

To: All NHS Foundation Trust Finance Directors
Cc: All NHS Foundation Trust named FTC contacts

29 August 2013

Dear Colleague,

Closure of 2012/13 Annual Report and Accounts process

I am writing to thank you and your teams for your co-operation throughout the year to enable the NHS foundation trust sector to meet its annual reporting deadlines for 2012/13.

All NHS foundation trusts submitted audited accounts on 30 May 2013, and Monitor was able to meet its deadline for reporting consolidated data for the NHS foundation trust sector to the Department of Health. Monitor's audited consolidated accounts for the sector were successfully laid before Parliament on 11 July 2013.

This represents a significant achievement for the sector and we wish to thank you and your team for your work during the year to facilitate this.

Following the 2011/12 accounts process, Monitor listened to your feedback and sought to improve the accounts process for 2012/13. Your feedback to date has highlighted where you have benefited from the improvements we sought to make. We are keen to further improve the accounts process and already have plans to do so. Your feedback to FT.Accounts@monitor.gov.uk is always welcome.

In September Monitor will meet with the auditors of NHS foundation trusts as part of our regular Technical Issues Forum. At this meeting we will share in general terms our observations on accounts in the sector having completed the sector consolidation. A list of these points is contained in the annex to this letter for your information, as they may become points of auditor focus in the coming year.

We are due to commence planning for the 2013/14 accounts process with the Department of Health, NHS England and the NHS Trust Development Authority soon. The deadlines for draft and audited accounts submission will ultimately be determined with reference to the submission and laying dates for the NHS as a whole. We will communicate the timetable to NHS foundation trusts in the FT Bulletin as soon as we have clarity on these dates for 2013/14.

Please can you ensure that the content of this letter is shared with your teams and Monitor's appreciation is passed on.

Yours faithfully

A handwritten signature in black ink, appearing to be 'JD', written in a cursive style.

Jason Dorsett
Director of Finance, Reporting and Risk

Annex: Observations on 2012/13 accounts

Having completed the consolidation of NHS foundation trust accounts for 2012/13, Monitor has 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 Technical Issues Forum (TIF) meeting in September:

- **Confirmations** – Monitor utilises the information on the confirmations tab in the FTCs to aid the consolidation of NHS foundation trusts' accounts. A number of trusts failed to update the 'audit opinion' question when supplying audited FTCs, and in two instances reported a qualified opinion despite there being no such qualification on the accounts.
- **Units in disclosure notes** – some trusts entered figures in disclosure notes such as losses and special payments and third party assets in the wrong units (for example disclosing £millions of third party assets rather than £thousands). Please take care when completing the FTC template, particularly in notes and tables that do not feed into primary statements.
- **Losses and special payments** – in some instances this note was inconsistent with the exit packages note and appeared to be incomplete.
- **Third party assets** – some trusts included all of their bank account balances in this note instead of just patients' monies.
- **Employee costs note** – Pay as You Earn (PAYE) deductions are payable by the employee but administered by the employer as an agent. These transactions should be included as 'external to government' in the expenditure note in the FTCs and be excluded from WGA transaction data. The same applies to employee contributions for National Insurance and pensions where only the employer contributions are central government revenue expenditure for the FT. However any payables/receivables balances with HMRC, the National Insurance Fund or the NHS Pensions Agency at the year end will include PAYE deductions outstanding and both employer and employee contributions.
- **Inventory / Consistency between FTCs and accounts** – in many cases the inventory movements note was not properly completed in the FTCs, with the additions and usage of inventory rows not filled in and a net balancing figure entered. In some instances this was then inconsistent with accounts where 'inventories recognised in expenses' was disclosed.
- **Audit fees** – the three audit fees lines in the expenditure note in the FTCs (and similar lines in your accounts) relate to fees payable to your external auditor only. Any internal audit costs (where the internal auditor is different to the external auditor) should not be entered in these rows and should be disclosed elsewhere in the expenditure note. This applies equally to the 'other auditor remuneration' note: this is only amounts paid to the external auditor.
- **PFI costs on IFRS / UK GAAP basis** – table 37C in the FTC form is generally poorly completed. This should be fully completed by all trusts with PFI/LIFT schemes or other on-SoFP service concession arrangements (apart from two exceptions previously agreed with Monitor). This note should identify the charges to expenditure relating to the on-SOFP PFI scheme(s) and then the charge to expenditure had the schemes been accounted for under UK GAAP. The final rows should identify the capital additions on an IFRS / UK GAAP basis. On an IFRS basis this will include capital lifecycle expenditure, and on a UK GAAP basis is expected to relate to the building up of the residual interest. This note is required for the Departmental accounts as central government budgets are prepared under the European System of Accounts (ESAs)

rather than IFRS.

Audited submissions and version control

There were 13 instances where FTCs submitted by auditors to the NAO did not match the version submitted by the Trust to Monitor. NHS foundation trusts are reminded that no changes should be made to FTCs after auditor sign off and auditors should be provided with the final FTC post audit adjustments. Late submissions and revised submissions after the deadline result in errors or late adjustments in the consolidated accounts. Once our system has collected your submission at the submission deadline, we do not search for later versions. Only one file should be submitted, by the stated deadline. Under no circumstances should a replacement file be uploaded to the Portal after the deadline without communicating to Monitor. If in very exceptional circumstances a late amendment is required, this must be communicated to Monitor (by email to both your relationship team and FT.Accounts) so that the impact of this change can be assessed.

Laying of accounts

NHS foundation trusts are reminded that Schedule 7 of the NHS Act 2006 requires NHS foundation trusts to lay their audited annual report and accounts before Parliament. The procedural processes and associated deadlines are set out in the Foundation Trust Annual Reporting Manual. It is the NHS foundation trust's responsibility to ensure accounts are laid and reach the Department of Health's Parliamentary Clerk on time and in the correct format. Difficulties with printers, couriers or the postal service are not acceptable reasons for failing to comply with these requirements.