



Auditor's Annual Report 2022/23

Leicestershire Partnership NHS Trust

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27 June 2023

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This report is addressed to Leicestershire Partnership NHS 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.

Introduction

Introduction

This Auditor's Annual Report (AAR) provides a summary of the findings and key issues arising from our 2022/23 audit of Leicestershire Partnership NHS 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 2014.

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 27 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>
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 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>
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>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 DRC / modern equivalent asset (MEA).</p> <p>The Trust engaged a valuer to undertake a desktop valuation for the year ended 31 March 2023. The assessment of the fair value of the assets is a key estimate in the financial statements.</p>	<p>We considered the carrying value of the land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation, including the use of relevant indices and assumptions of how a modern equivalent asset would be developed, as part of our judgement.</p> <p>We agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the GAM.</p> <p>Based on the work completed to date, we have not identified any material misstatements relating to this risk to date. We considered the estimate to be balanced based on the procedures performed.</p>
<p>Fraudulent expenditure recognition</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 areas of non-pay expenditure, excluding depreciation and impairment.</p> <p>We consider the risk would be most likely to occur through understating accruals, to move expenditure from 2022/23 to 2023/24 to mitigate financial pressures.</p>	<p>We assessed the design and implementation of process level controls for the review of the accrued expenditure at the end of the year. We have performed our substantive testing procedures by inspecting cash payments and purchase invoices in the period prior to 31 March 2023 to verify expenditure had been recognised in the correct accounting period and evaluating a sample of year end accruals to confirm they were appropriate. We also assessed the outcome of the agreement of balances exercise with other NHS organisations.</p> <p>Based on the work completed to date, we have not identified any material misstatements relating to this risk to date.</p>
<p>Management override of controls</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 tested the design and implementation of controls over the posting of journals including post closing adjustments. We also selected journals that were considered high risk, through applying specific risk based criteria, to test and agreed these journals to supporting documentation.</p> <p>We did not identify any material misstatements.</p>

Fraud risk from revenue recognition: Auditing standards set a rebuttable assumption that there is a risk revenue is recognised inappropriately. Due to the nature of revenue within the Trust, we do not consider there to be a significant risk of fraud and have **rebutted this risk**.

Value for money

Introduction

We consider whether there are sufficient arrangements in place for the Trust for each of the three 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).

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	The last full CQC report was in May 2022, with overall rating of Requires improvement.
Single Oversight Framework rating	2 – Targeted support may be required to address specific identified issues– May 2023
Governance statement	There were no significant control deficiencies identified in the governance statement.
Head of Internal Audit opinion	Significant Assurance.

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	<i>Significant risk identified</i>	No significant weaknesses identified
Governance	<i>No significant risks identified</i>	No significant weaknesses identified
Improving economy, efficiency and effectiveness	<i>Significant risks identified</i>	No significant weaknesses identified

Based on our audit work **we have not identified any significant weaknesses** in the Trust's 2022/23 arrangements to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

Value for money

Financial sustainability

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

We identified a significant risk in relation to the processes for ensuring financial sustainability. In response to this, we considered the outturn position of the Trust and the ICB and noted appropriate actions to mitigate and reduce the deficit position.

The outturn position of the Trust and System showed a deficit of £14.6m, with the Trusts share £2.8m (pre-audit), whilst the Trust did not achieve a breakeven position, they did achieve the revised year end target agreed with NHSE. The System had planned efficiencies / cost avoidance of £97.1m and achieved savings of £79.9m. The Trust delivered its 2022/23 CIP target with a small shortfall of £115k. The Trust has monitored and reported its financial position throughout the year to the Board and also worked closely with the ICS to reduce the deficit and manage the financial pressures and challenges.

In addition, we considered the arrangements in place to align the Trust's 2023/24 financial plan with the ICB financial plan and found evidence of collaborative working between the Trust and ICB partners. The ICS financial plan after a number of iterations was submitted to NHSE on 4 May 2023 following appropriate review and approval, in accordance with the relevant guidance from NHS England. The Trust has followed the planning guidance by working within the ICS. The final submitted 2023/24 System and Trust financial plan show a breakeven position, from its original Trust deficit of £21m and £100m for the System. The revised System plan includes significant efficiency targets of which £15.9m is the Trusts share. The Trust has identified 84% (£13.4m) to date. This position was clearly reported to the Board and FPC, highlighting the challenging position, efficiency requirements and work on identified schemes to date.

The Trust has provided Board members with regular updates and has a clear understanding of the challenges and work needed to deliver its financial plan for 2023/24.

