



Auditor's Annual Report 2020/21

**Hertfordshire Partnership University NHS
Foundation Trust**

15 June 2021

Key contacts

Your key contacts in connection with this report are:

Dean Gibbs

Director

Tel: +44 (0)7776 163710

Dean.Gibbs@KPMG.co.uk

Jessica Hargreaves

Senior Manager

Tel: +44 (0)7468 740813

Jessica.Hargreaves@kpmg.co.uk

Surpreet Hare

Assistant Manager

Tel: +44 (0)7767 086506

Surpreet.Hare2@kpmg.co.uk

Contents	Page
Summary	3
Accounts audit	4
Value for money commentary	5

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 2020-21 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 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

Accounts	<p>We issued an unqualified opinion on the Trust's accounts on 15 June 2021. 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>
Annual report	<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>
Value for money	<p>We are required to report if we identify any matters that indicate the Trust does not have sufficient arrangements to achieve value for money.</p> <p>We have nothing to report in this regard.</p>
Other reporting	<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.

Risk	Findings
<p>Valuation of Land and Buildings</p> <p>The valuation of the Trust's Land and Buildings assets is underpinned by a range of assumptions. There is a risk of error in the application of these assumptions or in the appropriateness of the assumptions selected</p>	<p>We undertook procedures to confirm the accuracy of the measurement data used within the valuation, and the reasonableness of the valuation assumptions adopted.</p> <p>We identified misstatements relating to the land measurements used to value two of the Trusts land assets and incorrect location factor assumptions used to value two building assets.</p> <p>These misstatements have not been corrected by management. Updating this would lead to an increase in land asset valuations and a decrease in building asset values, however we did not consider these movements to be material.</p> <p>We considered the estimate to be cautious based on the procedures performed due to the BCIS rates adopted and assumptions adopted in relation to external works at Lister Hospital.</p>
<p>Fraudulent revenue recognition</p> <p>Auditing standards set a rebuttable assumption that there is a risk revenue is recognised inappropriately. We recognised this risk over the Trust's income from NHS sources, accrued income and deferred income balances.</p>	<p>We undertook procedures to confirm income was recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties and that yearend income accruals and deferrals are appropriate.</p> <p>We identified a misstatement relating to the recognition of deferred income that has not been corrected by management. Updating this would lead to a decrease in both the Trust's asset and liability balances however we did not consider this adjustment to be material.</p> <p>We raised a recommendation relating to the assessment of income recognition against IFRS 15.</p>
<p>Fraudulent expenditure recognition</p> <p>The setting of a yearend financial target can create an incentive for management to manipulate the level of non-pay expenditure. This can take place by purposefully understating or overstating the level of non-pay expenditure recognised at the yearend through accruals and prepayments.</p>	<p>We undertook procedures to confirm expenditure was recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties and that yearend expenditure accruals and prepayments are appropriate.</p> <p>We did not identify any material misstatements relating to this risk.</p>

Accounts audit

Risk	Findings
<p data-bbox="114 427 533 458"><i>Management override of controls</i></p> <p data-bbox="114 480 801 571">We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p data-bbox="893 427 2123 491">We tested journal entries and other adjustments meeting our high-risk criteria. Our audit procedures did not identify any material misstatements relating to this risk.</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:

Care Quality Commission rating	Outstanding
Governance statement	There were no significant control deficiencies identified in the governance statement
Head of Internal Audit opinion	Unqualified opinion.

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.

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 have not identified any significant risk that there are not appropriate arrangements in place as part of the procedures we have undertaken.

We raised one medium and two low priority recommendations to management as part of our relating to:

- Identifying guidance issued by regulatory bodies
- Monitoring of compliance with guidance issued by regulatory bodies
- Clarity of reporting of performance data

These did not represent significant weaknesses.

