The Audit Findings
For Oxford Health NHS Foundation Trust

Year ended 31 March 2020

June 2020

Contents

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Oxford Health NHS Foundation Trust ('the Trust') and the preparation of the Trust's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had an impact on the normal operations of the Trust. Given the unprecedented operational challenge for Trusts, the Department of Health and Social Care (DHSC) extended the deadline for preparation of the financial statements up to 27 April 2020, with flexibility to extend to 11 May 2020, and the date for audited financial statements to 25 June 2020.	We have considered emerging guidance issued by the Financial Reporting Council, NHS Improvement and NHS England and actively contributed to audit firm and NAO technical meetings where the impact of the virus on the financial reporting disclosures and audit approach has been discussed. We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum in April 2020. In that addendum we reported an additional financial statement risk in respect of Covid-19 and highlighted the impact on our VfM approach. Further detail is set out on page 7. Restrictions for non-essential travel has meant both Trust and audit teams have had to adjust to new remote access working arrangements. This included the use of video conferencing software to gain assurance over the completeness and accuracy of information produced by the entity.
Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Trust's financial statements give a true and fair view of the financial position of the Trust and its income and expenditure for the year; and • the Trust's financial statements, and the parts of the Remuneration and Staff Report to be audited, have been properly prepared in accordance with International Financial Reporting Standards, as interpreted and adapted by the Department of Health and Social Care (DHSC) and the DHSC group accounting manual 2019/20 (GAM). We are also required to report whether other information published together with the audited financial statements in the Annual Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was substantially completed remotely during May. Our findings are summarised on pages 6 to 12. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Trust's retained surplus position. Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A. Our work substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited. Our anticipated audit report opinion will be unqualified including an enhanced Key Audit Matter relating to the uncertainties in the Trust's Land and Building valuations as a result of Covid-19.

Headlines

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Trust has not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Trust's value for money arrangements. We have concluded that Oxford Health NHS Foundation Trust has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have nothing to report by exception. Our findings are summarised on pages 13 to 15.
Statutory duties	The National Health Service Act 2006 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff amidst the pressure they were under during these unprecedented times.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be discussed with the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Trust's business and is risk based, and in particular included:

- An evaluation of the Trust's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you in April 2020, to reflect our response to the Covid-19 pandemic. This response included:

- Noting the deferral of the implementation of IFRS 16 to 1 April 2021;
- Identification of a new significant financial statement risk, in relation to the impact of the pandemic on the Trust and its staff;
- Updating our consideration of materiality and confirming that no changes were required to our materiality thresholds; and
- Updating our VFM risk assessment and confirming that no additional significant VFM risks had been identified as a result of the pandemic.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan, but we have set a specific materiality level for disclosures relating to the remuneration of senior officers.

We detail in the table below our determination of materiality for the Trust.

	Amount
Materiality for the financial statements	£6.0m
Performance materiality	£4.5m
Trivial matters	£0.3m
Materiality for disclosures relating to remuneration of senior officers, due to their sensitive nature	£0.1m

Significant findings - Going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern material uncertainty disclosures

Although the Trust has reported a surplus position for 2019/20, it is facing significant financial challenges and is forecasting an underlying deficit position for the next financial year. At the time of our planning, there was uncertainty as to whether the Trust would therefore require cash support to pay its expenses during these years. The source and value of any such support had not been confirmed. In addition, due to the unprecedented response to the Covid-19 pandemic, there have been delays to agreement of contract income for 2020/21.

We therefore identified the adequacy of disclosures relating to material uncertainties that may cast doubt on the Trust's ability to continue as a going concern in the financial statements as a significant risk. Given the sensitive nature of these disclosures, this is one of the most significant assessed risks of material misstatement.

Going concern commentary	Auditor commentary
Management's assessment process A formal consideration and assessment of the relevance of the going concern basis of accounting was prepared by management, and presented to the Audit Committee on 22 April 2020. This assessment was based on cash flow forecasts for the 2019/20 year in line with the Trust's 2019/20 financial plan at that time. Due to the changes to funding levels as a result of the Covid-19 pandemic, and late agreement being reached regarding New Care Models to be commissioned by the Trust, management are revisiting the Trust's financial plans at the time of writing this report.	Management's formal assessment of the use of the going concern basis of accounting was supported by financial plans for the 2019/20 year. We consider the process for reaching the judgements made was adequate, and we are satisfied that the assessment was made by members of the Trust who are sufficiently qualified to make those judgements. We initially received updated cash flow forecasts to March 2021, and challenged the assumptions that form the basis of these. Upon request, we received forecasts to June 2021, to cover a period of 12 months from the date of signing the accounts at the time of writing this report.
Work performed We have held regular discussions with officers throughout the year. We have: • reviewed management's assessment of going concern assumptions and supporting information, including the draft 2019/20 financial plan and cash flow analysis, and any subsequent revisions to these; and • performed an analysis of the sensitivity of the Trust's cash flow statement to changes in key assumptions.	The Trust's original forecasts showed that it had sufficient cash available to meet its liabilities to June 2021, with no requirement for cash support. Upon receipt of management's updated financial plans, we have challenged the Trust's cash flow forecasts by performing a sensitivity analysis of the impact of changes in key assumptions on the forecasted cash balances. This work has included consideration of factors such as reduced contract income levels, non-achievement of planned CIPs, and the loss of associated PSF and FRF income.

Concluding comments

We have not identified any issues in our work to date that would indicate that additional disclosures are required in relation to Going Concern, and no events of conditions have been identified in the course of our audit to date that cast significant doubt on the entity's ability to continue as a going concern.

