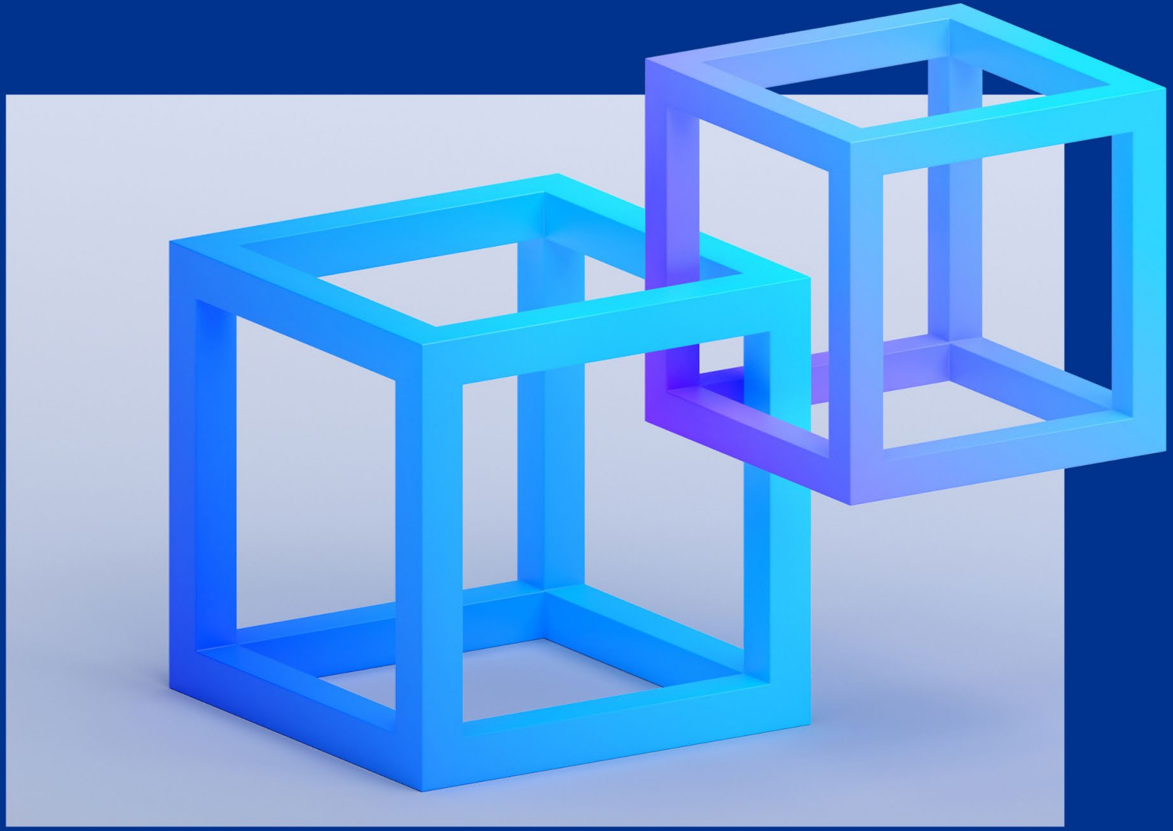
KPMG

Barnsley Hospital NHS Foundation Trust



Year end report to the Audit Committee for the year ended 31 March 2024

FINAL

27 June 2024

Introduction

To the Audit Committee of Barnsley Hospital NHS Foundation Trust

We are pleased to have had the opportunity to meet with you on 12 June 2024 to discuss the results of our audit of the consolidated financial statements of Barnsley Hospital NHS Foundation Trust (the 'trust') and its subsidiary (the 'Group'), as at and for the year ended 31 March 2024.

We are providing this report in advance of your Trust Board meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented to the Audit Committee on 17 January 2024. We will be pleased to elaborate on the matters covered in this report when we meet.

Summary

Our audit is complete on the Trust.

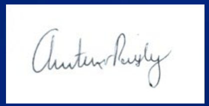
There has been one change to our audit plan and strategy since this report was presented in January 2024, relating to our expenditure recognition risk. Following completion of further risk assessment activities after receipt of the draft financial statements, the precise nature of this risk has been amended, although still focused on the completeness of expenditure recognised in 2023/24. Further details can be found on Page 5.

We expect to issue an unmodified Auditor's Report.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Restrictions on distribution of this report

Yours sincerely,



Christopher Paisley

27 June 2024

How we deliver audit quality

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.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

Important notice

Purpose of this report

This report has been prepared in connection with our audit of the consolidated financial statements of Barnsley Hospital NHS Foundation Trust (the 'Trust') (and its subsidiary), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted by the Group Accounting Manual issued by the Department of Health and Social Care, as at and for the year ended 31 March 2024.

This Report has been prepared for the Trust's Audit Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), 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.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Group'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.

Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit Committee of the Group; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it. We note that the Trust will provide a copy of our final report to NHS England.

Our audit findings

Significant audit risks		Page 7 –10
Significant audit risks	**Risk change**	**Our findings**
Valuation of land and buildings	No change	We have not identified any misstatements from our work in respect of this significant risk We have raised one recommendation in relation to management's valuation process. See Appendix on page 23 for further details.
Fraud risk – expenditure recognition	No change – see Page 5 for minor change in focus of risk since planning	We have not identified any misstatements from our work in respect of this significant risk.
Management override of controls	No change	We have not identified any instances of management override of control from our work in respect of this significant risk.
Key accounting estimates		**Page 11**
Valuation of land and building	Neutral	From our work performed, we have not identified any indicators of management bias. The assumptions made are balanced / neutral.

Value for money

We have not identified any significant weaknesses in the Trust's arrangements for achieving value for money. Further details are provided on page 15.

