

Auditor's Annual Report 2021/22

NHS West Suffolk Foundation Trust

16 September 2022

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This report is addressed to NHS West Suffolk 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 NHS West Suffolk 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	We issued an unqualified opinion on the Trust's accounts on 16 September 2022. This means that we believe the accounts give a true and fair view of the financial performance and position of the Trust. We have provided further details of the key risks we identified and our response on page 5.
Annual report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust. We confirmed that the Governance Statement had been prepared in line with the DHSC requirements.
Value for money	We are required to report if we identify any matters that indicate the Trust does not have sufficient arrangements to achieve value for money. We identified one significant weakness relating to the arrangements for governance. We have provided further detail on page 9.
Other reporting	We did not consider it necessary to issue any other reports in the public interest.

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
Valuation of Land and Buildings 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'.	We did not identify any material misstatements relating to this risk.
Management override of controls We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.	We did not identify any material misstatements relating to this risk.
Fraudulent expenditure recognition 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 of the Trust's expenditure, with the exception of payroll and depreciation.	We have not identified any material misstatements relating to this risk. We have also not raised any significant recommendations.

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 \(nao.org.uk\)](https://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	Requires Improvement
Single Oversight Framework rating	3
Governance statement	There were no significant control deficiencies identified in the governance statement.
Head of Internal Audit opinion	The Head of Internal Audit issued a reasonable assurance 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	One significant risk identified	One significant weakness identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

We identified a significant weakness with regards to the Trust's arrangements based on the publication of the West Suffolk Review, commissioned by NHS England on behalf of the Department for Health and Social Care during December 2021 where it was noted that the Trust's Board performance fell short on both ensuring accountability and shaping culture. We reported this as part of our audit report and have provided further details in our commentary on page 9.

Value for money

Financial sustainability

Description

Commentary on arrangements

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.

The Covid-19 pandemic has continued to have a significant impact on the Trust and continued to have an impact on the financial regime for the NHS through 2021-22, with providers remaining on a block contract framework. NHS organisations were required to submit two plans for 2021-22 one that covered H1 (Months 1-6) and one for H2 (Months 7-12). The Trust established a breakeven budget for H1 which included an efficiency (CIP) target of £3.1m. This was approved by the Trust Board in February 2021. For H2 NHSI/E required that Trusts include a larger efficiency target.

Through inspection of the December (M9) finance and workforce report the CIP target was increased to £4.8m with actual achievement of £2.5m reported against the plan. Due to the funding arrangements for 2021-22, the Trust continued to forecast for a full year break-even position. Furthermore, the M9 report provides a financial summary (for M9 and YTD) along with the key risks. It provides Red, Amber and Green (RAG) ratings for the I&E indicators along with an update on the Cost improvement programme of the Trust.

The Trust's Standing Financial Instructions (SFIs) detail the responsibilities for planning, budget setting, budgetary control and monitoring of budgets.

The Chief Executive has overall accountability for compiling and submitting the annual financial plan to the Board. Prior to the start of the financial year the Finance Director prepares the budgets. Budget holders, at an appropriate level, sign up to their allocated budgets at the commencement of each financial year, provide information and work closely with the Finance Managers at the initial planning stage to enable budgets to be compiled and during the year to ensure that their divisional budget plan does not exceed its control total.

The assumptions used within the budget setting process are discussed within the Finance team, however we noted that these are not subject to approval by an appropriate forum. During February 2021, the assumptions applied to the budget setting process for 2021/22 were presented to the Board as part of the budget approval process, however, it was noted that they were not subjected to formal review and approval by an appointed forum, ahead of the budget approval, as part of the budget setting process.

Historically, the Trust has captured its CIP, corporate governance and processes in a "terms of reference" document, which is executively approved. However, since the pandemic, changes around the corporate governance and the cost improvement programme have been made but still captured within an established framework (finance and workforce committee) which includes the governance meeting changes to ensure appropriate the maintenance of appropriate programme focus.

We inspected the Trust's annual National Costs Collection and NHS England returns, with both of these returns feeding into the Model Hospital to use as a source of review and benchmarking used by the Trust's PMO team. The Trust has also engaged an external specialist to benchmark all services with East Suffolk and North Essex NHS Foundation Trust (ESNEFT) to review cost information against activity volumes and outcomes.

The Trust also recently invested in a new costing system that will produce cost information once the implementation is complete.

Value for money

Financial sustainability (cont.)

Description

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.

