



# Auditor's Annual Report 2022/23

Hertfordshire Partnership University NHS Foundation Trust

22 June 2023

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This report is addressed to Hertfordshire Partnership University NHS Foundation Trust (the Trust) and has been prepared for the sole use of the Trust. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

# Summary

## Introduction

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2022-23 audit of Hertfordshire Partnership University NHS Foundation Trust (the 'Trust'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Trust alongside the annual report and accounts.

## Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:

**Accounts** - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Trust and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the Group Accounting Manual prepared by the Department of Health and Social Care (DHSC).

**Annual report** - We assess whether the annual report is consistent with our knowledge of the Trust. We perform testing of certain figures labelled in the remuneration report.

**Value for money** - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Trust's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.

**Other reporting** - We may issue other reports where we determine that this is necessary in the public interest under the Local Audit and Accountability Act.

## Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

<b>Accounts</b>	<p>We issued an unqualified opinion on the Trust's accounts on 30 June 2023. This means that we believe the accounts give a true and fair view of the financial performance and position of the Trust.</p> <p>We have provided further details of the key risks we identified and our response on page 4.</p>
<b>Annual report</b>	<p>We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust.</p> <p>We confirmed that the Governance Statement had been prepared in line with the DHSC requirements.</p>
<b>Value for money</b>	<p>We are required to report if we identify any significant weaknesses in the arrangements the Trust has in place to achieve value for money.</p> <p>We have nothing to report in this regard.</p>
<b>Other reporting</b>	<p>We did not consider it necessary to issue any other reports in the public interest.</p>

# Accounts Audit

The table below summarises the key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

	Findings
<p><b>Valuation of land and buildings</b></p> <p>There is a risk that an inappropriate amount is estimated for the fair value of land and buildings at 31 March 2023.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>The Trust commissions external valuers to prepare their valuation of the estate. We assessed the expertise of the valuers utilised by the Trust as well as reviewing the instructions and information that was provided to them to enable an accurate valuation to be prepared. We also involved auditor expert for the testing purpose.</p> <p>We confirmed that the valuation had been prepared in line with the requirements of accounting standards and that appropriate assumptions had been applied in determining the value assigned to the properties.</p> <p>We considered the estimate to be cautious but within an acceptable range.</p>
<p><b>Fraudulent expenditure recognition</b></p> <p>Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk for liabilities and related expenses for purchases of goods or services are not recorded in correct accounting period</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We assessed the control environment around the accruals process. We inspected a sample of accruals made at 31 March 2023 for expenditure not yet invoiced to understand whether the valuation of the accrual was consistent with the value billed after year end. We also reviewed the accuracy of accruals made in previous periods to consider the risk that there are inaccuracies in the accruals and we compared the balances accrued year on year in order to assess whether there was a risk of missing accruals or accruals that were not required.</p> <p>We performed testing over a sample of non-pay expenditure items and specific cut-off testing over expenditure transactions around the end of the year and identified no instances of transactions having been recorded incorrectly.</p>
<p><b>Management override of controls</b></p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We used data and analytics in order to assess whether there were any transactions that displayed characteristics suggesting they may have been inappropriate. We tested all transactions identified as a result of this procedure and did not identify any exceptions.</p> <p>We assessed the key estimates included within the accounts to consider whether there were any indications of bias in their preparation. This primarily relates to the value of property, plant and equipment as set out above and we did not identify any indicators of bias in the preparation of these balances.</p> <p>We tested the income and expenditure transactions around the year end to assess whether they had been recorded within the correct period.</p> <p>We raised a recommendation relating to review of journal entries before the posting.</p> <p>We did not identify any instances of management override of controls.</p>

# Value for money

## Introduction

We consider whether there are sufficient arrangements in place for the Trust for each of the elements that make up value for money. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

Further details of our value for money responsibilities can be found in the Audit Code of Practice at Code of Audit Practice ([nao.org.uk](http://nao.org.uk)).

## Matters that informed our risk assessment

The table below provides a summary of the external sources of evidence that were utilised in forming our risk assessment as to whether there were significant risks that value for money was not being achieved:

Source	Detail
Care Quality Commission rating	Outstanding
Governance statement	The Trust has not identified any significant control deficiencies within its Annual Governance Statement.
Head of Internal Audit opinion	Adequate and effective framework for risk management, governance and internal control

## Commentary on arrangements

We have set out on the following pages commentary on how the arrangements in place at the Trust compared to the expected systems that would be in place in the sector.

## Significant weaknesses followed up from the prior year

There are no significant weaknesses followed up from the prior year

## 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	Significant risk 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 have not identified any significant weakness this year.