Uncorrected Audit Misstatements	Page 20
No uncorrected monetary or disclosure misstatement noted.	

Misstatements in respect of Disclosures	Page 21
Estimates and Judgements note	Presentational change
Related parties	Presentational change
IFRS-18	Presentational change
Leases	Presentational change
Revaluation gains and losses policy	Presentational change
Remuneration Report	Update of remuneration table, pension table and fair pay disclosures

Number of Control deficiencies	Page 23-26
Significant control deficiencies	-
Other control deficiencies	2
Prior year control deficiencies remediated	-

Other Matters

In auditing the accounts of an NHS body auditors must consider whether, in the public interest, they should make a report on any matters coming to their notice in the course of the audit, in order for it to be considered by Trust members or bought to the attention of the public. There are no such matters we wish to bring to your attention.

Key changes to our audit plan and strategy

We have not made any changes to our audit plan as communicated to you on 17 January 2024, other than as follows:

Risk	Effect on audit plan	Effect on audit strategy and plan
Fraud risk – expenditure recognition	Risk remains significant however the specific focus of this risk has been amended following further risk assessment procedures completed after receiving the draft financial statements. The original risk description per our audit plan presented in January 2024 was that *liabilities and related expenses for purchases of goods or services are not recorded in the correct accounting period.* This indicated that the risk was around expenditure being pushed back to 2024/25 in order to reduce reported expenditure. Following further risk assessment work to assess the run rate of routine expenditure incurred monthly throughout the year and in comparison with April 2024, in addition to our year-on-year review of accrued expenditure, we have refined this risk description to: *Liabilities and related expenses for purchases of goods or services are not completely identified and recorded.* The focus of this risk remains on the completeness of expenditure, but we consider through our risk assessment that the most likely mechanism for the understatement of expenditure would be around the omission of accrued expenditure that ought to be recognised in 2023/24.	Limited impact on our audit strategy and plan as the risk remains focused on the completeness of reported expenditure in 2023/24. Therefore the procedures undertaken in response to the risk are consistent with those originally reported in our initial audit plan in January 2024.

Significant risks and Other audit risks

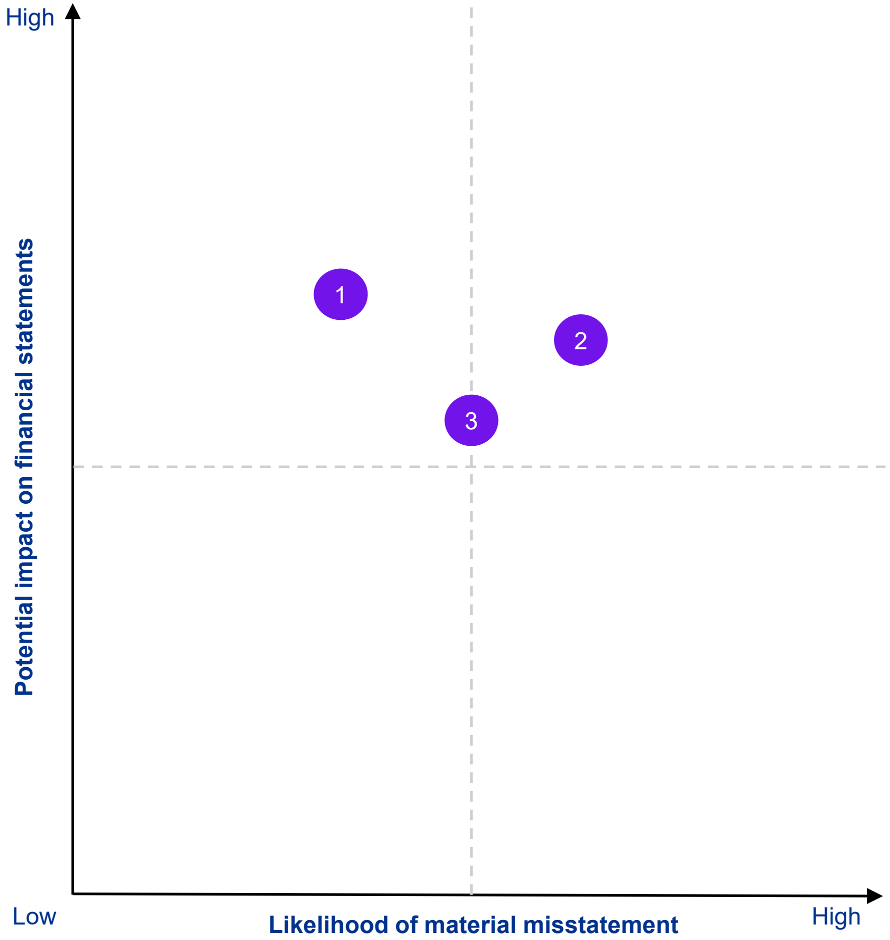
We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which Barnsley Hospital NHS Foundation trust operates.

We also use our regular meetings with senior management to update our understanding and take input from internal audit reports.

Significant audit risks	
1.	Valuation of land and buildings
2.	Fraud risk from expenditure recognition
3.	Management override of controls

Key: # Significant financial statement audit risks



See the following slides for the cross-referenced risks identified on this slide.

Audit risks and our approach

1 Valuation of Land and Buildings

Cautious | Neutral | Optimistic

Significant audit risk

Risk: The carrying amount of revalued Land & Buildings differs materially from the fair value

Land and buildings are required to be held at fair value. As hospital buildings are specialised assets and there is not an active market for them they are usually valued on the basis of the cost to replace them with a 'modern equivalent asset'.

The value of the Trust's land and buildings at 31 March 2024 was £80.3m (2022/23: £68.7m), fully valued as specialised assets at depreciated replacement cost.

The Trust's accounting policy requires revaluations of property, plant and equipment to be performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period.

