



# Auditor's Annual Report 2021/22

**Hertfordshire Partnership NHS FT**

04 July 2022

## Key contacts

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This report is addressed to Hertfordshire Partnership 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 2021-22 audit of Hertfordshire Partnership 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 24 June 2022. 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 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>
<b>Other reporting</b>	<p>We did not consider it necessary to issue any other reports in the public interest.</p>

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><b><i>Fraudulent revenue recognition</i></b></p> <p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. We recognised this risk over income from NHS sources received close to the financial year end. As the Trust is required to meet a control total at the end of the year this may create an incentive for revenue to be manipulated in order to achieve budgeted financial performance.</p>	<p>We identified misstatements relating to the Trust’s application of its revenue accounting policies and accounting for income received ahead of the financial year end as deferred grant income. These misstatements have been corrected by management.</p> <p>We continued to raise a recommendation from the prior year relating to the Trust’s assessment of income against IFRS15 criteria.</p>
<p><b><i>Fraudulent expenditure recognition</i></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 over all non-staff cost expenditure and year end accruals and provisions.</p>	<p>We identified misstatements relating to the existence of year end accruals and provisions recognised by the Trust. Some of these misstatements have been corrected by management, while others have not been corrected by management. Updating this would lead to an increase in the reported surplus balance of £3.4m, however we did not consider this material.</p> <p>We raised three recommendations relating to the completeness of year end accruals, completeness of staff cost accruals and ensuring sufficient support and evidence to enable accurate accounting for provisions.</p>
<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 2022.</p>	<p>We identified misstatements relating to the indexation uplift applied for all specialised building assets which have been corrected by management. We continued to identify a misstatement, initially identified during our 2020-21 audit, relating to valuation of one land asset that has not been corrected by management. Updating this would lead to an increase in the value of land assets, however we did not consider this material.</p> <p>We considered the estimate to be cautious based on the procedures performed due to no fair value assessment of land assets having been completed by the Trust at 31 March 2022.</p>
<p><b><i>Management override of controls</i></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 raised a recommendation relating to evidencing the monthly review of journals posted.</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:

<b>Care Quality Commission rating</b>	Overall Trust rating of Outstanding. However the Trust's Child and Adolescent Mental Health Services were downgraded in year to "Inadequate".
<b>Single Oversight Framework rating</b>	Segment One
<b>Governance statement</b>	There were no significant control deficiencies identified in the governance statement
<b>Head of Internal Audit opinion</b>	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
<b>Financial sustainability</b>	No significant risks identified	No significant weaknesses identified
<b>Governance</b>	One significant risk identified	No significant weaknesses identified
<b>Improving economy, efficiency and effectiveness</b>	No significant risks identified	No significant weaknesses identified

# Value for money

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"> <li>How the Trust sets its financial plans to ensure services can continue to be delivered;</li> <li>How financial performance is monitored and actions identified where it is behind plan; and</li> <li>How financial risks are identified and actions to manage risks implemented.</li> </ul>	<ul style="list-style-type: none"> <li>The Trust's SFIs detail the responsibilities for planning, budget setting, budgetary control and monitoring of budgets.</li> <li>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 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>In March 2021 the Trust Board approved a financial plan for the FY22 financial year. While the plan was approved ahead of both the NHSE H1 and H2 guidance being published, the plan was reviewed against the guidance and changes required were considered. The Integrated Care System (ICS) was granted a financial envelope that was expected to be managed within and the Trust agreed a breakeven position for the FY22 financial year. The Trust exceeded its budgeted breakeven financial position for the 21/22 financial year, achieving a surplus of £705k.</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. We found information provided to budget holders has not changed during the COVID-19 pandemic.</li> <li>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. A delivering value workshop was undertaken in January 2022 to identify significant saving schemes for the 2022/23 financial year. The Trust's internal auditors have undertaken a review of the Trust's Delivering Value Governance processes in year providing a positive assurance opinion. While the internal audit did identify weaknesses relating to the recording of actions and decisions made by the DVMG and maintaining up to date progress schedules, the Trust has taken action to address these recommendations in year.</li> <li>In the prior year, in response to the coronavirus pandemic, the Trust reduced the level of detailed reporting it did regarding the Delivering Value Programme. For 2021/22 the level of reporting has returned to the pre-pandemic levels. The Trust's original financial plan incorporated a target of £7.0m efficiency savings for 2021/22. This was revised downwards to £4.6m in line with the national planning guidance. The Trust achieved its efficiency target of £4.6m at the financial year end.</li> </ul>

# Value for money

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"> <li>How the Trust sets its financial plans to ensure services can continue to be delivered;</li> <li>How financial performance is monitored and actions identified where it is behind plan; and</li> <li>How financial risks are identified and actions to manage risks implemented.</li> </ul>	<ul style="list-style-type: none"> <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.</li> <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>The Trust maintains a finance risk register which captures risks in relation to the financial position. As Senior Responsible Officer for the finance risks the Director of Finance 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.</li> <li>During the financial year the Finance and Investment Committee have approved a number of capital projects, after the Trust was allocated a capital investment limit of £17.1m. All capital projects were approved following appropriate review and challenge and the submission of a detailed business cases.</li> <li>For 2022/23 the Trust initially budgeted for a deficit position of £9.5m, although this was later revised to a breakeven position following additional funding allocated from the centre. The initial deficit position was approved by the Trust's Board in April 2022. The drivers behind the financial deficit were increased cost of staffing from patient acuity, national pay award and reliance on temporary staff as well as a increase in national cost pressures relating to utility bills etc.</li> <li>The Trust have identified a delivering value programme of £10.5m for 2022/23. The Trust's financial plan assumes a delivery of £5m against this plan. These savings are all recurrent schemes and as at May 2022 a full list of schemes have been identified.</li> </ul> <p><b>Conclusion</b></p> <p>No significant weaknesses identified</p>

