



Auditor's Annual Report 2022/23

West Suffolk NHS Foundation Trust

29 June 2023

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This report is addressed to West Suffolk 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 2022-23 audit of West Suffolk 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 29/06/2023. 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 followed up on the significant weaknesses in the prior year on page 6.</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: The carrying amount of revalued Buildings differs materially from the fair value</p>	<p>We did not identify any material misstatements relating to this risk. We raised a recommendation relating to management evidencing review and challenge of the valuation specialists report. We considered the estimate to be balanced based on the procedures performed due to the valuation falling materially in line with our point estimation.</p>
<p>Fraudulent expenditure recognition: Liabilities and related expenses for purchases of goods or services are not recorded in the correct accounting period</p>	<p>We identified two misstatements relating to an adjustment between trade payables and accruals and between opening reserves and operating expenditure which have not been corrected by management. Updating these would lead to a reduction in trade payables and corresponding increase in accrued expenditure and a decrease in operating expenditure and an increase in brought forward reserves, however we did not consider this material.</p> <p>We raised recommendations relating to review of accruals to ensure completeness and retention of documentation in regard to PO authorisation.</p>
<p>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.</p>	<p>We 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).

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	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	Moderate

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.

Significant weaknesses followed up from the prior year

On page 6 we have set out commentary on the significant weaknesses identified in the prior year and whether the recommendations to address the weaknesses have been satisfactorily implemented.

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	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Value for money - risk of significant weakness in arrangements

Domain - Governance	
Description of risk	Our response
<p>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.</p> <p>We acknowledge that the Trust has acted on some of the recommendations made by the Review areas identified and, following the publication of the formal Review report, the Trust has 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.</p> <p>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.</p>	<p>We have reviewed the current status in regard to the implementation of the action plan. We have also reviewed the internal audit report in regard to the action plan.</p> <p>Our findings</p> <p>We have reviewed the action plan and note that 19 action plan points are marked as complete, 1 has been stood down and superseded by a point not yet due and 3 are in progress and on track within a revised timeframe. Further we have reviewed the internal audit report in regard to the plan and note that no weaknesses in control were identified.</p> <p>Conclusion</p> <p>We consider this to be indicative of effective implementation in regard to the prior year risk and recommendation, and therefore consider this VFM risk resolved and therefore</p>