The last full revaluation took place on 31 March 2021.

Our response

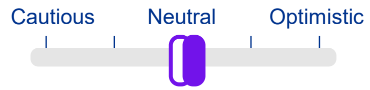
We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of Cushman & Wakefield, the valuers used in developing the valuation of the Trust's properties at 31 March 2024;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations.
- We performed inquiries of the valuers in order to verify the methodology that was used in preparing the valuation and whether it was consistent with the requirements of the RICS Red Book and the GAM;
- We agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the GAM; and
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.
- Inspecting the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the Group Accounting Manual;
- Comparing the accuracy of the data provided to the valuers for the development of the valuation to underlying information, such as floor plans, and to previous valuations, challenging management where variances are identified;
- Challenging key assumptions within the valuation, including the use of relevant indices and assumptions of how a modern equivalent asset would be developed, as part of our judgement.

Key:
Prior year Current year

Audit risks and our approach (cont.)

1 Valuation of Land and Buildings (cont.)



Significant audit risk

Risk: The carrying amount of revalued Land & Buildings differs materially from the fair value

Land and buildings are required to be held at fair value. As hospital buildings are specialised assets and there is not an active market for them they are usually valued on the basis of the cost to replace them with a 'modern equivalent asset'.

The value of the Trust's land and buildings at 31 March 2024 was £75.4m (2022/23: £63.8m), fully valued as specialised assets at depreciated replacement cost.

The Trust's accounting policy requires revaluations of property, plant and equipment to be performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period.

The last full revaluation took place on 31 March 2021.

Our findings

- Our findings have not identified any significant issues in relation to the valuation of land and buildings, or indications that the valuation included in the Trust's accounts is not reasonable in our work.
- We have identified one recommendation in relation to management's valuation process. See Appendix on page 23 for further details.
- We have also reiterated on recommendation from prior year in relation to management's review of valuation. See Appendix on page 26 for further details.

Key:
Prior year Current year

Audit risks and our approach (cont.)

2 Fraud risk from expenditure recognition - completeness

Significant audit risk

Risk: *Liabilities and related expenses for purchases of goods or services are not completely identified and recorded.*

As the Trust and system is set a financial performance target by NHS England there is a risk that non-pay expenditure, excluding depreciation, may be manipulated in order to report that the control total has been met.

The setting of a control total can create an incentive for management to understate the level of non-pay expenditure compared to that which has been incurred.

We consider this would be most likely to occur through understating accruals to mitigate financial pressures by omitting accrued expenditure transactions that ought to be recognised in 2032/24.

Our response

We have performed the following procedures in order to respond to the significant risk identified:

- We evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely and accurately recorded;
- We inspected a sample of invoices of expenditure and payments made, in the period after 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period;
- We inspected journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence;
- We performed a retrospective review of prior year accruals to compare the items that were accrued at 31 March 2023 to those accrued at 31 March 2024 in order to assess whether any items of expenditure not accrued for as at 31 March 2024 have been done so appropriately.

Our findings

- Our testing has not identified any material audit misstatements.
- We have reiterated two control recommendations from prior year in relation to the review of accruals – see Appendix on page 24 for further details.

Audit risks and our approach (cont.)

3 Management override of controls[a]

Fraud risk related to unpredictable way management override of controls may occur

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Our response

Our audit methodology incorporates the risk of management override as a default significant risk.

- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Trust's normal course of business, or are otherwise unusual.
- We have analysed all journals through the year and focused our testing on those with a higher risk. We followed-up each of these journals in order to assess the appropriateness and accuracy of the transactions posted.

Our findings

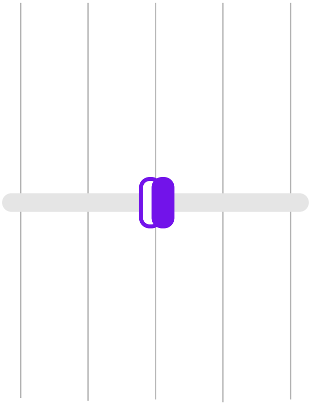
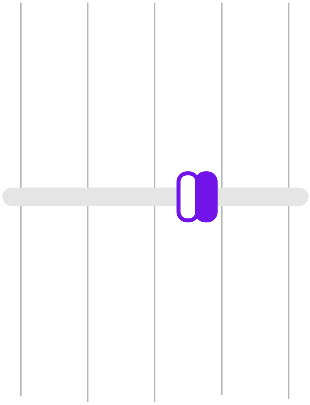
- We identified 10 journal entries and other adjustments for the Trust meeting our high-risk criteria – our examination did not identify any inappropriate entries.
- We identified 3 journal entries and other adjustments for the Barnsley Facility Services (BFS) meeting our high-risk criteria – our examination did not identify any inappropriate entries.
- We evaluated key accounting estimates, and did not identify any indicators of management bias. See page 11 for further discussion.
- We did not identify any significant unusual transactions.
- We have reiterated two control recommendations from prior year in relation to the journals review and segregation of duties in the journal entries process – see Appendix on page 24-25 for further details.

Key accounting estimates and management judgements– Overview

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Cautious Neutral Optimistic

Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
PPE Land and buildings valuation	Cautious Neutral Optimistic 	80.3	+11.6	Needs improvement Neutral Best practice 	The Trust has used the services of a professionally qualified valuation expert to complete a desktop valuation of its land and buildings as at 31 March 2024. The valuation has been carried out in line with the DHSC Group Accounting Manual (GAM). The valuation is an estimate involving various assumptions and is based on a modern equivalent asset, valued using depreciated replacement cost. We have reviewed the assumptions used within the valuation and have not found any unadjusted misstatements to report from our review of the underlying valuation. We are satisfied that the assumptions used by the valuer are reasonable and appropriate. We also confirmed that the valuer is professionally qualified and has the relevant expertise to carry out such a valuation on Trust’s land and buildings as at 31 March 2024. We conclude that management judgements in relation to the valuation are balanced.

