

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

29 July 2015

Dear colleague,

Closure of 2014/15 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 2014/15.

All but three NHS foundation trusts submitted audited accounts on time on 29 May 2015 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 2014/15* is available on our [website](#)¹.

The challenges in preparing annual reports and accounts in 2014/15 differed to previous years. In the absence of any major changes in accounting policy, responding to the challenges of a tightening financial environment was the key focus for much of the sector. The Department recorded a £1.2 million underspend against its total group revenue budget of £110.6 billion. The monthly information provided by foundation trusts and other bodies 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.

Feedback and accounts template

In 2014/15 we introduced a new optional accounts template for foundation trusts which we are pleased to see has been utilised by many trusts. We intend to 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

¹ <https://www.gov.uk/government/publications/nhs-foundation-trusts-consolidated-accounts-201415>

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. We are also currently consulting on changes to the 2015/16 FT ARM which can be found [here](#)².

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

We have commenced planning for the 2015/16 accounts process with the Department of Health, NHS England and the NHS Trust Development Authority. 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 expect to communicate the timetable to NHS foundation trusts after the Department's Financial Accounts Steering Group has approved it 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



Jason Dorsett
Director of Finance, Reporting and Risk

² <https://www.gov.uk/government/consultations/nhs-foundation-trust-annual-reporting-manual-proposed-amendments-for-201516>

Annex: Observations on 2014/15 accounts

Having completed the consolidation of NHS foundation trust accounts for 2014/15, 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):

- **Remuneration report** – further to the 2013/14 changes to remuneration tables in the remuneration report, additional requirements for the unaudited section of the report were added in 2014/15. The remuneration reports of many foundation trusts did not meet these new requirements. In addition, the audited sections of more than 40 remuneration reports were non-compliant where either the report did not fully present the 'single total figure table' introduced in 2013/14 or the required tables were included in the annual accounts rather than the remuneration report which is not permitted by the FT ARM.
- **Losses and special payments** – some foundation trusts are not applying the aggregation rules set out in paragraph 6.7 of the FT ARM when reporting cases for bad debts or stores losses. This creates significant outliers when compared across the sector.
- **New PFI tables** – in 2014/15 we began collecting additional information on the breakdown of unitary payments paid in respect of on-SoFP PFI schemes. At month 9, the quality of data provided in these tables was variable however following feedback to some trusts, submissions at month 12 were notably improved. We are currently consulting on proposals within the draft 2015/16 FT ARM requiring disclosure of this table within FT annual accounts.
- **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.
- **Related parties** – the value of transactions and balances recorded against NHS Business Services Authority in the related parties note of FTC forms increased significantly as a result of some FTs recording all income and receivables from commissioners against this body. Trusts are asked to take care with classification in this note, which should be consistent with recording of counterparties in the WGA sheets.
- **Holiday pay accruals** – a small number of foundation trusts were identified as including holiday pay accruals under provisions instead of payables. There is no uncertainty in a holiday pay accrual as it would be possible to calculate the value of the liability precisely (although in practice it is often an estimate). This should therefore always be recorded as an accrual and not a provision. The distinction is important not only for consistency across the sector but also for budgetary classifications.
- **Prior period restatements** – a number of foundation trusts made prior period adjustments in their 2014/15 accounts which were not reflected consistently in their FTC forms. Unlike NHS Trust or DH collection forms, the FTC form permits foundation trusts to amend comparatives and make prior period restatements because pre-populated comparative data is not protected. Moreover where comparatives are restated in the trust's accounts, the same adjustment must be made in the FTC form. Consistency between the FTC form and audited accounts should always be maintained.
- **Accounts and FTC consistency** - we are required to amend any material inconsistencies between FTCs and underlying trust accounts. This year the volume of

inconsistencies identified by us and subsequently adjusted continued to be high. Many numbers were omitted from the FTC entirely at both draft and audited submissions and there were also instances where the FTC and the accounts notes were prepared on different bases, which should never be the case.

- **Justify or change points (JOCs)** – JOCs apply high level reasonableness tests to assist preparers in identifying and correcting errors before submission to Monitor. 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 2014/15 the quality of responses to these checks improved significantly.
- **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.
- **Links in FTC files** – FTC files received by Monitor are loaded into a consolidation database. Where files contain links, the consolidation database is unable to load the information fully resulting in imbalances in the consolidated accounts. Significantly more trusts submitted files containing links in 2014/15 compared to previous submissions. Please use the 'break links' button on the front of the FTC form to break links before loading files to the portal. The FTC form prompts users to break links when closing the file.

Laying of accounts

Feedback from the Department of Health parliamentary office in 2014/15 noted that the laying process went very well. All foundation trusts submitted on time and only four 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. 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
- The format of the title page should always be trust name first, accounts period next and then the laying reference text.
- It would be helpful if boxes or packing envelopes could be labelled on the outside to give the trust name so that the parliamentary office can quickly identify which reports have been received without having to open every package.
- In the rare circumstance of a foundation trust changing its name after the year end but before laying (for example from 1 April), the title page should be prepared with the trust's former name as applied during the reporting period, with an additional line on the title page for "From 1 April 201X now known as ...".

The parliamentary versions of the annual report submitted to Monitor for publication by 15 foundation trusts were found to be incomplete, in most cases missing the auditor's limited assurance opinion on the quality report, but some also missing the accounts, the quality report or the statutory audit report. The FT ARM specifies what should be included in the annual report and accounts.