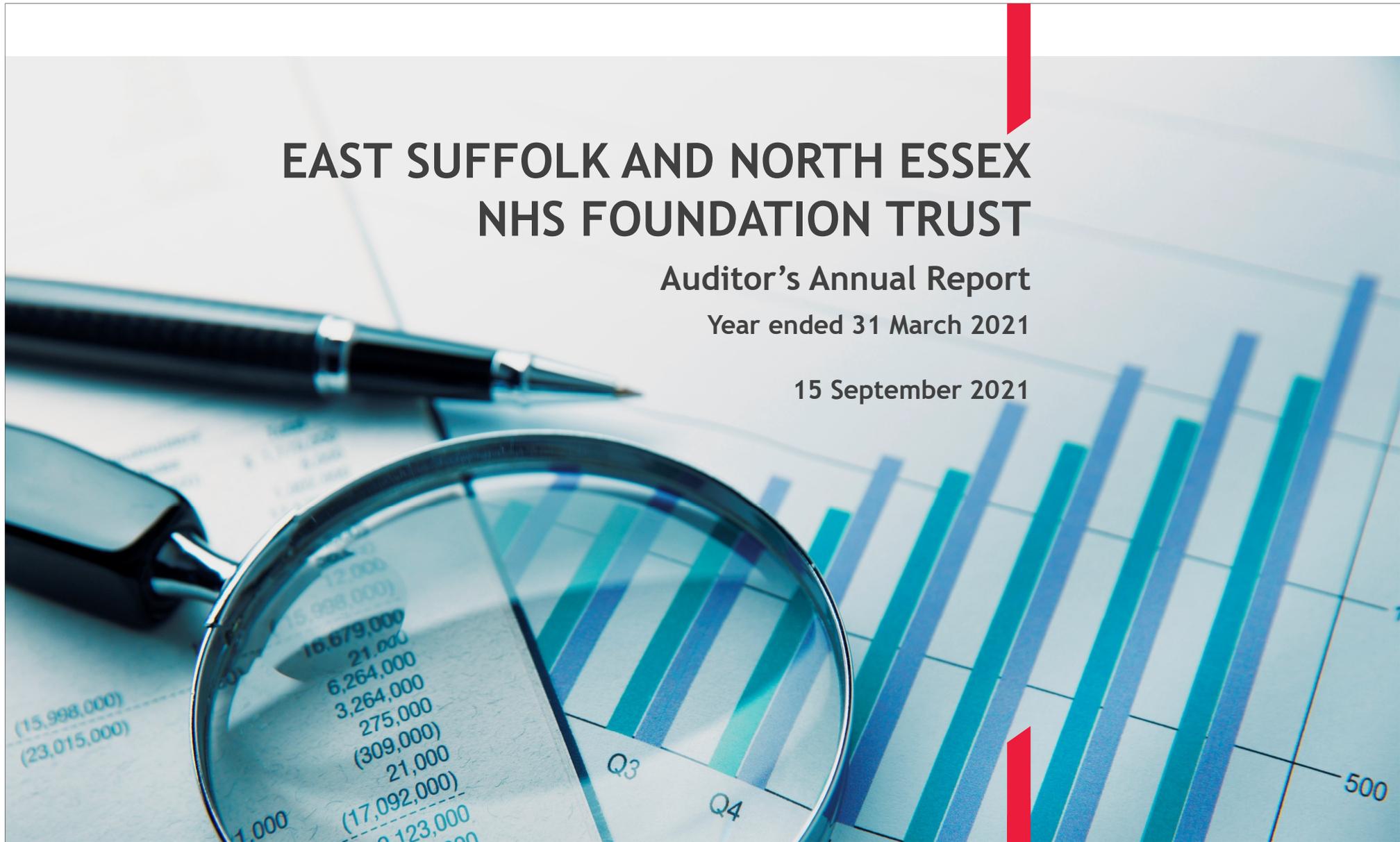


EAST SUFFOLK AND NORTH ESSEX NHS FOUNDATION TRUST

Auditor's Annual Report

Year ended 31 March 2021

15 September 2021



IDEAS | PEOPLE | TRUST



CONTENTS



Section	Page
Executive summary	3
Purpose and responsibilities	4
Financial statements audit	5
Value for money	6

EXECUTIVE SUMMARY

This Auditor's Annual Report provides a summary of the key issues arising from our audit of East Suffolk and North Essex NHS Foundation Trust (the 'Trust') for the year ended 31 March 2021.