Key:
Prior year Current year

Subsidiary audits

Entity	Reporting framework	Materiality	Significant risks	Outcome from audit work
Barnsley Facility Services Limited (BFS)	We carried out an audit of the Company pursuant to International Auditing Standards and issue an opinion in accordance with the Companies Act 2006.	We have determined an appropriate level of materiality for our audit of the subsidiary, using the revenue sourced from current year forecasts. Materiality has been set at £1.25m (2022/23: ££1.25m) which is approximately 2.26% of the revenue forecast (2022/23: 2.5%). We designed our procedures to detect individual errors above £937k (2022/23: £937k). We report ndividual errors identified above £62.5k (2022/23: £62.5k).	Our audit methodology incorporates the risk of management override as a default significant risk. Our methodology considers journals, unusual transactions and any estimates/judgements made by management. Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk and we rebut this risk as the majority of the income is intercompany from within the Group.	Our audit work is ongoing and matters communicated in this report may change pending signature of our audit report. We have identified one control deficiency in relation to HR amendments which applies to both parent Trust and BFS. A similar deficiency was also noted in the prior year. Please see Appendix on page 25 for further details.

Other matters

Annual report

We have read the contents of the Annual Report (including the Accountability Report, Directors Report, Performance Report and Annual Governance Statement (AGS)) and audited the relevant parts of the Remuneration Report. We have checked compliance with the Foundation Trust Annual Reporting Manual (the ARM). 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 provide the information necessary for patients, regulators and other stakeholders to assess the Trust's performance, business model and strategy.
- The parts of the Remuneration Report that are required to be audited were all found to be materially accurate. We have identified few presentational differences in the report. Please see Appendix 3 for details;
- The AGS is consistent with the financial statements and complies with relevant guidance; and
- The report of the Audit Committee included in the Annual Report includes the content expected to be disclosed as set out in the ARM and was consistent with our knowledge of the work of the Committee during the year.

Whole of Government Accounts

As required by the National Audit Office (NAO) we are required to provide a statement to the NAO on your consolidation schedule. We comply with this by checking that your summarisation schedule is consistent with your annual accounts. We have completed that work and found no matters to report.

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.

Audit Fees

Our fee for the group audit was £165,000 plus VAT (£124,400 in 2022/23). We have not completed any non-audit work at the Trust during the year.

Value for money

Value for money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We have prepared our Auditor's Annual Report and a copy of the report is included within the papers for the Committee.

The report is required to be published on the Trust's website alongside the publication of the Trust's annual report and financial statements.

Response to risks of significant weaknesses in arrangements to secure value for money

As reported in our risk assessment report presented to Audit Committee on 24 April 2024, we did not identify any risks of significant weakness in respect of VFM arrangements. Following completion of our additional year-end risk assessment have not identified any significant weaknesses in the Trust's arrangements to secure value for money, however we have made a recommendation relating to the formulation of specific, impact-assessed and approved EPP schemes for 2024/25. See Page 23 for details of this recommendation.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

We confirm that we have not identified any significant weaknesses to be included within our value for money report.

Appendices

Contents

Required communications

Type	Response
Our draft management representation letter (OK)	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
Adjusted audit differences (OK)	There were three adjusted audit differences with nil impact on the reported deficit at the Trust level. There were no adjusted audit differences at subsidiary level. See Pages 20-21 for details.
Unadjusted audit differences (OK)	There were no unadjusted audit differences from our audit procedures to date.
Related parties (OK)	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee (OK)	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies (OK)	We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing within this report.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts (OK)	No actual or suspected fraud involving group management, employees with significant roles in group-wide internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Make a referral to the regulator (OK)	If we identify that potential unlawful expenditure might be incurred then we are required to make a referral to your regulator. We have not identified any such matters.
Issue a report in the public interest (OK)	We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. No matters have arisen to date.

Type	Response
Significant difficulties (OK)	No significant difficulties were encountered during the audit.
Modifications to auditor's report (OK)	No modifications anticipated.
Disagreements with management or scope limitations (OK)	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information (OK)	No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. The Strategic report is fair, balanced and comprehensive, and complies with the law.
Breaches of independence (OK)	No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices (OK)	Over the course of our audit, we have evaluated the appropriateness of the Group's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management (OK)	Any significant matters arising from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete (OK)	We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above. We expect to do this by the reporting deadline.
Provide a statement to the NAO on your consolidation schedule (OK)	We will issue our report to the National Audit Office following the signing of the annual report and accounts.

Confirmation of independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

To the Audit Committee members

Assessment of our objectivity and independence as auditor of Barnsley Hospital NHS Foundation Trust

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

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 directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard.

As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

The conclusion of the audit engagement director as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

We have not provided any non-audit services.

Confirmation of independence (cont.)

We have considered the fees charged by us to the Foundation Trust and its affiliates for professional services provided by us during the reporting period. Total fees charged by us can be analysed as follows:

	2023/24 (to date)	2022/23
	£'000	£'000
Audit of Foundation Trust	142	98.8
Audit of subsidiaries	23	15.6
ISA 315r	-	10
Total audit	**165**	**124.4**
Total non-audit services	-	-
Total Fees	**165**	**124.4**

Application of the Auditor Guidance Note 1 (AGN01)

The anticipated ratio of non-audit fees to audit fees for the year at the time of planning is 0:1 which is complaint with Auditor Guidance Note 1 (AGN01).

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year

Application of the FRC Ethical Standard 2019

We communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Compliance Committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

KPMG LLP

Yours faithfully

KPMG LLP

Uncorrected audit misstatements

We have not identified any unadjusted audit differences during the audit.

Corrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit in excess of our reporting threshold of £300,000. The adjustments below have been included in the financial statements.

Corrected audit differences (£'000s) - Trust				
No.	**Detail**	**SOCI Dr/(cr) '000**	**SOFP Dr/(cr) '000**	**Comments**
1	Dr Accruals Cr Amount due to subsidiary	£nil £nil	£397 (£397)	Classification adjustment to correctly classify payable balance to subsidiary, incorrectly recorded as an accrual.
2	Dr Trade payables Cr Accruals	£nil £nil	£1,728 (£1,7278	Classification adjustment to correctly classify accrual balance, previously recorded as trade payables.
3	Dr Other operating income Cr Finance income	£672 (£672)	£nil £nil	Classification adjustment to correctly classify interest earned on inter-group loan.
Total		£nil	£nil	

We have also identified presentational differences in respect of disclosures, which have been amended by management. The most significant related to:

- Updated Critical Accounting Judgements, Estimates and Assumptions note to provide more detail around the key sources of estimation uncertainty within the valuation of PPE.
- Updated Related Parties note to disclose a complete list of material related parties and interests of Board members.
- Updated Borrowings (Leases) note to correctly disclose aging classification of leases.
- Updated accounting policies note to disclose the future implementation of IFRS18.
- Updated Remuneration Report for changes in remuneration table, median ratio, pension benefits and fair pay disclosures.
- Updated PPE note to correct an offsetting error in the Depreciation charge for the year and Release of Depreciation figures (which have nil net impact on the primary financial statements).
- Updated Accounting Policies note to provide more detail on treatment of revaluation reserve for building assets.

We have not identified any adjusted audit misstatements through the audit of BFS greater than our group reporting threshold of £300,000.

Intra-group error reporting

Intra-group error reporting

Further to the misstatements identified on page 20, we are required to report any identified errors in the reporting of intra-group balances with other Department of Health and Social Care entities exceeding £300,000 as part of our reporting on the Whole of Government Accounts to the National Audit Office.

We have a small number of outstanding queries relating to Agreement of Balances mismatches, however we have not identified any intra-group errors as part of our procedures to date.

Control deficiencies and recommendations

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

Priority rating for recommendations					
❶	**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.	❷	**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.	❸	**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
1	❸	**Valuation of Specialised Properties** During our review, we noted that two assets (total net book value £3.2m) were not subject to the valuation by external valuer as at year-end. These were Right of Use assets rather than owned by the Trust. Rather than include in the external valuation exercise, management assessed that the net book value of these assets is representative of depreciated replacement cost and thus fair value. While we consider that there is no risk of material misstatement arising from this valuation, IFRS16 requires that Right of Use assets are valued and recognised in line with the underlying asset class (in this case, buildings). We recommend that all of the Trust's land and buildings, whether classified as PPE or Right of Use assets, should be subject to valuation by an external valuer at year-end.	**Management Response:** Agreed. We will ask the valuers to pick this up as part of the next valuation. **Officer:** Robert Paskell, Deputy Director of Finance **Due Date:** March 2025
2	❷	**Value for Money – formulation and approval of specific EPP schemes for 2024/25** We noted through our VFM work at year-end that the Trust has done a significant amount of work to understand its underlying financial deficit, and delineating which aspects of this deficit relate to efficiency and productivity issues within the Trust's gift, and others which the Trust is unable to address in isolation (ie. funding shortfalls). Work has also been done, assisted by benchmarking tools such as Model Hospital, to identify where efficiency opportunities lie across different areas, over the next 3 years to 2026/27, to deliver the requisite savings. The next step, which has not been fully completed at the time of our audit, is to develop these opportunities into a series of specific efficiency schemes that have been quality impact assessed and signed off. While the Trust has a financial recovery plan to restore financial balance within 3 years, the Trust also has a 2024/25 Efficiency and Productivity Programme (EPP) target to deliver of £12m. There is a risk that any delays to commencing individual EPP schemes increases the challenge around delivery of this in-year target, and/or increases reliance on non-recurrent savings which do not contribute to longer term financial recovery. We recommend that the pace of individual EPP scheme implementation is increased in order to mitigate this risk.	**Management Response:** Agreed – we are actively reviewing all the schemes in the programme. **Officer:** Gavin Brownett, Associate Director of Strategy and Planning **Due Date:** Ongoing / ASAP

Control deficiencies and recommendations (cont.)

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):
5	0	5

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (June 2024)
1	❸	**Management Review of Journal Entries (including posting of manual accruals)** As part of our work to address the significant risk of management override of controls and fraudulent expenditure recognition, and the requirements of ISA315R, we have considered the design and implementation of the controls associated with the preparation of year-end accruals and manual journal entries. Where a control addresses an area identified by auditors as a significant risk area there is an expectation that there is a Management Review Control (MRC) to respond to this risk. Such controls are now subject to enhanced scrutiny by auditors and must comply with a series of prescriptive criteria in order to be considered effective. Criteria include documentation requirements for the subject matter being tested, consideration of the data and its reliability, the expected precision and allowable deviations present in the control, the consistency of application, the predictability of inputs, the criteria for investigation / follow up and the outcome of such follow ups. We recommend management fully document the journals review process. As set out above, this should include clearly defined criteria for the selection of journals, confirmation that each journal selected has been reviewed along with the supporting documentation, is in line with expectation and that the posting is accurate and appropriate. This should be supported by thorough documentation of these steps occurring.	Journal postings are reviewed by the senior finance managers as part of the month end process. They also review all accruals on a monthly basis for appropriateness as part of the process, budget reports are sent to all budget managers and regular reviews are undertaken with managers. BFS accruals are reviewed monthly at their Senior Management Team meeting. There's also a check of all journals posting £200,000 or more by the Deputy Director Finance (in Trust) and Head of Finance (in BFS). We will document the journal review processes, incorporating the requirements set out in the recommendation. Responsible – RP 30/09/2023	Based on our review, we have not identified any change in the process from the prior year. Therefore this observation remains outstanding.