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"> 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. 	<p>We have reviewed the process around ownership and involvement of key stakeholders in the budgeting process, including the challenge of key budget assumptions and inclusion of emerging costs pressures. We have agreed the 22/23 budget to Board approval on 25/03/2022 and note that there is review and challenge of budget assumptions by both the Director of Finance and the Deputy Director of Finance. Further we note that cost pressures are monitored through regular performance review. The appropriateness of the budget is reviewed throughout the year as part of the monthly Board reporting cycle, following assessment at sub-committee level.</p> <p>There is clear, cyclical, governance process for the monitoring of Sustainable Cost Improvement Programmes (CIP) and note that there is both a top-down and bottom up approach for both identifying CIP and monitoring delivery, which is managed by the divisional project management officers, with final oversight by the Project Management Officer (PMO).</p> <p>We have reviewed the PIPR reports and final CIP report for year end performance and forward planning position, and a sample of finance reports to Finance Committee and Board to ensure sufficiently detailed communication and external data has been used for benchmarking purposes. We note in regard to these procedures that while we have not found a VFM significant risk in regard to the CIP process, management have not monitored deliverable CIP targets for the year and have assessed CIP delivery against the fact that the Trust is in a surplus position. As such management have asserted that they have achieved 100% CIP delivery based on the surplus outcome, rather than CIP measurement. This is not in line with NHSE guidance, and we would recommend that the Trust set and monitor CIP targets for the 23/24 financial year.</p> <p>As part of our financial statement audit procedures, we have performed reviews in relation to the design and implementation of controls in relation to the core business processes including; income, expenditure, payroll and cash. We have nothing to report in regard to VFM for these procedures.</p> <p>We have assessed the process for review and approval of capital schemes by the Capital Strategy Group, and note that there is formalised approval structure in place.</p> <p>We have assessed planning forecast position for the Trust and System as breakeven and that at Month 9 the Trust was in a deficit position of £200k. We have assessed to year end, and note that the Trust ended the year in a surplus position of £30k. Further we note that the 2023-24 financial planning has been submitted for both the Trust and the ICS. The forecast Trust position is a deficit of £2.7m – however they have worked with the ICB to ensure that the ICS will end in a breakeven position driven by a surplus in ESNEFT. The Trust have identified a target CIP of £10.6m, of which £6.8m has been identified, split 80:20 between recurring and non-recurring (£5.4m recurring, £1.4m non-recurring), which represents acceptable progress as at April 2023.</p> <p>Conclusion:</p> <p>Based on the procedures performed we have not identified a significant weakness or risk associated with financial sustainability</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"> 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. 	<p>We have reviewed key risk management documents produced by the Trust, including the Standing Financial Instructions (SFIs), which have appropriate levels of delegation.</p> <p>We have reviewed the implementation processes for approved funding programmes, through the Trust Investment Panel, including the Term of Reference and meeting minutes. The purpose of the IP is to deliver investment programmes, performance and quality. Further we have reviewed the Business Case Template covering finance, savings and efficiency gains, and the Investment Panel Terms of Reference (being responsible) for delivery of the Business Case Template.</p> <p>We have carried out procedures in regard to challenge raised by management, key capital, workforce and service decisions, the Trust governance structure and engagement with system working. We note that effective challenge is carried out and documented through the Board and sub-committee meetings, and is documented clearly in the available minutes. We have reviewed the Trust's working within the Integrated Care System (ICS) and note that the Trust has worked with system partners to achieve a planned surplus of £200k for the system.</p> <p>We have carried out procedures to review the occupational health contract between WSFT and NNUH, and note that discussion has been held around key issues such as facilities, policies and KPIs. We have also reviewed in regard to the contract with CUH, and note that an action log has been retained and reviewed at each Board meeting.</p> <p>During December 2021, the West Suffolk Review, commissioned by NHS England on behalf of the Department for Health and Social Care, was published. The Trust has developed a detailed Action Plan which was approved by the Board in March 2022. We noted a significant risk in this regard in the prior year, with KPMG raising a recommendation. The recommendation was for the Trust to ensure the implementation of the Action Plan to respond to the recommendations of the independent review and ensure they are implemented. We have reviewed the action plan and note that 19 action plan points are marked as complete, 1 has been stood down and superseded by a point not yet due and 3 are in progress and on track within a revised timeframe. Further we have reviewed the internal audit report in regard to the plan and note that no weaknesses in control were identified. We consider this to be indicative of effective implementation in regard to the prior year risk and recommendation, and therefore consider this VFM risk resolved.</p> <p>Conclusion:</p> <p>We identified a significant risk at planning in regard to the West Suffolk Review as a result of the significant weakness linked to our prior year recommendations. From the procedures carried out for the current year we have concluded that there is no significant weakness in Governance arrangements.</p>

Value for money

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. 	<p>We have reviewed the CIP progress for the year, we have noted that management have not monitored deliverable CIP targets for the year and have assessed CIP delivery against the fact that the Trust is in a surplus position. As such management have asserted that they have achieved 100% CIP delivery based on the surplus outcome, rather than CIP measurement. This is not in line with NHSE guidance, and we would recommend that the Trust set and monitor CIP targets for the 23/24 financial year.</p> <p>Benchmarking data is used by divisions within the Trust using national tools such as Model Hospital, National Cardiac Benchmarking Collaborative data, NHS Benchmarking and GIRFT (Getting It Right First Time) to inform areas for improvement and identify areas for future CIPs. We found appropriate processes in place to ensure the Trust used information about costs and performance to improve the way they manage and deliver services.</p> <p>Trust-wide Key Performance Indicators (KPIs) are agreed by the Board each year and are included in the Trust's Integrated Performance Report (PIPR). Performance against KPIs is Red, Amber, Green (RAG) rated to determine how each area is performing against national and local standards/targets. Performance is assessed on a monthly, YTD and trend basis to identify significant variations. The aggregation of these individual KPI ratings then determine a domain rating for each domain in the PIPR. This in turn provides an overall performance rating for each domain and for the Trust overall.</p> <p>The PIPR is submitted to the Performance Committee and Board on a monthly basis for their meetings. The KPI performance structure is replicated at divisional level. Performance is scrutinised through Divisional management meetings and Executive-led Divisional Performance meetings (monthly).</p> <p>We have the partnership working within the local ICS (Integrated Care System), we note that for the current year the Trust, with the other partners on the ICB (Integrated Care Board) have worked towards a planned surplus of £200k. We note that for the 23/24 year end, the Trust have worked with the ICB to ensure that the ICS is forecasting a breakeven position despite the forecast deficit for the Trust of £2.7m. We consider this to demonstrate effective system working.</p> <p>Conclusion:</p> <p>Based on the procedures performed we have not identified a significant weakness or risk associated with improving economy, efficiency and effectiveness.</p>



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