Area

Financial statements

We issued an unqualified opinion on the Trust's financial statements on 24 June 2021, which means that we consider that the financial statements give a true and fair view of the financial position and its expenditure and income for the year.

A modification was raised in respect of the pension benefit disclosures included in the remuneration report in relation to deferred members of the NHS pension scheme. The modification was in relation to the pensions elements of the remuneration report not including all relevant disclosures, because the Trust was not able to obtain the information for the deferred members following a change in interpretation of guidance by the National Audit Office in mid June 2021.

Value for money

We have not identified any significant weaknesses in respect of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources having regard to the specified criteria in the Code.

Other reporting

We did not consider it necessary to use our auditor powers or report on other matters.

The contents of this report relate only to those matters which we are required to report under the NAO Code of Audit Practice (April 2020). This report has been prepared solely for the use of the Trust and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

PURPOSE AND RESPONSIBILITIES

Purpose of the Auditor's Annual Report

This Auditor's Annual Report summarises the key issues arising from the work that we have carried out in respect of the year ended 31 March 2021.

It is addressed to the Trust but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

Responsibilities of the Trust

It is the responsibility of the Trust to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

The Trust is also responsible for preparing and publishing its financial statements, annual report and governance statement.

Responsibilities of auditors

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice - April 2020 (the 'Code').

Under the Code, we are required to review and report on:

- Whether the financial statements give a true and fair view of the financial position of the Trust and of its income and expenditure for the year and have been properly prepared in accordance with the relevant legislation;
- Whether the other information published together with the financial statements is consistent with the financial statements;
- Whether the auditable parts of the remuneration and staff report are properly prepared;
- Whether the governance statement complies with the guidance issued;
- Whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- Where appropriate, make statutory recommendations, referral matters to the Secretary of State or issue a Public Interest Report.

FINANCIAL STATEMENTS

Audit conclusion

We issued an unqualified opinion on the Trust's financial statements on 24 June 2021. We consider that the financial statements give a true and fair view of the financial position and its expenditure and income for the year.

A modification was raised in respect of the pension benefit disclosures included in the remuneration report in relation to deferred members of the NHS pension scheme. The modification was in relation to the pensions elements of the remuneration report not including all relevant disclosures, because the Trust was not able to obtain the information for the deferred members following a change in interpretation of guidance by the National Audit Office in mid June 2021.

We reported our detailed findings to the Audit Committee meeting held on 14 June 2021.

Significant deficiencies in controls

We did not identify any significant control deficiencies during the audit of the financial statements.

Audit differences

The audit identified no material misstatements in the primary statements, but one material misstatement in the disclosure notes relating to future operating lease payments.

There were only two unadjusted audit differences identified by our audit totaling £898k which would have converted the small deficit of £547k to a small surplus of £351k.

Management did not adjust the financial statements for these items as the impact was not material.

VALUE FOR MONEY

Scope

We are required to review and report on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in these arrangements we are required to report this in the auditor's report included in the financial statements and to make recommendations for improvement in the Auditor's Annual Report.

Specified criteria

The NAO has issued guidance for auditors to report against three specified reporting criteria:

- Financial sustainability - planning and managing resources to ensure the Trust can continue to deliver its services;
- Governance - informed decisions and properly managing risks; and
- Improving economy, efficiency and effectiveness - using information about costs and performance to improve the way the Trust manages and delivers its services.

The NAO guidance also includes a number of further areas for review within each criteria to allow the auditor to assess those arrangements.

Risk assessment

Our risk assessment only identified one area of potential significant weaknesses, which related to financial sustainability. This assessment was largely driven by the prior period "except for" conclusion linked to national funding structures. However, we also reflected the significant disruption within the health service in general due to the Covid pandemic, which we touch upon in the following paragraphs.

Funding and contracting arrangements for 2020/21

Our work has been performed in the context of the guidance issued by NHSE/I in response to Covid-19 and the suspension of normal Payment by Results contracting.

For the first six months, NHS providers moved to block allocations and top-ups to cover costs that was passed through CCGs. For the second six months, Integrated Care System areas received an overall funding envelope based on payments for the first half of the year that was distributed across commissioners and providers. This arrangement was designed to enable all commissioners and providers to break-even.

Funding and budgeting for 2021/22 is again based on system funding envelopes.

As a result, normal financial planning arrangements, savings and efficiency requirements, and performance monitoring arrangements were suspended.

Audit conclusion

We have not identified any significant weaknesses in respect of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources having regard to the specified criteria in the Code.