# Value for money

Financial sustainability	
Description	Commentary on arrangements
<p>In assessing whether there was a significant risk of financial sustainability we reviewed:</p> <ul style="list-style-type: none"> <li>The processes for setting the 2022/23 financial plan to ensure that it is achievable and based on realistic assumptions;</li> <li>How the 2022/23 efficiency plan was developed and monitoring of delivery against the requirements;</li> <li>Processes for ensuring consistency between the financial plan set for 2022/23 and the workforce and operational plans;</li> <li>The process for assessing risks to financial sustainability;</li> <li>Processes in place for managing identified financial sustainability risks; and;</li> <li>Performance for the year today against the financial plan.</li> </ul>	<ul style="list-style-type: none"> <li>During the financial year the Trust reviewed and updated its Standing Financial Instructions (SFIs). The updated document was approved by the Audit Committee in February 2023. The Trust's SFIs detail the responsibilities for planning, budget setting, budgetary control and monitoring of budgets.</li> <li>We found the Trust's 2022-23 budget setting and budget monitoring processes to be consistent with the prior year. As part of the budget setting process, meetings are held between each budget holder and their relevant Finance Business Partner. Throughout the budget setting process the Trust maintains a list of issues and assumptions. These are routinely reviewed and updated during the process. The Director of Finance will present the proposed final budget to the Executive Team and the Finance and Investment Committee highlighting the key assumptions within the budget.</li> <li>The Trust submitted an initial financial plan to NHS England in April 2022, following review by the Trust Board. The initial submitted plan reported a planned deficit position of £9.5m. In May 2022 the Trust was awarded additional funding which allowed the Trust to submit a revised financial plan in June 2022 indicating a balanced financial position, with Delivering Value savings programmes of £10.5m.</li> <li>The Trust delivered break-even financial performance when compared to the control total requirements used by NHS England to monitor financial performance, though this was partially achieved through the release of non-recurrent reserves and therefore within 2022-23 the underlying performance of the Trust was a deficit trend.</li> <li>Budget holders are required on a monthly basis to review their budget reports output from the Trust's Spike system and meet with Finance Business Partners to discuss any concerns or adjustments that may be required.</li> <li>Throughout the financial year a finance report was presented to each meeting of the Finance and Investment Committee and the Board of Directors. These reports include a number of budget/variance reporting areas and expenditure trend analysis, as well as providing an overview of the Trust's monthly run-rate, transformation funding spend and performance of the Provider Collaborative. Throughout 2022-23 the Trust have reported their cost run rate remains significantly above Plan and financial recovery plans have been introduced to reduce spend going into 2023-24. At M11 the Trust reported a run rate position of c.£1.3m deficit per month. The Trust has faced additional costs arising from Out of Area placements and non-delivery of pay efficiencies.</li> </ul>

# Value for money (Contd..)

Financial sustainability	
Description	Commentary on arrangements
<p>In assessing whether there was a significant risk of financial sustainability we reviewed:</p> <ul style="list-style-type: none"> <li>• The processes for setting the 2022/23 financial plan to ensure that it is achievable and based on realistic assumptions;</li> <li>• How the 2022/23 efficiency plan was developed and monitoring of delivery against the requirements;</li> <li>• Processes for ensuring consistency between the financial plan set for 2022/23 and the workforce and operational plans;</li> <li>• The process for assessing risks to financial sustainability;</li> <li>• Processes in place for managing identified financial sustainability risks; and;</li> <li>• Performance for the year today against the financial plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial risks are routinely considered through the Trust's risk management processes and risks to the year end position are reported in the Trust's monthly finance report. Throughout the financial year, the Trust has reported risks in its financial position relating to increased demand and agency spend and out of area placement costs.</li> <li>• During the financial year the Finance and Investment Committee have approved a number of capital projects, after the Trust was allocated a CDEL of £14.6m. All capital projects were approved following appropriate review and challenge and the submission of a detailed business cases.</li> <li>• The disposal of land and building assets in year were found to be in line with the Trust's operational plans and were not being completed to off-set under achievement in financial savings plans.</li> <li>• In March 2023 the Trust Board approved the draft 2023/24 financial plan showing a deficit of £18m, down from an originally predicted deficit position of £25m, recognising that there would be further iterations prior to it being finalised. At this time the projected deficit was driven by a combination of factors including the end of non-recurrent funding, out of area placement pressures and the need for efficiencies to be identified.</li> <li>• Subsequent to the year end the Trust has undertaken further planning and we noted that it achieved a final financial plan that projected a deficit of £1.8m. We note the challenging efficiency requirements facing the Trust in order to meet the financial plan based on its underlying position, however given its history of delivering financial balance and the progress made in the identification of efficiencies we have not considered that there is a significant weakness associated with its arrangements to deliver financial sustainability.</li> </ul>