Whilst we have not identified a significant weakness associated with the arrangements in place for the current period, we note the continued financial pressures, which are likely to increase in future periods and hence the Trust will need to ensure these arrangements, including the reporting of both the Trust and system position, are robust and sufficient for the increased risk in future periods.

Conclusion

Based on the findings above **we have not identified any significant weaknesses** in the Trust's arrangements.

Value for money

Governance

Description

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; and
- How controls in key areas are monitored to ensure they are working effectively.

Commentary on arrangements

We consider the Trust to have effective arrangements and processes in place to assess, manage and monitor risk. Strategic risks are recorded and identified using the Board Assurance Framework and Organisational Risk Register (ORR) with any identified risks are reported to the relevant committees, including Finance and Performance Committee and the Trust Board. Risks are reviewed on a monthly basis. The Deputy Director of Governance and Risk meets individually with members of the Executive Team to review risk on the ORR and hold broader discussions around horizon scanning/ identifying future risk. Also on a monthly basis, the Risk Review Group supports the regular review and validation of operational risk including health and safety assessments and risk.

The Trust have a dedicated local counter fraud service (LCFS) provided by 360 Assurance. The LCFS has an agreed work plan and reports on their progress to each Audit and Assurance Committee, with an annual report taken at the end of the year. This resource is supplemented via consideration of fraud by the Audit and Assurance Committee and senior finance staff whilst preparing the financial statements. The Trust have an Internal Audit service, also provided by 360 Assurance.

The Trust has an appropriate reporting framework in place. The financial performance of the Trust is reported each month to the Finance and Performance Committee, prior to a summary report being taken to the Trust Board. During the year this has included regular updates on changes to the national NHS financial regime and the performance of the wider Leicester, Leicestershire and Rutland (LLR), Integrated Care System (ICS).

The 2022/23 financial plan showing all key assumptions was developed via an internal template for each directorate, which was reviewed continually by the senior finance team and Deputy Director of Finance throughout the planning period. This allowed for regular challenge and confirmation of key assumptions, along with checking of approach.

Key strategic decisions are made via the Trust’s governance process. A scheme of delegation is in place which sets out where different decisions/approvals should take place. The Trust have agreed business case templates in place and each case is subject to approval in line with the scheme of delegation prior to formal approval and scrutiny at the Finance and Performance Committee and the Trust Board.

The Trust has a staff code of conduct in place as per the standards of conduct and business behaviour policy. Specific guidance is in place for teams and managers via standards of behaviour for these roles. Overall compliance with legislation, laws & regulations is monitored by the Policy Committee. A register of interest is in place together with a policy for gifts and hospitality with regular reporting on new entries to the register taking place to the Audit and Assurance Committee.

Conclusion

Based on the risk assessment procedures performed **we have not identified a significant risk** associated with Governance.

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

The Trust has a performance management framework in place to set the structure of performance management across the Trust. This details the format of reporting and outlines roles and responsibilities at each level. The main element of performance reporting is the integrated performance report which provides the Quality and Assurance Committee (QAC) with key operational performance indicators on a monthly basis. Whilst issues were raised in the prior year over the level of clarity provided by the reports, a revised report format has been introduced to support more focused presentation and clarity over the responsibilities of the committee.

The Trust engage well within partnerships and have continued to work well and developed strategies with other organisations. The Trust is an active member of the Leicester, Leicestershire and Rutland ICS and have signed up to the ICS governance structure which includes mechanisms for engagement in strategic discussions (NHS Executive) as well as in the design groups which are mandated to develop new pathways of care.

We noted in our Audit Plan that there was a risk that the Trust may not have taken appropriate action or secured improvement in the areas where the CQC identified weaknesses following inspections in 2021 and 2022 when the CQC rated the Trust “Requires Improvement’ despite a previous action plan to oversee improvement.

In response to this risk we reviewed the Trust’s action plan to address the weaknesses in the CQC report and the Trust’s progress made against this. We noted, a key focus of the Trust in 2022/23 has been embedding and sustaining improvements required and this has been done in a number of ways, including:

- Quality Visits - introduced internal quality reviews across their services which involve unannounced visits and focus on areas that the CQC would;
- 15 Step Visits - which are clinically focused and are less formal and are about first impressions; and
- Valuing High Standards Accreditation – introduced a programme of quality accreditation.

The CQC published a report in May 2022 in relation to their focused unannounced inspection of the acute wards for adults of working age and psychiatric intensive care units, which took place in February 2022. This showed that the Trust’s rating moved up from Inadequate to Requires Improvement for Safety and from Inadequate to Good for the Responsive domain. The CQC report concluded that the “The Trust met all actions required in the enforcement action issued at the last inspection”.

Conclusion

Based on the findings above we have not identified any significant weaknesses in the Trust’s arrangements.



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