VALUE FOR MONEY

Financial sustainability - planning and managing resources

Areas for review

Significant financial pressures relevant to short and medium-term plans are identified and built into plans.

There are plans to bridge funding gaps and to identify achievable savings.

Financial plans support the sustainable delivery of services in accordance with strategic and statutory priorities.

The financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.

Risks to financial resilience are identified and managed, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Auditor's commentary on arrangements

The Trust's arrangements for 2020/21 were in the context of changes to the NHS financial framework as part of the coronavirus pandemic response. Transaction flows were simplified in the NHS, and the Trust and the CCGs moved onto block contract payments at the start of 2020/21. In the second half of the year, a revised financial framework was introduced, which built on these arrangements, but with a greater focus on system partnership.

A centrally issued allocation was received by the Trust up to month 6, with retrospective top-ups for Covid-19 and other non-recurrent costs to fully fund all costs to month 6. At month 7, NHSE issued an overall system allocation based on the rate of expenditure at month 5. This allocation was to meet all provider and CCG costs, including the Covid-19 response and recovery costs for the second half of the financial year (i.e. October 2020 to March 2021, also referred to as "H2"). The retrospective top-up allocations as per the first half of the year ("H1") ceased.

The Trust has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

For context, the Trust's pre-Covid approach to budget setting for 2020/21 was notably changed from previous years following the arrival of a new Director of Finance in late 2019. The Trust abandoned use of historical and prior year performance data as the base for budget setting, but instead used the year end revised forecast, which had been forecast at month five in 2019/20.

Control totals were split for each division based on either the greater of the month five forecast or their 2019/20 budget. The control totals were shared with each division, and key staff, including the Associate Directors of Operations and Managers, were responsible for working alongside their Finance Manager to prepare their budget. This included emphasis and reiteration from the Finance Department that the Trust were to be working predominantly on Guaranteed Income Contracts (GICs) with the associated benefits and implications.

The approach and arrangements supporting this were reviewed by Internal Audit who provided a (highest level) Substantial Assurance opinion.

However, planning for 2020/21 was put on hold due to Covid-19 and the guidance issued on 28 March 2020 "Reducing the burden and releasing capacity at NHS providers and commissioners to manage the Covid-19 pandemic".

We have not identified any significant weaknesses in this area.

VALUE FOR MONEY

Financial sustainability - planning and managing resources

Areas for review

Significant financial pressures relevant to short and medium-term plans are identified and built into plans.

There are plans to bridge funding gaps and to identify achievable savings.

Financial plans support the sustainable delivery of services in accordance with strategic and statutory priorities.

The financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.

Risks to financial resilience are identified and managed, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (continued)

As noted above, financial planning during Covid was significantly changed, with funding aimed at enabling breakeven and the national suspension of Cost Improvement Programmes (CIPs), although the Trust elected to continue with these processes to maintain momentum.

Arrangements for H1 and H2 differed, as noted above. In September 2020, the Integrated Governance Committee was presented with and discussed a paper on proposed H2 arrangements and indicative funding. This included clear consideration of pressures, priorities and sensitivities.

For 2021/22, the Trust has revived the detailed budgets originally set for 2020/21, amended to account for key assumptions, such as inflation and pay awards. Although national guidance was not released until March 2021, and covers only months one to six, the Trust has prepared their budgets for 2021/22. Control totals have been allocated to divisions, with the intention that any potential impact arising from the issuance of the national guidance for H1 of 2021/22, will be absorbed centrally by the Trust, and divisions control totals will remain in line with those approved by the Board in April 2021, in order to avoid the need for a second round of planning.

The approach and arrangements supporting the 2021/22 were reviewed by Internal Audit who again provided a (highest level) Substantial Assurance opinion.

Senior level Trust approval had been built into the 2020/21 process, including scheduled reviews and sign-off by the Finance and Performance Committee, Executive Management Committee and the Trust Board. However, in March 2020 NHSI/E instructed operational budgeting to be suspended, so these steps did not take place. NHSI/E instead required Trusts to develop a 'Financial Framework Month 1 - 4' which set out revised budgets for beginning of the 2020/21 financial year, to reflect updated central funding. This was approved at the May 2020 Trust Board meeting.

For 2021/22, the budget has again been approved by the Trust Board.

As a result of the pandemic and the Trust's response, a number of committees were suspended, including the Finance and Performance Committee which reconvened from April 2021. As such, the Trust's budgets for 2020/21 were not monitored through the usual divisional management and Accountability Framework. However, this has been reintroduced for 2021/22.