Financial sustainability	
Description	Commentary on arrangements
<p>This relates to ensuring that the Trust has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> How the Trust sets its financial plans to ensure services can continue to be delivered; How financial performance is monitored and actions identified where it is behind plan; and How financial risks are identified and actions to manage risks implemented. 	<ul style="list-style-type: none"> Following the announcement of the revised funding regime for the second half of the year the Trust agreed a financial plan to deliver a £1.2m deficit in 2020-21. This is in line with the level needed for the Integrated Care System to achieve its allocated financial total for the year. Prior to the change in the funding arrangements, the Trust had been asked to budget for a control total of a £1.4m surplus. The Trust's Board had identified concerns regarding the achievability of this control total and the level of savings that would be required to meet this target. Historically the Trust has had an underlying run rate close to breakeven. The Trust reported a deficit for the year of £2.8m. The difference in financial position was driven by accounting adjustments for the valuation of the Trust's land and building assets to the Statement of Comprehensive Income. The Trust's adjustment financial performance for the year (excluding movements in relation to land and buildings revaluations or disposals) is a surplus of £6k The Trust's SFIs detail the responsibilities for planning, budget setting, budgetary control and monitoring of budgets. Only minor amendments to the SFIs were required as part of the Trust's response to the Coronavirus pandemic. These were found to have been appropriately approved by the Trust's Audit Committee and adequately communicated to staff. We found the Trust's budget setting and budget monitoring processes to be in line with good practice observed across the sector. 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 Operational Finance will present the proposed final budget to the Executive Team and the Finance and Investment Committee highlighting the key assumptions within the budget. While the budget setting round for 2020/21 was suspended in response to the Coronavirus pandemic, we found the Trust to have followed its agreed process, up until final approval of the budget. 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. We found information provided to budget holders has not changed during the COVID-19 pandemic, whereas our work across the sector has shown many NHS Trust's to have reduced the level of detail reported to budget holders during the financial year. The Trust's budget monitoring arrangements have been assessed by the Trust's Internal Auditors, RSM, during the financial year. While RSM's review identified a significant proportion of budget holders are not reviewing their Spike reports on a monthly basis, the Trust has taken action in year to address this finding.

Financial sustainability (cont.)

Description

Commentary on arrangements (cont.)

This relates to ensuring that the Trust has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- How the Trust sets its financial plans to ensure services can continue to be delivered;
- How financial performance is monitored and actions identified where it is behind plan; and
- How financial risks are identified and actions to manage risks implemented.

- A delivering value workshop was undertaken in December 2019 to identify significant saving schemes related to 2020/21. Another delivering value (DV) workshop took place in November 2020 looking at schemes for 2021/22. While the DV management group would normally meet on a monthly basis to assess the progress of the schemes identified for the year, meetings were held less frequently in 20/21 due to the Coronavirus pandemic. The Trust has continued to monitor its performance against the agreed 2020/21 Delivering Value Programme during the financial year, however the Trust did reduce the level of detailed reporting in this area in response to the coronavirus pandemic. At Month 9 the Trust reported it would not achieve the £6m of originally planned savings in 2020/21. £4.8m of schemes have been identified, those not fully implemented at 31 March 2021 will be rolled into the 2021/22 financial year. Overall we consider the efficiency planning and monitoring processes the Trust has retained during the year to be an example of good practice given the changing finance regime and the guidance issued during the year.
- Throughout the financial year a finance report was presented to each meeting of the Finance and Investment Committee and the Board of Directors. We found the reports to include the latest response to the Coronavirus pandemic and the change in funding regime for 2020-21 including highlighting additional funding that has been awarded in year. The reports include a number of budget/variance reporting areas and expenditure trend analysis. The Trust has continued to monitor its performance against the agreed 2020/21 £1.2m deficit target during the financial year.
- Where additional cost pressures have arisen in year the Trust has taken action to mitigate the impact of these on its year end position, for example increased agency spend and out of area placement costs.
- Financial risks are routinely considered through the Trust's risk management processes and risks to the yearend position are reported in the Trust's monthly finance report.
- The Trust maintains a finance risk register which captures risks in relation to the financial position. As SRO for the finance risks the DoF is required to review and update this specifically or in terms of the general position. It is also considered at the Executive Team meetings, where the discussion includes wider system wide risks.
- The Trust have set a budget for the 2021/22 financial year at a £1m deficit in line with the ICS requirements.