Control deficiencies and recommendations (cont.)

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (June 2024)
2	❸	**Journal Entries – Segregation of Duties (including posting of manual accruals)** As reported in previous years, we observed that journal entries (including journals that post manual accruals) with a value less than £200,000 are not subject to segregation of duties review. Above this threshold, the Director of Finance is required to approve the journal posting. Without segregation of duties, there is a risk that journals that contain errors or that are fraudulent are not identified. We recommend that management ensure that all journal entries that are posted are subject to appropriate segregation of duties. Evidence of review of journals posted should be retained in line with the requirements set out at recommendation 1.	As stated in the management response to recommendation 1, there are currently a number of reviews journal entries by senior members of the finance team. Whilst they may not authorise a physical journal in advance of posting they review the transactional level detail in Agresso when posted, which we feel is the same as reviewing the journal detail. This may not prevent a journal being initially posted incorrectly, however, an erroneous journal would subsequently be picked up as part of the review. We believe there are compensating controls in place which negate the need for journals to be authorised in advance of posting.	Based on our review, we have not identified any change in the process from the prior year. Therefore this observation remains outstanding.
3	❸	**HR Amendments** Through our testing of payroll, we identified 13 instances out of 35 where the 'change form' for payroll changes were signed by the line manager after the effective date of change. 11 instances related to the Trust and 2 related to BFS. In the absence of an effective amendments control, there is the risk that unauthorized changes will be made to the payroll impacting data integrity and payroll cost of the Trust and BFS. We recommend that management should ensure formal implementation of the control to restrict any unauthorised HR changes.	**Trust:** Recruitment Team, in collaboration with HRBP team, to communicate out to CBU/Departmental managers the process for completing TOE forms, and for the Recruitment team to monitor late submitted change forms, and report to CBU/Departmental HRBPs so that they can monitor and address any issues with managers in a timely manner. **BFS:** All BFS change forms are authorised by line managers and Associate Director of HR or nominated deputy. Process now in place and agreed with Trust HR that forms will not be accepted and processed without the agreed authorised signatures. Access to necessary forms now fully available.	Based on our control testing during the year, we have identified following deficiencies related to the control at the Trust and BFS level: 1) 5 instances where the effective date of change as per the change form was different to the date as per NHS Electronic Staff Record (ESR) report. 2) 2 instances where the payroll amendment reason as per the change form was different to the ESR report. 3) 8 instances of amendment form not signed by the employee's direct manager prior to the effective date of change. 4) 11 instances where amendment form was not signed by the HR before the amendment date. Therefore this observation remains outstanding.

Control deficiencies and recommendations (cont.)

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (June 2024)
4	❸	**Related Party control** We understand that the management has a control in place to obtain periodic declaration of interests from the members of the Board and Senior Executives. However, we noted that timing of the control performance is not appropriate as these declarations are not obtained close to yearend. Further, we also noted that the management do not follow Register of Interest to prepare a complete list of related parties in the process of preparing Related Party disclosure. Therefore, there is risk that the management will not be able to identify, account for and disclose the complete related party relationships and transactions for the period in its financial statements, as per the GAM requirements. We recommend that management formalises the Related Party process to address these deficiencies.	We will review and formalise the Related Party process to ensure that in future declarations are obtained close to yeare-nd and the Register of Interest used to prepare a complete list of related parties when preparing the Related Party disclosure. Responsible – LZ 31/01/24	Based on our walkthrough, we have not identified any change in the process from the prior year. Therefore this observation remains outstanding.
5	❸	**Management review and challenge of the assumptions used in the valuers report** The Trust engages an external expert to provide a valuation of their land and buildings as at 31 March 2022. The expert performed a desktop valuation, using construction indices so accurate records of the current estate are required. Valuations are inherently judgmental. There is a risk that the methodology, assumptions and underlying data, are not appropriate or correctly applied. We confirmed management do not formally review or challenge the assumptions used by the external expert. **Recommendation** We recommend that the Trust formally documents a review of the assumptions used to form the valuation of their land and buildings.	Agreed - Management will formally document the review it currently undertakes of the assumptions used to form the valuation of the land and buildings and the challenges posed to our external valuers. RP –31/03/23	As this control is considered to be a management review control that mitigates a significant audit risk, it should meet the same management review control requirements that are set out in the followed up recommendation 1 on page 24. We do not consider that management's current process meets this threshold. While this is a common finding in the sector, we are required to bring this to the attention of those charged with governance each year.

FRC's areas of focus

The FRC released their [Annual Review of Corporate Reporting 2022/23] in October 2023. In addition, they have released three thematic reviews during the year should be considered when preparing reporting for the current financial period.

The reports identify where the FRC believes companies should be improving their reporting. Below is a high level summary of the key topics. We encourage management and those charged with governance to read further on those areas which are significant to the group.

Reporting on the effects of inflation and other uncertainties

This year's Annual Review of Corporate Reporting identifies that companies continue to face significant economic and geopolitical uncertainty and annual report and accounts should therefore tell a coherent story about the impacts on the business and the assumptions the trust has made in preparing the financial statements.

The FRC notes that interest rate rises in response to persistent inflation, the related impact on consumer behaviour, and limited growth present a particularly challenging environment for companies. Financial reporting needs to set out the impact of these issues on their business, and the assumptions which underpin the values of assets and liabilities in financial statements. Significant changes in discount rates and future cash flows are expected as a result and they should be highlighted.