During 2020/21 monthly Finance Reports were presented to the Integrated Governance Committee. Minutes of those meetings evidence the challenge given. Integrated Governance Committee also received regular (quarterly) updates on CIP schemes and achievement. Again, the minutes of those meetings evidence the challenge given.

VALUE FOR MONEY

Financial sustainability - planning and managing resources

Areas for review

Significant financial pressures relevant to short and medium-term plans are identified and built into plans.

There are plans to bridge funding gaps and to identify achievable savings.

Financial plans support the sustainable delivery of services in accordance with strategic and statutory priorities.

The financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.

Risks to financial resilience are identified and managed, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

We have also observed that financial risks are included within the Board Assurance Framework (BAF) along with strategies to mitigate them, specifically including risks relating to Long Term Financial Sustainability and to Financial Management Control.

Through review of Board minutes and attendance at Audit Committees, we confirmed that these are regularly updated and challenged.

The Integrated Governance Committee also receives Performance Reports against key performance indicators. These reports identify performance against key operational metrics, current issues, future actions and mitigations and the forecast operational impact of these. No significant weaknesses were noted in this area.

How the body plans to bridge its funding gaps and identifies achievable savings

Cost Improvement Programmes (CIPs), which require Trusts to identify, monitor and deliver savings through a mixture of transformational and transactional change, are a recognised way of NHS providers addressing funding gaps. During 2020/21, in the context of the Covid-19 pandemic there was no formal requirement for NHS Trusts to set or monitor CIP.

Unlike a notable proportion of provider Trusts, ESNEFT elected to continue with CIP schemes despite this national relaxation, with a view to maintaining good practices and not wholly losing momentum, given the arrangements would inevitably be reinstated at some point.

The overall target for the year was £18.8m (approximately 2.5% of spend). At the end of H1, the projected achievement was £15.1m, but the Trust was able to pull back by the end of H2 to achieve £16.7m (or 89%), which is notable and particularly in the context of Covid-19. The target level set for 2021/22 is at a similar percentage, and so at a challenging but not unrealistic level.

We noted that, in line with good practice, the Trust's CIP arrangements consider both shorter term and longer term solutions - of the £18.8m target set, slightly over £15m were recurrent savings.

The Trust's accounts for 2020/21 recorded a deficit of £0.6 million, which included a significant impairment of assets of £2.9 million. NHSI/E measures the Trust's financial performance after adjusting for certain items, e.g. impairments and donated income, and on that basis the Trust delivered a surplus of £0.3 million. This further supports our conclusion that funding gaps were bridged for 2020/21, and that no significant weakness in arrangements were in place.

The Trust was notably successful in managing capital spending in 2020/21, with the planning arrangements enabling access to additional reallocated capital spending limits to be utilised by the 31 March 2021 deadlines set. The 2020/21 Annual Report captures key schemes delivered in the year, along with two larger scale projects in Colchester and Ipswich due to complete in 2021.

We have not identified any significant weaknesses in this area.

VALUE FOR MONEY

Financial sustainability - planning and managing resources

Areas for review

Significant financial pressures relevant to short and medium-term plans are identified and built into plans.

There are plans to bridge funding gaps and to identify achievable savings.

Financial plans support the sustainable delivery of services in accordance with strategic and statutory priorities.

The financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.

Risks to financial resilience are identified and managed, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

During 2020/21 the delivery of services has differed from prior years due to the Covid-19 pandemic. The way that commissioning contracts operated changed and all expenditure in the first 6 months of the year was fully funded, with the second half of the year moving to block contracts.

Covid reimbursement funding was a second form of top up funding for months 1-6 in the 2020/21 financial year. This was aimed to make the Trust break even at the end of month 6 and was therefore a variable top up. This was based on COVID activities performed by the Trust during this period. In this way, the impact of COVID on the ability of providers to finance the sustainable delivery of services was effectively addressed at a national level. From our review of minutes of meetings it was clear that the Trust considered the impact of Covid-19 on the delivery of general NHS services, and how this could be mitigated.

The BAF risk relating to Long Term Financial Sustainability focuses on this, alongside budget-setting arrangements (see above) and, towards the latter part of 2020/21, arrangements for “Recovery Planning” as arrangements exit from Covid-19 focus. This latter has been considered by the Integrated Governance Committee in March 2021, and interlinks with system-based planning within the Integrated Care System (ICS) (see also final section of this Report).