# Value for money

Governance	
Description	Commentary on arrangements
<p>In assessing whether there was a significant risk relating to governance we reviewed:</p> <ul style="list-style-type: none"> <li>Processes for the identification, monitoring and management of risk;</li> <li>Controls in place to prevent and detect fraud;</li> <li>The review and approval of the 2022/23 financial plan by the Board, including how financial risks were communicated;</li> <li>Processes for monitoring performance against budgets and taking actions in response to adverse variances;</li> <li>Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and</li> <li>How the Board ensures decisions receive appropriate scrutiny.</li> </ul>	<ul style="list-style-type: none"> <li>There have been no significant changes to the Trust's Governance arrangements during the financial year. We are satisfied that there was evidence of key matters continuing to be reviewed within the governance structure throughout the year.</li> <li>In September/October 2021 CQC conducted an unannounced inspection of Warren Court (no rating was issued). The report was published in December 2021 and the Trust developed an action plan to address the seven Must Do areas for improvement identified. This action plan was approved by the Trust Board in January 2022 and the progress of monitoring implementation of these actions was monitored by the Integrated Governance Committee, with six monthly updates also provided to the Board. The Trust's Practice Audit and Clinical Effectiveness (PACE) team conducted an audit in April 2022 against the identified actions and provided assurance that all actions had been completed. Warren Court was re-inspected in November 2022 and to date no report has been published.</li> <li>In January 2022 following an unannounced CQC inspection the Trust's child and adolescent mental health inpatient services were downgraded to inadequate and a section 29A notice issued. Significant findings were identified in relation to: <ul style="list-style-type: none"> <li>The management and oversight of the services;</li> <li>The completeness and accuracy of patient's medical records;</li> <li>Training provided to employees</li> </ul> </li> <li>The Forest House unit was further investigated in July 2022 where the CQC noted that "legal requirements from the previous inspection had been met, with progress observed in areas previously identified as concerns". Following significant improvements implemented by the Trust, the CQC withdrew the warning notice in October 2022 and the service was regraded as "requires improvement" in November 2022.</li> <li>Throughout the financial year, regular reports have been presented to the Trust Board regarding the occurrence of CQC inspections, the arising findings and the progress of the implementation of identified action plans.</li> <li>The Trust has focused on developing its freedom to speak up culture at the Trust, recruiting a new full time guardian during the financial year. To support the freedom to speak up Guardian, 20 champions across all service areas have also been appointed.</li> </ul>



# Value for money

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# Value for money

Governance	
Description	Commentary on arrangements
<p>In assessing whether there was a significant risk relating to governance we reviewed:</p> <ul style="list-style-type: none"> <li>Processes for the identification, monitoring and management of risk;</li> <li>Controls in place to prevent and detect fraud;</li> <li>The review and approval of the 2022/23 financial plan by the Board, including how financial risks were communicated;</li> <li>Processes for monitoring performance against budgets and taking actions in response to adverse variances;</li> <li>Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and</li> <li>How the Board ensures decisions receive appropriate scrutiny.</li> </ul>	<ul style="list-style-type: none"> <li>High priority recommendations have been raised in year by the Trust's Internal Auditors following reviews of Medicine Management and Mortality Governance. The trust accepted these recommendations and actions developed to address the concerns raised.</li> <li>The Trust has in place a gifts and hospitality policy. The LCFS runs awareness sessions and team training sessions in respect of these key Trust policies.</li> </ul>

# Value for money

## Improving economy, efficiency and effectiveness

### Description

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the Trust has engaged with ICS partners in development of the organisation and system wide plans and arrangements; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

### Commentary on arrangements

- A quarterly performance report is produced which is reviewed by the Board and relevant subcommittees. The report provides a summary of performance against national, regional and local indicators across five groupings (1) NHS Oversight Framework; (2) Access to Services; (3) Safety and Effectiveness of Services; (4) Workforce Indicators; and (5) Financial Indicators. The quarterly performance report includes both graphical and narrative analysis, including trend analysis and performance against KPIs and nationally set targets.
- The Trust has developed its own Business Intelligence Tool (SPIKE). This tool allows for real time performance and financial reporting at an individual consultant, ward or division level. The Trust is continuing to expand its use of the Tool.
- The Trust has focused on its delivering value programme throughout the financial year. The Trust's "Delivering Value Management Group" (DVMG) meets on a monthly basis and focuses on performance in delivery of existing schemes and the identification of new schemes. The Trust's original financial plan incorporated a target of £10.5m efficiency savings for 2022/23. Actual achievement was £5.6m of savings through their Delivering Value programme. The shortfall is driven by the removal of the EROS+ Roll out and non-delivery of savings from the Adult Acute Pathway review.
- As set out on page seven the Trust will be required to achieve a significant increase in the level of efficiency that it delivers in 2023-24 compared to the rate achieved in 2022-23, which we consider to be a risk to the achievement of the financial plan, however we do not consider that there are significant weaknesses in the arrangements in place.
- The Trust has established performance monitoring arrangements in place for its significant outsourced services. The Trust has regular performance meetings with the relevant counterparty and receives regular reports on performance against agreed KPIs. Where performance issues have arisen during the financial year, the Trust has been able to provide evidence of proactive action taken to resolve the concerns.
- The Trust is a member of the Herts and West Essex ICS. The CEO of the Trust is a Board member of Herts and West Essex ICB and represent Hertfordshire Mental Health, Learning Disabilities and Autism Health and Care Partnership on the Integrated Care Partnership. The Trust's FIC Chair is also on the Provider Collaborative Board.



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