



Auditor's Annual Report 2020/21

**Leicestershire Partnership
NHS Trust**

9 June 2021

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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.

Summary

Introduction

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2020/21 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.
- **Regularity** - We assess whether expenditure incurred is in line with the purposes for which it was provided.
- **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 will issue an unqualified opinion on the Trust's accounts on 11 June 2021. 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 4.
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 no significant weaknesses relating to the arrangements for Financial sustainability, Governance and Improving economy, efficiency and effectiveness. We have provided further detail on pages 5 to 8.
Regularity	We did not identify any matters where irregular expenditure had been incurred.
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
<p><i>Fraudulent accrued expenditure recognition</i></p> <p>The setting of a control total can create an incentive for management to understate the level of non-pay expenditure compared to that which has been incurred. We consider this would be most likely to occur through manipulating accruals and prepayments at the end of the year. There is also a risk that COVID spend is overstated in order to attract additional funding during 2020/21.</p> <p>Due to the uncertain nature of NHS funding for the year and for 2021/22, we also consider the risk management may wish to overstate accruals if performance against the control total allows, for example to bring forward expenditure from 2021/22 to mitigate financial pressures.</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 did not identify any material misstatements relating to this risk.</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 the variable elements of income the Trust has received during the year, in particular COVID specific funding.</p>	<p>We did not identify any material misstatements relating to this risk.</p>
<p><i>Valuation of property, plant and equipment</i></p> <p>The GAM requires DHSC bodies (including Trusts) to follow the revaluation model. The net value of the Trust's land and buildings as at 31 March 2021 was £183.3m. The Trust has undertaken a desktop revaluation of its land and buildings in 2020/21. A full valuation was due in 2020/21 but due to Covid-19, this is unable to go ahead. The last full revaluation took place on 31 March 2018.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We considered the estimate to be balanced based on the procedures performed.</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:

Care Quality Commission rating	The latest assessment is from November 2018, which rated the Trust 'Requires Improvement'. (A follow up inspection was carried out in June 2019, with no rating given.)
Single Oversight Framework rating	The latest assessment is from 2019/20, which rated the Trust a 3.
Governance statement	There were no significant control deficiencies identified in the governance.
Head of Internal Audit opinion	An opinion of significant assurance was issued.

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	One significant risk identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	One significant risk identified	No significant weaknesses identified

We have not identified any significant weakness with regards to the Trust's arrangements for ensuring value for money. We reported this as part of our audit report and have provided further details in our commentary on pages 6 to 8.

We identified no recommendations based on work completed in response to the identified risk. We have provided management with performance improvement observations based upon our risk assessment for future consideration.

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.

We found that the initial draft budgets were constructed based on appropriate local and national planning assumptions. The budget monitoring and control processes are able to identify, and incorporate, significant pressures into the financial plan to ensure it remains achievable and realistic. Clear responsibilities are outlined for budget holders and the Trust Board has oversight of the annual budget, which is approved before it is submitted.

We also found that 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 Integrated Care System (ICS).

The Trust has a large capital programme totalling £14.5m for 2020/21. As at Month 10, £8.6m of the programme has been spent to date on the following areas: Service Improvements, Estates and IM&T Rolling Programmes and Covid-19. We have reviewed the progress made and believe there is no risk to delivery.

The Covid 19 pandemic has had a major impact on the NHS and this has resulted in changes to the financial planning regime. On 17 March 2020 normal contractual arrangements with NHS commissioners were suspended and the NHS moved to block contract payments on account. The value of these was determined centrally, rather than being agreed between the Trust and the commissioners. NHS organisations were also reimbursed with additional funding in order to reflect the additional costs incurred as a result of Covid-19. For months 7-12 of 2020/21, NHSE/1 provided allocations for each commissioner, with further funding made available to the ICS to cover additional cost pressures due to Covid-19 and the provision of services. The Phase Three system wide financial plan for the second half of 2020/21 was forecast to achieve a £32.6m deficit, of which the Trust's share was a £1.4m deficit.

Reducing the deficit across the ICS continued to be a key priority within the system that in turn impacts the Trust. We identified one 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 ICS and noted appropriate actions to mitigate the position. The outturn position of the Trust and system improved during the year achieving a £17.6m surplus (pre-audit).

In addition, we considered the arrangements in place to align the Trust's 2021/22 financial plan with the ICS financial plan and found evidence of collaborative working between the Trust and ICS partners. The ICS financial plan was submitted to NHS England on 6 May 2021 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 2021/22 system plan shows a breakeven position and included efficiency targets of £3.7m of which £1m is the Trust's share, which due to timing are yet to be fully identified, however are being worked on.