We have not identified any significant weaknesses in this area, and note the continuing focus on system-based delivery.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Integrated Assurance Committee was presented in October 2020 with a report covering planning principles for business planning and budget setting. Included in the guidance was a standard list of known commitments, plus the assumption that the Trust would use the 2019/20 activity baseline (referred to above). A set list of priorities was agreed, so ensuring all aspects of the list were captured (i.e. revenue, capital, workforce, activity). By agreeing an activity baseline no divisions planned for growth. The core documents were updated as questions and other issues arose as part of the development, but again with the aim of ensuring consistent treatment between divisions.

In March 2021 a report was drafted from the above and used for a dedicated deep dive session with Non-Executive Directors (NEDs) which outlined the approach taken - this covered activity, revenue, workforce and capital - with the primary focus being consistency i.e. no change to one area without corresponding changes being agreed. This paper also included the allocation of Elective Recovery Fund (ERF) funding and activity plans to deliver this, which was a progression from the initial position as further information became available.

The final iteration was the paper to the Trust Board in April 2021, which included a summary of the whole process.

VALUE FOR MONEY

Financial sustainability - planning and managing resources

Areas for review

Significant financial pressures relevant to short and medium-term plans are identified and built into plans.

There are plans to bridge funding gaps and to identify achievable savings.

Financial plans support the sustainable delivery of services in accordance with strategic and statutory priorities.

The financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.

Risks to financial resilience are identified and managed, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

At a senior/strategic level, we noted considerable challenge applied at Committee and Board level, including a dedicated deep dive session, as outlined above.

Discussion with Management provided useful context to us of the arrangements in place for 2020/21, specifically the impact of Covid-19. Management noted that during the planning round the hospital was under considerable operational pressure with the post-Christmas Covid-19 wave. As a consequence, more scrutiny was undertaken by Finance Managers on behalf of their divisions than might otherwise have been the case in a normal year, and weekly meetings were held where budget setting progress was discussed and proposals were peer reviewed. These meetings were not formal or minuted, but the purpose was move from initial to refined/focused proposals before presenting to operational colleagues, although each Division's initial proposals would have been developed with the relevant operational colleagues and agreed by their respective Divisional Management Teams.

A series of papers were presented to the Operational Delivery Group (ODG - which meets weekly) in March 2021 which explained the process gone through to arrive at the funds available for distribution, but with operational colleagues agreeing on how those funds were to be split.

Through debate and discussion (so an evolution from original planning assumptions) officers agreed a process whereby the priority allocations were:

- Previously agreed business cases, but only net of any claimed offsetting benefit
- Allocation for corporate services - the challenge was placed back to corporate with a range of options, who then proposed a lower figure than originally proposed.
- Residual allocation to clinical divisions on a 'fair shares' basis.

The Trust also used the Divisional Accountability Meetings (DAMs) to scrutinise each Division's plan and understand risks and issues within their position.

On the basis of the work undertaken, no significant weaknesses were noted in this area.

VALUE FOR MONEY

Governance - informed decisions and properly managing risks

Areas for review

Risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

The annual budget setting process is appropriate.

Effective systems and processes are in place to ensure budgetary control, support statutory financial reporting requirements and ensure corrective action is taken where needed.

The Trust makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

The Trust monitors and ensures appropriate standards, such as meeting legislative / regulatory requirements and standards in terms of officer or member behaviour.

Auditor's commentary on arrangements

For 2020/21, the Trust has had the arrangements we would expect to see to enable it to make informed decisions and properly manage its risks.

The Trust's governance arrangements for 2020/21 have taken into accounts NHSE's 28 March 2020 guidance entitled "Reducing the burden and releasing capacity at NHS providers and commissioners to manage the COVID-19 pandemic."

For context, the Trust adopted different arrangements from the outset of Covid-19 restrictions, establishing an Interim and then, swiftly, an Integrated Assurance Committee. The Trust pro-actively sought review and assurance from Internal Audit on the new arrangements, and the audit was intended to consider the formal documentation and appropriateness of the structure as well as the level of information and oversight of its constituted groups and the channels of communication between them. Internal Audit provided a (highest level) Substantial Assurance opinion in their June 2020 report.

The governance framework was built around the Trust's Command and Control approach to incident management. As part of the development of the structure, we understand that the Trust's existing Pandemic Influenza Plan was reviewed and tested during a half-day event in March 2020. This was then updated and subsequently approved by the Strategic Information Management Team (SIMT).

The Command and Control approach has been delivered through three levels: Strategic (Strategic Information Management Team), Tactical (Tactical Incident Management Groups) and Operational (responsibilities of Divisional Directors).

