts process with the Department of Health and NHS England. The deadlines for draft and audited accounts submissions will be determined with reference to the submission and laying dates for the departmental group as a whole. We will communicate the timetable to NHS foundation trusts after the Department's Financial Accounts Steering Group has approved it, which we expect will be in September.

Please can you ensure the content of this letter is shared with your teams locally and our appreciation is passed on.

Yours faithfully

A handwritten signature in black ink, appearing to read 'I. Ratcliffe', with a horizontal line underneath.

Ian Ratcliffe

Head of Sector Financial Accounting

Annex: Observations on 2015/16 accounts

Having completed the consolidation of NHS foundation trust accounts for 2015/16, we have made the following observations which apply to some, but by no means all, of the sector. We will raise these with NHS foundation trust auditors at the next meeting of the NAO's local auditors' advisory group (LAAG):

- **Confirmations** – We use the information on the confirmations tab in the FTCs to aid the consolidation of NHS foundation trusts' accounts. A significant number of trusts failed to answer the audit opinion questions appropriately in the audited FTC. In addition, responses to the confirmations on charities were variable.
- **Financial instruments** – the fair values of financial assets and financial liabilities tables were poorly completed in 2015/16, primarily because trusts either populated the book value columns or fair value columns, but not both as required. Additionally, trusts are directed in the FTC to provide more details on financial instruments in the free text tab as required, however this option was seldom used. This required us to contact a number of trusts to ascertain what the omitted values should have been to make adjustments centrally, or obtain more information regarding trusts' financial instruments.
- **Justify or change points (JOCs)** – JOCs apply high level reasonableness tests to assist preparers in identifying and correcting errors before submission to Monitor (now operating as NHS Improvement). Where the check is failing for a valid reason, providing detailed responses reduces the likelihood that we will need to contact the trust for further information. In 2015/16 the quality of responses to these checks improved significantly, reducing the amount of follow-up required with trusts, however there were still a notable amount of explanations missing.
- **Accounts and FTC consistency** - we are required to amend any material inconsistencies between FTCs and underlying trust accounts, where the FTC is deemed as incorrect. The volume of inconsistencies identified by us and subsequently adjusted continued to be high, albeit lower than in 2014/15. Inconsistencies were mostly found in financial instruments and related parties notes.
- **Responding to queries from the Sector Financial Accounting Team** – during the course of preparing the consolidated accounts, our team often needs to contact trusts for additional information. We are grateful to FTC contacts for turning our queries around much more quickly than in previous years, often within a few hours, which significantly reduced the amount of delays experienced in making amendments.
- **Cutting and pasting** – cutting data from cells in the FTC form can alter formulae that are dependent on those cells. This creates casting errors in the data on consolidation. If you enter data into an incorrect cell, please copy (ctrl+c) rather than cut (ctrl+x) the data to make the correction.

Laying of accounts

Feedback from the Department of Health parliamentary office in 2015/16 noted that the laying process went very well. All foundation trusts submitted on time and only two had minor formatting issues that were not acceptable to the Journal Office. This enabled all reports to be laid well in advance of recess, and we thank foundation trusts for paying attention to the instructions for laying their annual reports, despite the late change to instructions from the parliamentary office. The parliamentary office has provided the following feedback to be observed for next year:

- The font size on the front cover and title page should be a reasonable size. They advise Arial, size 14.
- The format of the title page should always be trust name first, accounts period next and then the laying reference text.
- The parliamentary office advise using Arial size 12 for the NHS Trust copyright detail included on the bottom of the title page
- Reports should not have plastic covers, as the parliamentary office then have to cut them off.
- It would be helpful if the outside of the boxes or packing envelopes were labelled with the trust name so that the parliamentary office can quickly identify which reports have been received without having to open every package.

Annual report and accounts for publication

Nearly a third of foundation trusts submitted their final annual report and accounts as laid before Parliament late to NHS Improvement, when compared to the deadline in the FT ARM. Furthermore, approximately 30 trusts' submissions were found to be incomplete, in most cases missing the auditor's limited assurance opinion on the quality report. Trusts must ensure that they refer to the FT ARM which clearly stipulates annual report and accounts requirements.

When reviewing the annual report and accounts, we also noted that many trusts included notes in the accounts that consisted of zeros only. Trusts should tailor accounts to their own needs; therefore if a note is not applicable, there is no need to include the note in the accounts.

We also observed that a number of contents page references were incorrect, which we assume is due to last minute changes.