



Auditor's Annual Report 2020/21 –

Sussex Partnership NHS Foundation Trust

14 June 2021

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This report is addressed to Sussex 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 2020-21 audit of Sussex 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.

Accounts	<p>We issued an unqualified opinion on the Trust's accounts on 14 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><i>Fraudulent expenditure recognition</i></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 identified a misstatement relating to the value of the yearend holiday pay accrual. This misstatement has not been corrected by management. Updating this would lead to a £500k increase in total expenditure. We do not consider this movement to be material.</p>
<p><i>Fraudulent revenue recognition</i></p> <p>Auditing standards set a rebuttable assumption that there is a risk revenue is recognised inappropriately. We recognised this risk over all of the Trust's income.</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 did not identify any material misstatements relating to this risk.</p>
<p><i>Management override of controls</i></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 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 \(nao.org.uk\)](https://www.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	The Trust was inspected in February 2019 with an overall rating of Good announced in June 2019
Single Oversight Framework rating	The Trust is currently rated as a 1.
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

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"> The Trust's SFIs detail the responsibilities for planning, budget setting, budgetary control and monitoring of budgets. We found the Trust to have complied with its SFI requirements. As part of the budget setting process, meetings are held between each Budget Holder and their relevant Finance business partner. All budget holders are allocated a Service Improvement Target based on the Trust's overall required efficiency savings. In January 2020 a "Financial Planning Paper" was taken to the Finance and Investment Committee for detailed scrutiny. The paper outlined the approach taken by the Trust, the key assumptions within the budget and the key risks to budget achievement. The budget was ultimately approved by the Board of Directors in January 2020. Throughout the financial year we found regular updates were provided to the Finance and Investment Committee and the Board of Directors in response to the coronavirus pandemic and the change in funding regime for 2020-21. The Trust has continued to monitor its performance against the agreed 2020/21 Cost Improvement Target during the financial year, however the Trust did reduce the level of detailed reporting in this area in response to the coronavirus pandemic. The Trust identifies future cost pressures both as part of the initial budget setting process and on an ongoing basis throughout the year during budget monitoring meetings. 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 management accounts. The Finance and Investment Committee have clear oversight of the Trust's financial risks and there is a clear link through to the Board Assurance Framework. Where additional cost pressures have arisen in year the Trust has taken action to mitigate the impact of these on its yearend position. The Trust has developed plans to support the sustainable delivery of services and has identified strategic priorities as part of this. The long term plan will need to be supported by clear delivery plans and milestones that articulate the benefits which can then be measured as they are implemented.

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"> The Trust has a risk management and strategy policy. The policy was last updated in March 2018 and is due to for review again in March 2021. 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. The Trust outsources its local counter fraud services to RSM. The CFO and Deputy Director of Finance have regular meetings with the LCFS to monitor progress and discuss emerging LCFS cases. The LCFS attends all Audit Committees 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. Individual line managers are responsible for identifying risks, recording the risk on the Trust's "Ulysses" system and performing an initial assessment of the likelihood and impact of the risk. They are responsible for developing an action plan to address the risk. The Trust has five levels for the assessment of risk alongside the BAF. All risks are required to be scored against the Trust's criteria for likelihood and impact. The Trust has not significantly amended its financial processes and controls in response to the Covid-19 pandemic. Internal audit have undertaken a financial governance review in year and issued a substantial assurance report with no recommendations raised. 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. During the financial year the Trust has made a number of key decisions in respect of capital projects and service redesign including the West Sussex Redesign and East Sussex Bed re-provision. We selected a sample of key decisions made in the year and found there to be appropriate evidence in place to demonstrate Board awareness, scrutiny and approval.

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"> ▪ An Integrated Performance Report (IPR) is produced every month, which is reviewed by the Board and relevant subcommittees. The KPIs provided to the Board includes indicators from the NHSE single oversight Framework, CQUIN, NHS Long Term Plan commitments, patient flow, CQC patient experience and safety domains and workforce. Sub-committees include additional performance monitoring reports that are relevant to its function and terms of reference e.g. workforce, quality and safety reports, CQC insight reports. CDS and Support services frameworks are applied to monitor divisional performance. ▪ During the financial year, the Trust has been working closely with other members of the ICS. The Trust is well represented across the ICS governance structure, with members of the Trust’s Executive Team leading on key workstreams across the ICS. ▪ The Trust is developing the use of PowerBI as part of the Global Digital Exemplar programme. This will allow for real time reporting, to all divisions across the Trust. ▪ The Trust participates in the annual reference cost analysis process and considers the outcome from this work as part of its annual budget setting and shared with relevant budget monitors. The Trust has implemented a Patient level costing system to compare costs across the Trust and other organisations. The Trust regularly participates in external benchmarking exercises. The Trust completes regular bed modelling exercises and the results are shared with the Finance and Investment Committee. ▪ 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.



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