An Integrated Assurance Committee (IAC) was formed by combining the Quality and Patient Safety, People and Organisational Development and Finance and Performance Committees, with the areas normally covered by those Committees covered by IAC.

How financial and performance information has been used to assess performance to identify areas for improvement

The previous section referenced various regular update papers presented to and discussed at the integrated Governance Committee. This included Finance reports, CIP reports, Key performance reports and some occasional topics, such as in respect of procurement updates and the integration of community services in North East Essex.

The Audit and Risk Committee has also received the BAF, a programme of reports from Internal Audit (including various recommendations for Improvement), and external audit findings. For 2020/21, the Internal Audit programme has also included a number of Divisional governance review audits.

We have not identified any significant weaknesses in this area.

VALUE FOR MONEY

Governance - informed decisions and properly managing risks

Areas for review

Risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

The annual budget setting process is appropriate.

Effective systems and processes are in place to ensure budgetary control, support statutory financial reporting requirements and ensure corrective action is taken where needed.

The Trust makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

The Trust monitors and ensures appropriate standards, such as meeting legislative / regulatory requirements and standards in terms of officer or member behaviour.

How the body approaches and carries out its annual budget setting process

The budget setting process has been described in detail in the preceding section.

In summary, the initial 2020/21 process represented a change from previous years, using 2019/20 projected outturn to inform the 2020/21 baseline. However, this was suspended by NHSE/I in March 2020 and Covid-19 arrangements superseded these, with different arrangements in H1 and H2. Arrangements for 2021/22 have reverted to the 2019/20 base data, but subject to detailed challenge and development, including various levels of senior/strategic challenge.

We do not consider arrangements represent any weakness.

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Budgetary control arrangements, and the findings from Internal Audit's review of this, has been described in detail in the preceding section. The arrangements include the monthly Finance Report presented to and challenged by Integrated Governance Committee and monitoring of the BAF risk relating to Financial Management Control.

As noted above, the approach and arrangements were reviewed by Internal Audit and reported to the Audit and Risk Committee in July 2021 who again provided a (highest level) Substantial Assurance opinion.

The Trust has an Accountability Framework, Oversight and Escalation Model which sets out the performance management regime. This is documented in the Accountability Framework Policy (as approved by the EMC in April 2019 and available to staff via the intranet).

The Policy covers divisional management, and how poor divisional performance, including poor budgetary control, is addressed. The Policy includes governance monitoring and escalation arrangements, including how financial performance is monitored through the divisional structures

On the basis of the work above, no significant weaknesses were noted in this area.

VALUE FOR MONEY

Governance - informed decisions and properly managing risks

Areas for review

Risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

The annual budget setting process is appropriate.

Effective systems and processes are in place to ensure budgetary control, support statutory financial reporting requirements and ensure corrective action is taken where needed.

The Trust makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

The Trust monitors and ensures appropriate standards, such as meeting legislative / regulatory requirements and standards in terms of officer or member behaviour.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Decisions are made in the context of agreed strategic priorities (as set out in the five year strategy approved in 2019/20), clear resourcing information and assessed risk appetite. The risk position is captured in the Board Assurance Framework (BAF) and supporting risk registers. The BAF is kept under regular review, including scrutiny from the Integrated Assurance Committee (e.g. at its September 2020 meeting) and the Audit and Risk Committee (e.g. at its December 2020 meeting). We have seen papers presented and minutes evidencing challenge by these Committees.

The Trust uses the Datix system to capture, document and assess risks, as well as documenting mitigating actions and plans. Internal Audit's 2020/21 review, including a follow-up of their 2019/20 review, noted further improvements being made, including in ensuring complete recording of actions and improving the completeness of target dates, although some dates were still missing.

Review and management of divisional risks is normally the responsibility of the Executive Oversight Committee (EROC), with monthly meetings held to review those risks, moderate the scoring of new risks, confirm the appropriate closure of risks, and review the management of risks within the Corporate Risk Register, which are scored 15 and above. EROC receive a monthly report from all divisions which outlines new risks added to the Divisional Risk Register. EROC review and moderate the risk scores, to ensure consistency.

Due to the Covid-19 pandemic, EROC did not meet between March and December 2020, but restarted in January 2021. However, we confirmed, as documented within our COVID-19 Governance and Recovery Planning report, that risks had been effectively managed during this period. We understand that meeting recordings had taken place, but meeting minutes had not been produced.

The Board received a useful "SWOT and PESTLE¹" analysis following its Board seminar in August 2020, further supporting wider context information to support decision making.

Financial and non-financial information available to support informed decision-making has been considered earlier in this Report.