Governance	
Description	Commentary on arrangements
<p>This relates to the arrangements in place for overseeing the Trust's performance, identifying risks to achievement of its objectives and taking key decisions.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> Processes for the identification and management of strategic risks; Decision making framework for assessing strategic decisions; Processes for ensuring compliance with laws and regulations; How controls in key areas are monitored to ensure they are working effectively. 	<ul style="list-style-type: none"> During the financial year the Trust amended its Governance arrangements in response to the pandemic. The Trust established a new Board Sub-Committee (the Covid-19 sub committee) which met regularly from 1 March 2020 to 31 July 2020. The meetings of the Information Governance Committee and Finance and Investment Committee were deferred until 1 August 2020. The Committee was established to focus on the safety, quality, risk and financial arrangements of the Trust during the first wave of the pandemic. The Trust reverted to its original governance structure from August 2020. Later in the year, during the second wave of the pandemic, the Trust assessed the need to amend its governance structures again and concluded the Trust's existing structures were sufficient to respond to both the pandemic and operational business needs. We were satisfied that there was evidence of key matters continuing to be reviewed within the governance structure throughout the year and appropriate prioritisation of time during the pandemic. The Trust has a risk management and strategy policy. The policy was last updated in September 2020 and is due to for review again in March 2022. The policy outlines the responsibilities in relation to risk, of all staff, the Board of Directors and other key staff and committees across the Trust. The policy also sets out the responsibilities of the Quality Committee and Audit Committee in relation to risk. The Trust's risk management processes are regularly reviewed by the Trust's internal audit team, RSM. The Trust created a Covid-19 risk register to ensure all operational and quality risks arising as a result of the pandemic were identified and reported on. The Trust outsources its local counter fraud services to RSM. The Director of Operational Finance and Company Secretary have regular meetings with the LCFS to monitor progress and discuss emerging LCFS cases. The LCFS attends Audit Committee meetings as required and produces a report for each committee highlighting its activities in the period. The LCFS will undertake periodic reviews regarding the implementation and effectiveness of financial controls in place to prevent and detect fraud. No significant deficiencies or concerns have been identified by RSM during the financial year. The risk management framework includes an up to date structure chart, and detailed risk management policy. The key elements of their risk management processes are a strategy in place that turns into a longer annual plan to ensure achievement of the objectives. This is reported to the Board on a quarterly basis. The risk register is reported to the Integrated Governance Committee on a frequent basis and there is a quarterly review of the Board Assurance Framework by the Trust Board. The methodology of reporting risk includes scoring risk, escalating risks between forums and individual roles.

Governance (cont.)	
Description	Commentary on arrangements (cont.)
<p>This relates to the arrangements in place for overseeing the Trust's performance, identifying risks to achievement of its objectives and taking key decisions.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> Processes for the identification and management of strategic risks; Decision making framework for assessing strategic decisions; Processes for ensuring compliance with laws and regulations; How controls in key areas are monitored to ensure they are working effectively. 	<ul style="list-style-type: none"> The Trust has not significantly amended its financial processes and controls in response to the Covid-19 pandemic whereas our work across the sector has shown many NHS providers to have altered their financial controls in response to the pandemic. Internal audit have undertaken a Covid-19 governance review in year and issued a reasonable assurance report with three recommendations raised. The Trust monitors compliance with all legislation and regulatory standards through an annual self assessment that is reported to the Audit Committee and in turn to the Board via the Audit Committee report. The Trust's safety team have separate processes in place to ensure compliance with the CQC registration requirements. This is reported to the Integrated Governance Committee which provides assurance to the Trust Board. The IGC as and when required, receives assurance regarding other regulatory requirements. We have not identified any significant weaknesses but have included one medium and one low priority recommendation around identification and monitoring of compliance with laws and regulations, to ensure the Trust has a clear, consistent and efficient process Key strategic decisions are developed and approved in accordance with the SFIs. For all key decisions, business cases are required to be developed which include details of the cost and benefits of the decision. Business cases are approved at the relevant committee within the Trust based on the perceived impact of the decision. Key decision areas such as the capital program are agreed as part of the annual planning process, this is then tracked and reported through to the Finance and Investment Committee and the Executive Team. During the year the Trust have agreed capital project spend in relation to safety suites and the redevelopment of Forest House. 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.

Improving economy, efficiency and effectiveness

Description	Commentary on arrangements
<p>This relates to how the Trust seeks to improve its systems so that it can deliver more for the resources that are available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> ▪ The planning and delivery of efficiency plans to achieve savings in how services are delivered; ▪ The use of benchmarking information to identify areas where services could be delivered more effectively; ▪ Monitoring of non-financial performance to assess whether objectives are being achieved; and ▪ Management of partners and subcontractors. 	<ul style="list-style-type: none"> ▪ 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. We have not identified any significant weaknesses but have included one low priority recommendation around the ease of use of the performance report. ▪ During the financial year the Trust undertook a benchmarking exercise to understand inpatient performance compared to the national system. This aided the Trust in better understanding its delayed transfers of care and out of area placements. The results of this analysis were presented to the Board and have resulted in the agreement of a new bed management system to be introduced. ▪ 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 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. During the financial year, the Trust has been working closely with other members of the ICS. During the financial year, much of the work of the ICS has been focused on a co-ordinated response to system operational pressures and the vaccination programme in the later part of the year. A system wide 'Gold' ICS meeting was set up in January 2021 reflecting the sustained operational pressures felt across the system. The Trust is well represented across the ICS governance structure.



© 2021 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.