Commentary on arrangements

There are three governance meetings providing oversight and assurance:

- Execs –Weekly executive assurance meetings with divisions rotating to provide assurance; and
- Finance & Workforce Committee –Formal Trust cost improvement reporting forum with divisional updates provided by the Associate Director of Operations.
- PMO Monitoring & Oversight Meeting –Monthly PMO oversight meeting with each divisional Improvement project manager, finance manager to review the monthly actuals and reforecasting position with the Head of PMO and PMO Finance Lead.

During the year, the Trust had a budget to break-even at year end. The Trust reported an overall accounting deficit of £4.4m for the year with the Trust reporting an adjusted surplus position of £0.2m for the year, with COVID-19 top up payments of £24.8m included in this position. The FSP (previously CIP) programme for 2021-22 amounted to £4.8m. In the year to February 2022, the Trust forecasted to achieve £3.0m (64%) against a plan of £4.32m (91%), which is a shortfall of £1.28m. However, at year end the Trust reported an actual outcome of £4.4m.

Through inspection of the Finance and workforce report as at June 2022, the Trust anticipate a break-even position for 22/23 in line with their budget. Achieving break even does carry with it a number of risks:

- Ongoing impact of Covid on the Trust capacity and operational capability
- Impact of unfunded Covid cost pressures such as temporary staffing, retained IP controls and staff sickness.
- Impact of unfunded inflation
- Impact of RAAC programme such as our operational capacity and revenue impact of the capital programme
- Achievement of ERF.

The Trust anticipate there being sufficient mitigations to be able to offset these risks.

A key part of the mitigations to the financial position of the Trust, is achieving a reduction in costs of £7.5m during 2022-23. The Trust is developing and embedding the Sustainability Programme as a key driver of improvement generally (in terms of quality, safety, environmental impact etc) across the organisation. From this programme it is anticipated that, whilst not being the primary driver, a proportion of the schemes will enable the Trust to deliver services more cost effectively such that costs will reduce.

Conclusion

Based on the procedures performed we have not identified a significant risk associated with financial sustainability.

Value for money

Governance	
Description	Commentary on arrangements
This relates to the arrangements in place for overseeing the Trust's performance, identifying risks to achievement of its objectives and taking key decisions. We considered the following areas as part of assessing whether sufficient arrangements were in place: - 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.	Through inspection of the Trusts risk register, we confirmed that risks are captured as either 'Operational' (risks local to an area or service), 'Corporate' (risks with a wide organisational impact) or 'Strategic' (risks to delivery of strategic objectives). Risks are rated as Red (high), Amber (medium) and Green (low) based on an assessment of the likelihood and consequence (harm) of a risk materialising. This risk rating informs the escalation requirements. Following the approval of the Trusts risk appetite statement during October 2021, we also inspected the board meeting held during January 2022 where the Board assurance Framework (BAF) was presented, which was consolidated into one document taking the CIP and financial sustainability risks into account. The BAF documents the key controls in place to manage the risk, the assurances received both from within the organisation and independently as to the effectiveness of those controls and highlights for the Board's attention, the gaps in control and gaps in assurance that it needs to address in order to reduce the risk to the lowest achievable risk rating. The Trust uses three risk management options : Risk Transfer, Risk Reduction and Risk acceptance. All Trust policies and procedures (including Health, Safety and Welfare, Nursing, Financial and Personnel) are relevant to risk management. Robust arrangements have been developed in all divisions for managing and escalating appropriate risks. Training and support is provided to Managers to enable them to manage risk as part of the normal line management responsibilities. The Trust has clear high-level guidance, notably the SFIs, the Scheme of Reservation and Delegation of Powers, in regard to budget setting and control, which outlines the roles and responsibilities of key staff and forums, such as the Executive Director of Resources and the Board. A timetable detailing key activities involved in the budget setting process was documented and shared with the Finance Team. The 2021/22 Budget was subject to approval by the Board and was accurately uploaded to the ledger and was subsequently reflected in ongoing reporting. Budget statements are shared with budget holders on a monthly basis, and there is regular Board reporting.

Value for money

Governance (cont.)