We have confirmed that the Trust has appropriate procedures in place to allow for challenge and transparency in making properly informed decisions. We have also confirmed that there is effective challenge from those charged with governance in respect of these arrangements.

We have not identified any significant weaknesses in this area.

(¹ - SWOT = Strengths, Weaknesses, Opportunities and Threats; PESTLE = Politics, Economics, Social, Technological, Legal and Environmental)

VALUE FOR MONEY

Governance - informed decisions and properly managing risks

Areas for review

Risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

The annual budget setting process is appropriate.

Effective systems and processes are in place to ensure budgetary control, support statutory financial reporting requirements and ensure corrective action is taken where needed.

The Trust makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

The Trust monitors and ensures appropriate standards, such as meeting legislative / regulatory requirements and standards in terms of officer or member behaviour.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interest)

The Trust has a number of legislative and regulatory requirements in its role as a healthcare provider, a public organisation and an employer. While all parts of the Trust have a role in ensuring compliance with these, oversight of this is performed by the Audit and Risk Committee.

The Trust's main regulators are NHS England / NHS Improvement (NHSE/I), and the Care Quality Commission.

The Trust is not subject to any enforcement undertakings from NHSI and was rated 'good' by the Care Quality Commission for Well-Led in 2019/20. A planned self-assessment against the NHSI Well-Led Framework was deferred in 2020/21 due to COVID-19 restrictions. We understand that the Trust will prioritise a review within 2021/22.

Towards the very end of 2020/21, the Health and Safety Executive visited the Colchester General Hospital site on to assess how well the Trust was managing Covid-19 health and safety. The inspectors visited on 16 March 2021 and then wrote to the Trust on the 18 May 2021 with a notification of contravention associated in respect to administration areas. On noting the action taken by the Trust to address the issues and the evidence subsequently submitted, the inspectors were satisfied that there was no further action required by the Trust.

The most recent inspection undertaken by CQC was in June/July 2019, reported in January 2020. This found that the Trust scored as "Good" in three out of the four categories (Effective, Caring and Well-led) but requires improvement in the area of Responsive, and so scored as requires improvement overall.

Declarations of Interest are a standing agenda item at Board and sub-committees. Our audit work has considered arrangements for recording interests, gifts and hospitality, and these have been discussed at Audit and risk Committees.

The Trust engages a local Counter Fraud specialist service and the work undertaken is presented to and discussed at Audit and Risk Committee meetings.

We have not identified any significant weaknesses in this area.

VALUE FOR MONEY

Improving economy, efficiency and effectiveness - using information to improve services

Areas for review

Financial and performance information has been used to assess performance to identify areas for improvement.

Services provided are evaluated to assess performance and identify areas for improvement.

The Trust delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

Where the Trust commissions or procures services, this is done in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Auditor's commentary on arrangements

For 2020/21, the Trust has had the arrangements we would expect to enable it to use information about its costs and performance to improve the way it manages and delivers services.

How financial and performance information has been used to assess performance to identify areas for improvement

Through reviewing Integrated Assurance Committee and Board papers, we have confirmed that the Trust is provided with both financial and non-financial performance information at each of its meetings.

The Board members are able to challenge officers regarding any departures from plans or expectations, as confirmed to the Committee and Board minutes. Within these reports, the Trust monitors the reasons for movements and uses these to identify areas for improvement. The analysis of the financial information provides direction to the Trust during the year on whether it will or will not meet the agreed control total. It also shows the under/over performance against a number of performance criteria. This process allows the Trust to identify areas for improvement and to focus resource in these areas.

The Trust has in place established arrangements to derive for a wide range of activities costs per weighted activity unit (WAU), similar to that used in the "model hospital". This was updated in 2020/21 to provide more granular information, to remove the impact of recharges and to enable better focus on improving patient care. A report was taken to and discussed at Integrated Assurance Committee in October 2020, with this timing linking in to forward planning and CIP considerations.

The Integrated Assurance Committee also receives and discusses regular FAC Performance Reports (covering key service performance indicators, such as A&E times, cancer waits, referral to treatment times, etc.) Integrated Patient Safety and Experience Reports.

On the basis of the work above, no significant weaknesses were noted in this area.

VALUE FOR MONEY

Improving economy, efficiency and effectiveness - using information to improve services

Areas for review

Financial and performance information has been used to assess performance to identify areas for improvement.

Services provided are evaluated to assess performance and identify areas for improvement.