The impacts of uncertainty on companies' narrative reporting and financial statements are numerous, but the FRC sets out its clear disclosure expectations for 2023/2024:

- Disclosures about uncertainty should be sufficient to meet relevant requirements *and* for users to understand the positions taken in the financial statements.
- The strategic report should give a clear description of the risks facing the business, the impact of these risks on strategy, business model, going concern and viability, and disclosures should be cross-referenced to relevant detail in the report and accounts.
- Transparent disclosure should be provided of the nature and extent of material risks arising from financial instruments.

Preparers should take a step back to consider whether the annual report, as a whole, is clear, concise and understandable and whether additional information, beyond the requirements of the standards, is necessary to understand particular transactions, events or circumstances.

Climate-related reporting

Climate-related reporting continues to progress with the new Companies Act requirements, effective for periods commencing 6 April 2022, requiring more entities to include climate-related financial disclosures within the annual report. These are largely aligned with the Taskforce on Climate-Related Disclosures (TCFD) recommendations, but do not include the 'comply or explain' provision for items that would have a material impact on the entity.

Climate-related risks remains an area of ongoing focus for the FRC as they embed the review of these disclosures into their routine annual reviews. The FRC has highlighted that it expects companies to provide improved disclosure explaining the linkage between narrative reporting on uncertainties such as climate change, and the assumptions made in the financial statements.

In respect of TCFD disclosures, the FRC notes that sustainability reporting requirements continue to evolve and companies are still at very different stages in their reporting in this area. The FRC expect in scope entities to provide a clear statement of consistency with TCFD which explains, unambiguously, whether management considers they have given sufficient information to comply with the framework in the current year. Companies must, in any case, comply with the new mandatory requirements for disclosure of certain TCFD-aligned information.

In relation to the specific thematic on metrics and targets they highlighted five areas of improvement:

- the definition and reporting of trust-specific metrics and targets, beyond headline 'net zero' statements;
- better linkage between companies' climate-related metrics and targets and the risks and opportunities to which they relate;
- the explanation of year-on-year movements in metrics and performance against targets;
- transparency about internal carbon prices, where used by companies to incentivise emission reduction; and
- better linkage between climate-related targets reported in TCFD disclosures and ESG targets disclosed in the Directors' Remuneration Report.

FRC's areas of focus (cont.)

Impairment of assets

Heightened economic uncertainty, high inflation and higher interest rates have resulted in more instances of impairment or reductions in headroom, prompting the need for more detailed disclosures under IAS 36. The FRC notes that many of the queries it has raised with companies in the past year would have been avoided by clearer, more complete disclosures.

Disclosures should provide key inputs and assumptions applied, along with relevant values and sensitivity information where impairments could arise from reasonably possible changes in assumptions.

Assumptions should be consistent with information provided elsewhere in the annual report and with the wider economic environment; where there are inconsistencies, these should be explained.

Discount rates should be consistent with the assumptions in the cash flow projections, particularly in respect of risk and the effects of inflation.

Judgements and estimates

Most of the FRC's queries related to estimation uncertainty, and often involved disclosures which either did not contain sufficient information to be useful, or which appeared inconsistent with disclosures given elsewhere.

Disclosures should explain the significant judgement and provide quantified sensitivities where there is a significant source of estimation uncertainty. This includes judgements relating to the going concern assessment and accounting for inflationary features, including the use of discount rates. Sensitivity disclosures should be meaningful for readers, remain appropriate in current circumstances, explaining significant changes in assumptions and the range of possible outcomes since the previous year.

The FRC highlights the need for disclosures to clearly distinguish between estimates with a significant risk of a material adjustment to carrying amounts within the next year, and other sources of estimation uncertainty.

Cash flow statements

Cash flow statements have again been an area where the FRC have raised many queries and it remains one of the most common causes of prior year adjustments. Most queries raised by the FRC relate to unusual or complex transactions which have not been appropriately reflected in the cash flow statement.

Companies should ensure that descriptions of cash flows are consistent with those reported elsewhere in the report and accounts, with non-cash investing and financing transactions being excluded, but disclosed elsewhere if material.

In addition, companies should ensure that cash flows are appropriately classified between operating, financing and investing, and cash flows should not be inappropriately netted. Cash and cash equivalents should comply with the relevant definitions and criteria in the standard.

Strategic report and other Companies Act 2006 matters

Strategic reports should focus not only on financial performance but should also explain significant movements in the balance sheet and cash flow statement. They should articulate the effect of principal risks and uncertainties facing the business, including economic and other risks such as inflation, rising interest rates, supply chain issues, climate-related risks and labour relations.

In addition, the FRC reminds companies that they should comply with the legal requirements for making distributions and repurchasing shares including, where relevant, the requirement to file interim accounts to support the transaction.

Financial instruments

Companies should ensure that the nature and extent of material risks arising from financial instruments (including inflation and rising interest rates), and related risk management, are adequately disclosed.

This includes disclosures being sufficient to explain the approach and significant assumptions applied in the measurement of expected credit losses, including concentrations of risk, and assessments should be reviewed and adjusted for forecast future economic conditions.

The effect of refinancing and changes to covenant arrangements should be explained, with information about covenants being provided unless the likelihood of a breach is remote.

Lastly, the FRC reminds companies that cash and overdraft balances should be offset only when the qualifying criteria have been met.

FRC's areas of focus (cont.)

Income taxes

Following their thematic review last year, the FRC reminds companies that the nature of evidence supporting the recognition of deferred tax assets should be disclosed, and should factor in any difficult economic environment.

Additionally, companies should ensure tax-related disclosures are consistent throughout the annual report, uncertain tax positions are adequately disclosed, and material reconciling items in the tax rate reconciliation are presented separately and appropriately described.