Description	Commentary on arrangements
This relates to the arrangements in place for overseeing the Trust's performance, identifying risks to achievement of its objectives and taking key decisions. We considered the following areas as part of assessing whether sufficient arrangements were in place: - 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.	The Trust outsources its local counter fraud services (LCFS) to RSM. The Trust has regular meetings with the LCFS to monitor progress and discuss emerging LCFS cases. The LCFS workplan was presented to the Audit committee on 30 April 2021 and this was approved. RSM provides regular Progress reports highlighting counter fraud work undertaken at West Suffolk NHS Foundation Trust including the fraud risks, completed activities, Management actions and an update on ongoing investigations. The reports also include the emerging risks and return action plans. The Counter Fraud annual report was presented to the Audit committee on 30th July 2021. The Counter Fraud Functional Standard Return (CFFSR) resulted in an overall rating of green. The green rating assesses the Trust as fully compliant with the Standards and demonstrating the impact of work undertaken. A fraud and bribery risk assessment was undertaken to assess and identify the Trust's exposure to fraud and bribery risks. A fraud and bribery risk register was produced in order to inform the direction of Counter Fraud and Trust activities to mitigate these risks, and was shared with management to develop a risk response strategy. The key risks that were deemed high priority for the Trust were included in the work plan 2020/21. We noted that during December 2021, the West Suffolk Review, commissioned by NHS England on behalf of the Department for Health and Social Care, was published. The report noted that the Trust's Board performance fell short on both ensuring accountability and shaping culture. Through inspection of the review report, we acknowledge that the Trust has already acted on some of the areas identified and, following the publication of the formal Review report, the Trust has also developed a detailed Action Plan which was approved by the Board in March 2022. However, for the year under review, there was a significant weakness in the Trust's governance arrangements. We have raised a recommendation for the Trust to ensure that implementation of the action plan to respond to the recommendations of the independent review is appropriately monitored and the agreed actions are implemented. Conclusion Based on the procedures performed we have identified a significant risk associated with governance.

Value for money

Improving economy, efficiency and effectiveness

Description	Commentary on arrangements
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.	For a sample of months, we reviewed the board meeting papers and confirmed that the Trust Board receive monthly finance update reports, in a consistent format. This includes reporting on the financial performance of the Trust as a whole, but also for each Division, including planned performance against actual. The reports provide narrative for notable areas of variance, to support the reasons for variances. We reviewed the meeting minutes and confirmed that there was evidence of discussion of the financial performance, and there was a clear record of the Board providing scrutiny of the current financial performance, particularly in regard to areas of overspend. The Trust's PMO Team produces divisional level reports for divisional management to review. Detailed reports are produced detailed reports that are reviewed across the senior management team to assess for future improvements. 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. We obtained a copy of the latest log of waivers which includes the different approval limits set. Sufficient evidence is noted from these meeting that waivers are discussed and challenged where required. A RAG programme governance and reporting framework is deployed to provide a risk managed project assurance pathway. Schemes are added if the rationale and workings/evidence base are progressed to the satisfaction of the responsible project leads. This will progress even further subject to Gateway 1 approval of the project brief and benefits realisation plan at divisional level. The full value of the scheme is added to the tracker with a green status only when the clinical and patient safety risks are approved via the Quality Impact Assessment (QIA) process at Gateway 2. The QIA is the second approval gateway. QIA's must be approved by the medical and nursing directors as the senior clinicians within the organisation. The QIA process ensures that patient safety, patient experience and clinical effectiveness risks are considered and approved before the proposed changes can be implemented. We noted and confirmed through inspection of minutes of meetings, that since January 2022, the Trust have been working more closely with the wider ICS by way of formal monthly meetings being held and more casual meetings once a week. This is to aid the system planning and working in conjunction within the ICS. Conclusion Based on the procedures performed we have not identified a significant risk.

Recommendations

We raised the following recommendations in response to significant weaknesses identified in our value for money procedures.

#	Issue, Impact and Recommendation	Management Response
1	West Suffolk Review – implementation of action plan During December 2021, the West Suffolk Review, commissioned by NHS England on behalf of the Department for Health and Social Care, was published. The report noted that the Trust's Board performance fell short on both ensuring accountability and shaping culture. Through inspection of the review report, we acknowledge that the Trust has already acted on some of the areas identified and, following the publication of the formal Review report, the Trust has also developed a detailed Action Plan which was approved by the Board in March 2022. However, for the year under review, there was a significant weakness in the Trust's governance arrangements. The Trust needs to ensure that implementation of the action plan to respond to the recommendations of the independent review is appropriately monitored and the agreed actions are implemented.	Following the publication of the West Suffolk Review in December 2021, West Suffolk NHS Foundation Trust is committed to taking appropriate action to meet the advisory recommendations and learnings in the report. To ensure that there is full accountability and engagement, a Governor/Director Working Group has been established to take this forward. The actions in response to the review form part of the Trust's organisational development plan. Progress with the plan and effectiveness of the improvements is reported to the Working Group and also at the public Board of Directors meetings. Responsible office: Director of workforce and communication



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