# Value for money

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"> <li>Processes for the identification and management of strategic risks;</li> <li>Decision making framework for assessing strategic decisions;</li> <li>Processes for ensuring compliance with laws and regulations;</li> <li>How controls in key areas are monitored to ensure they are working effectively.</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 and appropriate prioritisation of time during the pandemic.</li> <li>In March 2021 the Trust engaged an external third party to undertake a well-led review. The results of this review were published in April 2021 with the conclusion that the reviewer fully concurred with the Trust's previous CQC "Outstanding" rating for the well-led domain. The results of this review were reported through the Trust's governance structure in April 2021 with an action plan developed to address each of the 16 recommendations raised. Progress in the implementation of these recommendations has been reported to the Board in September 2021 with another progress updated planned for Spring 2022. All recommendations are expected to be implemented by March 2022.</li> <li>During the financial year the Trust has received two separate CQC inspection at its Warren Court and Forest House sites. In December 2021 the CQC published its report in relation to Warren Court (no rating was issued in relation to this inspection) and the Trust has 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 submitted to CQC for consideration. The progress of monitoring implementation of these actions is monitored by the Information and Governance Committee, with six monthly updates also provided to the Board. At the financial year end good progress had been made by the Trust in implementing the identified actions.</li> <li>Following an unannounced CQC inspection the Trust's child and adolescent mental health inpatient services have been downgraded to inadequate and a section 29A notice issued. Prior to the inspection at Forest House the Trust had developed a Service Improvement Plan to address weaknesses previously identified by the Trust. The service was being closely monitored by the Executive Team. The unannounced CQC inspection was undertaken in response to referrals made to the CQC about concerns over the service delivered at Forest House. Significant findings were identified in relation to (1) the management and oversight of the services; (2) the completeness and accuracy of patient's medical records; and (3) training provided to employees.</li> <li>We reviewed the governance arrangements in place to oversee the resolution of issues identified by the CQC. We verified that there was an action plan in place that covered the findings identified as both 'must do' and 'should do' actions. We noted that prior to the CQC inspection report being finalised and publicised, the Trust had already developed a detailed action plan to address all of the findings in the report, with an action owner and timeline for implementation assigned for each action. Progress in implementing these actions has been consistently monitored on a weekly basis with progress updates being issued to the Executive Team and the Board. At the financial year end good progress had been made by the Trust in implementing the identified actions with the Trust reporting to have implemented 80% of the actions identified with the remaining actions to be implemented by July 2022.</li> </ul>



# Value for money

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"> <li>Processes for the identification and management of strategic risks;</li> <li>Decision making framework for assessing strategic decisions;</li> <li>Processes for ensuring compliance with laws and regulations;</li> <li>How controls in key areas are monitored to ensure they are working effectively.</li> </ul>	<ul style="list-style-type: none"> <li>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 Information Governance Committee (IGC) which provides assurance to the Trust Board. The IGC as and when required, receives assurance regarding other regulatory requirements.</li> <li>The Trust has a risk management strategy and policy. The policy was last updated in September 2020 and is due to for review in March 2022. At the time of issuing this report we understand the policy is planned to be updated in April 2022. The Trust's updated risk management strategy was approved by the Board in March 2022. These documents outline 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 auditor. 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.</li> <li>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. During the financial year, in response to recommendations raised as part of the well-led review, the Trust has reviewed and amended the presentation and content of its Board Assurance Framework (BAF). The Trust is working with its internal audit team to identify areas of best practice in order to ensure the BAF provides consistent and accurate detail on assurance levels.</li> <li>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, fire compliance and refurbishment of specific buildings.</li> </ul>

# Value for money

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"> <li>Processes for the identification and management of strategic risks;</li> <li>Decision making framework for assessing strategic decisions;</li> <li>Processes for ensuring compliance with laws and regulations;</li> <li>How controls in key areas are monitored to ensure they are working effectively.</li> </ul>	<ul style="list-style-type: none"> <li>The Trust outsources its local counter fraud services to RSM. The Deputy Director of 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 and other governance controls relating to gifts and hospitality and declaration of interests. No significant deficiencies or concerns have been identified by RSM during the financial year.</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> <p><b>Conclusion</b></p> <p>While the Trust has received a warning notice and had its child and adolescent mental health inpatient services downgraded to inadequate during the year we are satisfied there are appropriate governance arrangements to oversee the implementation of the required improvements and that sufficient progress was being made by the end of the year. We are satisfied that the findings are isolated to one service provision. We have therefore not identified a significant weakness relating to the governance arrangements.</p>

# Value for money

## Improving economy, efficiency and effectiveness

### Description

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.

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

- 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.

### 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.
- During the financial year the Trust participated in national benchmarking exercises relating to CAMHS and Bed Utilisation. The Trust also participated in the Model Health System Annual Corporate Services Return to NHSE.
- 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 and has representatives on each of the key ICS Boards. During the financial year the Trust has appointed a new Director of Strategy and Integration who leads on the development of integrated care across the Trust, working closely with the Trust's external partners. The Director of Strategy and Integration provides regular performance updates to the Board of Directors on the activity of the ICS and the Provider Collaborative.
- During the year the Trust joined the East of England Provider Collaborative. Prior to joining the collaborative the Trust's Board received regular updates on clinical models, finance due diligence and the emerging governance framework. The Trust formally joined the Collaborative in July 2021 following Board approval.

### Conclusion

No significant weaknesses identified



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