We noted that the ICS have provided a clear summary of key challenges underpinning the plan for H1, and a number of programmes are being considered across the system to respond to these challenges, demonstrating that the system had begun to respond to the identified challenges.

Through considering these arrangements, we have not identified a significant weakness linked to the identified risk.

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; and How controls in key areas are monitored to ensure they are working effectively. 	<p>We consider the Trust to have adequate processes in place to monitor and assess risk. Strategic risks are recorded and identified using the Board Assurance Framework and Organisational Risk Register with any identified risks are reported to the relevant committees., including Finance and Performance Committee and the Trust Board. Our review of the risk register found this was sufficiently detailed to effectively manage key risks. Risk scores are reported in the context of the Board's risk appetite with actions identified which set out how the Trust intends to achieve a target risk level.</p> <p>The Trust have a dedicated counter fraud service provided by 360 Assurance. The LCFS has an agreed work plan and reports 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 provided by 360 Assurance, some elements of work have been deferred or re-scoped due to the pandemic, however a full assurance opinion is expected to be provided for the year.</p> <p>The financial planning regime has significantly changed for 2020/21 with block funding introduced for the majority of contracts the Trust holds. The Trust has maintained oversight of performance (both financial and operational) by continuing Finance and Performance Committee meetings.</p> <p>The Trust implemented a specific financial regime during the first wave of the pandemic including a change in the scheme of delegation to enable the Incident Coordination Centre (ICC) to approve major decisions. Members of the ICC include the Deputy Chief Executive Officer and the Director of Governance and Risk, and is overseen by the Executive and Director team. Supporting the ICC, a separate process has been established to collate and report COVID related expenditure with separate ledger codes set up to record spend.</p> <p>The Trust received a Limited Assurance IA report on the procurement processes during the COVID pandemic, with a number of recommendations raised. We reviewed the IA report, as well as completed a number of external audit procedures over the Trust's COVID expenditure, and did not identify any significant weakness relating to governance. In addition, an overall rating of Significant Assurance was given within the Head of Internal Audit opinion as at 31 March 2021.</p> <p>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.</p> <p>The Trust has in place a staff code of conduct 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.</p> <p>Through considering these arrangements, we have not identified a significant weakness in the arrangements to deliver value for money in the year.</p>

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.

We note that from the 17 March 2020 CIP programmes were put on hold in accordance with national guidance. This was to allow the Trust to respond to the pandemic. Despite this pause on headline cost reduction programmes the Trust has continued to have informal CIPs in place, with progress taken to the Transformation Committee. The Trust are in the early stages of CIP planning for 2021/22. There is an expectation that the current temporary NHS financial framework will continue into 2021/22, meaning CIPs will not be required until mid-way through the year. The Trust have begun to focus on possible approaches for CIPs in 2021/22.

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.

We note that the Trust use Model Hospital cost data and other external data for benchmarking purposes. We have seen evidence of this through our review of the Facilities Management business case and within other financial reports.

The Trust engage well within partnerships and have continued to work well and developed strategies with other organisations during the pandemic. 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. The Trust has active participation with local health and wellbeing boards and oversight and scrutiny committees.

We noted that the Trust are engaging with and monitoring their subcontractors in line with key performance indicators (KPIs) and regulatory guidance, if applicable. Reports are taken to the relevant committees to review the performance of subcontractors, with actions created and carried by both the Trust and the subcontractor.

The Trust were inspected by the CQC in November 2018 and received the rating 'Requires Improvement' in a report published in February 2019. In response to this, the Trust have put in place an action plan to work towards improving their rating. In August 2019, the CQC issued another report from a focused, unannounced inspection in June 2019 to follow up on enforcement action issued to the Trust after the November 2018 inspection. This report did not receive a rating, but improvements were noted around ligature risk assessments, physical health care records, medicines management and fire safety.

Due to the Covid-19 pandemic, the CQC have been unable to inspect the Trust in 2020/21. We identified one significant risk in relation to this, in that the Trust may not have taken appropriate action or secured improvement in the areas where the CQC identified weaknesses. In response to this, we considered the action plans the Trust has put in place to address the issues noted by the CQC. Improving the rating provided by the CQC continues to be a key priority for the Trust. We noted the Trust is continuing to address the issues, providing progress updates to QAC and to the Board. The Trust has also introduced a programme of internal accreditation and inspections, in addition to buddying up with Northamptonshire Healthcare FT who carried out a self-review of LPT's progress in March 2021. The Trust received confirmation that the warning notices have been removed.

Through considering these arrangements, we have not identified a significant weakness linked to the identified risk.



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