Provisions and contingencies

Clear descriptions of the nature and uncertainties for material provisions or contingent liabilities, the expected timeframe and the basis for estimating the probable or possible outflow should be provided.

Inputs used in measuring provisions should be consistent in the approach to incorporating inflation, and details of related assumptions should be provided.

Revenue

Where variable consideration exists, companies should provide sufficient disclosure to explain how it is estimate and constrained.

Accounting policies and relevant judgement disclosures should be provided for all significant performance obligations. Those disclosures should address in sufficient detail the timing of revenue recognition, the basis for recognising revenue over time and the methodology applied.

Lastly, the FRC reminds companies that inflationary features in contracts with customers, and the accounting for such clauses, should be adequately disclosed and clearly explained.

Presentation of financial statements and related disclosures

The FRC expects companies to disclose trust-specific information to meet the overall disclosure objectives of relevant accounting standards, and not just the narrow specific disclosure requirements of individual standards. They set out a clear expectation that additional information (beyond the minimum requirements of the standards) should be included where needed.

Fair value measurement

Fair value measurement has returned this year as one of the FRC's top ten issues raised in their correspondence with companies, and this has been the topic of a thematic review. Common queries raised include the omission of sensitivity disclosures and the quantification of unobservable inputs into fair value measurements.

The FRC reminds companies that they should use market participants' assumptions, rather than their own, in measuring fair value.

Thematic reviews

During the year FRC has issued Thematic reviews on the following topics:

- Climate-related metrics and targets
- IFRS 13 Fair value measurement
- IFRS 17 Insurance contracts – Interim disclosures in the first year of application

2023/24 review priorities

The FRC has indicated that its 2023/24 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:

- Travel, hospitality and leisure
- Construction materials
- Retail and personal goods
- Gas, water and multi-utilities

ISA (UK) 315 Revised: changes embedded in our practices

Summary

In the prior period, ISA (UK) 315 Revised “Identifying and assessing the risks of material misstatement” was introduced and incorporated significant changes from the previous version of the ISA.

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard’s scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity’s audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

- ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements* included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.
- We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on page [X]. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements* , to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.
- [Any other matters of relevance].

[Based on our assessment, we have no matters to report to Those Charged with Governance] / [Based on our assessment, we have identified matters to report to Those Charged with Governance, please refer to page [x] for details].

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.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

Commitment to continuous improvement

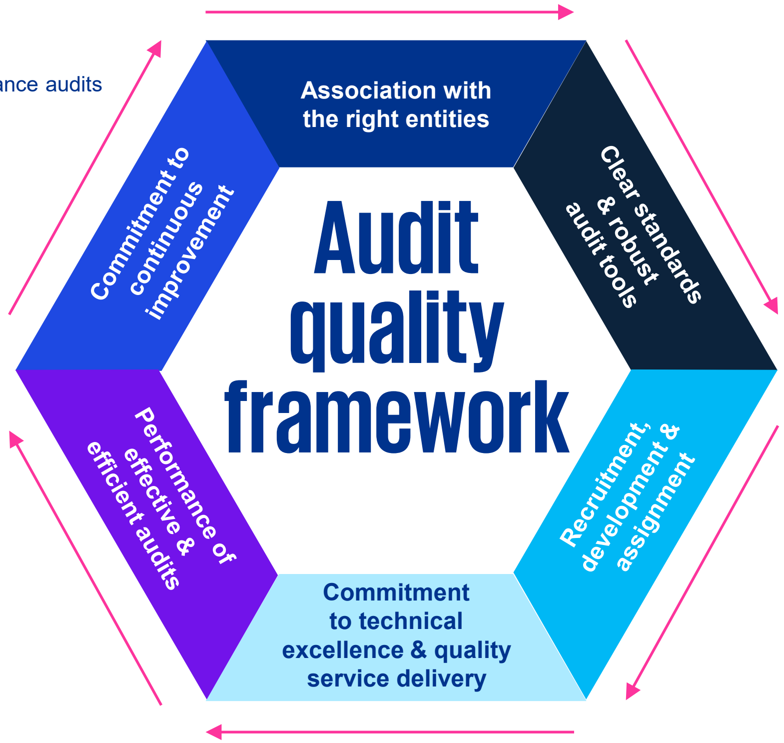
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members

Audit quality, evidence & the timeline of completion activities

Audit quality is at the core of everything we do – the quality and timeliness of information received from management and those charged with governance also affects audit quality.

The timeline on this page is for illustration only and shows the timing of our completion activities around the signing of the audit opinion. We depend on well planned timing of our audit work to avoid compromising the quality of the audit. We aim to complete all audit work no later than 2 days before audit signing.

Weeks before signing Audit Opinion	-3 weeks	-2 weeks			-1 week		Completion week			Teams involved in the process
Individual day's activities		Day 1	Day 3	Day 5	Day 1	Day 5	Day 1	Day 3	Day 5	
Audit report Reviews, Consultation										Audit Team
Final audit fieldwork										Audit Team
Review audit field work & provide points to the audit team										2^{nd} Line of Defence
Review significant risk audit areas and challenge work performed										RI
Review of the Audit Report										DPP Accounting & Reporting
Ensure points raised by Audit Report review are dealt with										RI
Review Audit Committee report and draft accounts										RI
Completion panel to discuss the draft Audit Committee report and draft accounts										Audit Risk Review Panels
KPMG Audit Committee report issued										Audit Team
Final Audit Committee										Audit Team
Ensure Audit Report review and Consultation points have been satisfactorily dealt with										Audit Team & DPP Accounting & Reporting
Final audit field work completed and signed off										Audit Team
Stand-Back review										Audit Team
Ensure all points raised are cleared										RI / 2^{nd} Line of Defence

Key:

- One day activity
- Activity over a period of time
- Year end
- Signing date of the Audit Report

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