The Trust delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

Where the Trust commissions or procures services, this is done in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

How the body evaluates the services it provides to assess performance and identify areas for improvement

We have considered earlier in this Report the arrangements in respect of various performance reports, including FAC performance reports, Integrated Patient Safety and Experience Reports and various financial monitoring.

The Trust also participates in Clinical Audits although due to the demands associated with Covid-19, these were limited in 2020/21.

While the requirement to publish an audited quality report has been suspended during 2019/20 and 2020/21, for both years provider organisations have been required to produce draft reports in line with a 30 June publication date. The 2020/21 report, which is publically available, details performance during the year over prescribed indicators, such as patient survey results and clostridium difficile infection rates, benchmarking this against performance in the NHS provider sector as a whole. The report contains a specific section on priorities for improvement within the domains of patient safety, clinical effectiveness and patient experience. The report also details the Trust's data quality performance, and arrangements to improve known weaknesses.

On the basis of the work above, no significant weaknesses were noted in this area.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The key partnership activity has been within the Integrated Care System (ICS). The Suffolk and North East Essex Integrated Care System (ICS) was established during 2018/19. Key statutory local public services bodies participating are: Ipswich & East Suffolk CCG; North East Essex CCG; West Suffolk CCG; ESNEFT; West Suffolk NHS Foundation Trust; Essex Partnership University NHS Foundation Trust; Norfolk and Suffolk NHS Foundation Trust; East of England Ambulance Service NHS Trust; Essex County Council; and Suffolk County Council.

The Board received an update briefing on national direction for ICS developments in December 2020

The Trust was subject to review in 2020/21 as part of the CQC's Provider Collaboration Review (PCR) of Urgent and Emergency Care in Suffolk and North East Essex ICS. The review noted that the ICS is an 'early mover' in trialling NHS 111 First innovations aimed at increasing capacity, productivity and utility, and found that there was a "Well embedded, proactive collaborative working across the system. With well established relationships and a culture of mutual respect that enabled change to happen at pace." However, the ICS recognised that whilst notably good progress and achievements had been made, there were still areas where further improvements could be worked towards.

VALUE FOR MONEY

Improving economy, efficiency and effectiveness - using information to improve services

Areas for review

Financial and performance information has been used to assess performance to identify areas for improvement.

Services provided are evaluated to assess performance and identify areas for improvement.

The Trust delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

Where the Trust commissions or procures services, this is done in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

The Trust put in place a 5 years Procurement Plan in 2018. This included a number of measures and tasks over the lifetime of the Plan. Progress had been good up until March 2020 when Covid-19 restrictions came into force, including achievement of NHS Procurement Standards Level 1 accreditation, and establishing a procurement pipeline and also a contracts database.

The Integrated Assurance Committee received an update in August 2020 at which progress and further actions were discussed. The Plan is aligned to the Model Hospital (see also the Trust's information generation and benchmarking activity in this area, detailed above) and NHSI Use of Resources criteria.

The Trust has recently refreshed its Contract Management Framework in February 2021 (including review and approval by the Integrated Assurance Committee). The Trust has also updated and improved a number of key documents during the year, including:

- Tender Waiver Form - now includes a Value for Money section and a Counter Fraud and Bribery section.
- Procurement Project Initiation Document - designed for departments that requires procurement support and signals the requirement for contract management to be thought about prior to Invitation to Tender and then applied post contract award.
- Tender Evaluation and Award Report - now includes a Declaration section on risks and funding.

Single tender waivers are reported to the Audit and Risk Committee. We have noted from our attendance at Audit Committee a level of challenge over the use of waivers, discussion over arrangements to reduce the number and value of waivers, including relating to estates usage.

Internal Audit undertook a review during 2019/20 focused on Contract Management. The area was awarded only a Partial Assurance grade, primarily due to issues with one specific contract relating to confidential waste and other points related to ensuring completeness of contracts documentation notified to and held by the Contracts Team. All but one of the recommendations raised have now been implemented, with the final action (relating to reviews of departmental budgets by the Contracts Team) having been impacted by Covid-19 restrictions.

On the basis of the work above, no significant weaknesses were noted in this area.

VALUE FOR MONEY

Recommendations

#	Issues, Impact and Recommendation
1	We did not identify any areas of significant weakness. Consequently, we have not raised any recommendations to address significant weaknesses.



FOR MORE INFORMATION:

David Eagles, Partner

t: +44 (0)1473 320728
m: +44 (0)7890 203431
e: david.eagles@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the entity and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,000 offices in more than 100 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

©2021 BDO LLP. All rights reserved.

www.bdo.co.uk