Significant risks

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Covid – 19 The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expected current circumstances would have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; • Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation; • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates; • Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter.	**Work performed** We have: • worked with management to understand the implications the response to the Covid-19 pandemic has had on the organisation's ability to prepare the financial statements and update financial forecasts, and assessed the implications for our materiality calculations; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained in the absence of physical verification of assets through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances; and • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment. **Findings** As a result of our work to consider and evaluate management's assessment of the impact of Covid-19 and the volatility of property markets on the Trust's Property, Plant and Equipment valuations, the Trust has added disclosures relating to the material estimation uncertainty inherent in these valuations. We will refer to this in our audit report. See pages 9 and 10. Our work to address the other points above is substantially complete, and we have not identified any other issues or concerns to report.

Significant risks

Risks identified in our Audit Plan	Commentary
Revenue recognition Trusts are facing significant external pressure to restrain budget overspends and meet externally set financial targets, coupled with increasing patient demand and cost pressures. In this environment, we have considered the rebuttable presumed risk under ISA (UK) 240 that revenue may be misstated due to the improper recognition of revenue. We rebutted this presumed risk for the revenue streams of the Trust that are principally derived from contracts that are agreed in advance at a fixed price. We have determined these to be income from the block contract income element of patient care revenues. We did not deem it appropriate to rebut this presumed risk for all other material streams of patient care income and other operating revenue. We therefore identified the occurrence and accuracy of these income streams of the Trust as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Work performed** We have: • evaluated the Trust's accounting policy for recognition income from patient care activities and other operating revenue for appropriateness and compliance with the DHSC Group Accounting Manual 2019/20; • updated our understanding of the Trust's system for accounting for income from patient care activities and other operating revenue, and evaluated the design of the associated controls; <u>Patient Care Income</u> • using the DHSC mismatch report, we will investigate unmatched revenue and receivable balances over our trivial threshold, corroborating the unmatched balances used by the Trust to supporting evidence; • we will agree, on a sample basis, income from contract variations and year end receivables to signed contract variations, invoices or other supporting evidence such as correspondence from the Trust's commissioners; • we will evaluate and challenge the estimates and the judgments made by management on year end activity and any associated challenges with your Commissioners. <u>Other Operating Revenue</u> • for PSF, we have agreed income recognised in Q1 to Q3 to NHS Improvement notifications, and obtained supporting evidence that confirms the Trust has met NHS Improvement requirements for recognising Q4 income; • we will agree, on a sample basis, income and year end receivables from other operating revenue to invoices and cash payment or other supporting evidence. **Findings** Our audit work is ongoing at the time of writing this report. We have not identified any issues in relation to the Trust's accounting policies and accounting processes and controls. We are in the process of completing our substantive testing of patient care revenues. Our testing of a sample of other operating revenues is complete. When challenged on the accounting for New Care Models, management were initially unable to provide an explanation of how the approach taken to recognising the income and related expenditure in the financial statements was appropriate, and in line with the requirements of accounting standards and the DHSC GAM. We considered there to be a risk that the income from NHSE and the expenditure to other NHS Trusts should have been netted against each other when preparing the financial statements, and that the Trust's income and expenditure may have been overstated by £4,374k. We have since been provided with an explanation from management, and have been able to take assurance that the income and expenditure in the financial statements has not been overstated. As this income of £16,283k has not yet been received by the Trust, we have requested confirmation of the outstanding balance of from NHSE. We have not identified any issues in relation to revenue recognition.

Significant risks

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Trust faces external pressures to meet agreed targets, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Work performed** We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. **Findings** Our audit work has not identified any issues in respect of management override of controls.
Valuation of land and buildings The Trust revalue land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements. In valuing the Trust's estate, management have made the assumption that the site, if it needed to be replaced, would be rebuilt to modern conditions on an alternative site. The valuation of land and buildings is a key accounting estimate which is sensitive to changes in assumptions and market conditions. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Work performed** We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • critically assessed how key assumptions are recognised by the Trust; • evaluated the competence, capabilities and objectivity of the valuation expert; • discussed with the valuer the basis on which the valuations were carried out, and challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Trust's asset register; and • evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. **Findings** The Trust's valuation was performed as at the end of January 2020, prior to the Covid-19 pandemic and the resulting uncertainties and fluctuations in property markets. As a result of our assessment and challenge, management have decided that it is appropriate to include disclosure of a material estimation uncertainty in the financial statements. We will refer to this in our audit report. For further information see page 10.

Significant findings – judgements and estimates

	Summary of management's approach	Audit Comments	Assessment
Land and Buildings (£142m)	Land and buildings comprises £108m of specialised assets such as its hospitals, which are required to be valued at depreciated replacement cost (DRC) at year end, on a modern equivalent asset basis. Management have determined the amount of space and location required for ongoing service delivery in the light of their current and projected service needs and have instructed the valuer accordingly. The remainder of land and buildings (£27m) are not specialised in nature and are required to be valued in existing use (EUV) at year end. Management have considered the year end value of non-valued assets (£6m) and the potential change in the valuation of assets between the valuation date of 31 January 2020 and 31 March 2020. Management's assessment has identified no material change to the properties' values. The Trust has engaged the District Valuer to complete the valuation of properties as at 31 January 2020. The revaluation of properties has resulted in a net decrease of £6m. The total year end valuation of land and buildings was £142m, a net decrease of £4m from 2018/19 (£146m). As a result of our assessment and challenge, management have decided that it is appropriate to include disclosure of a material estimation uncertainty in the financial statements regarding the potential impact of the Covid-19 pandemic and the resulting uncertainties and fluctuations in property markets. We will refer to this in our audit report.	• We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Trust. • We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate. • We have considered the appropriateness of the MEA assumptions, in particular we have confirmed that none have changed since the prior year. • There have been no changes to the valuation method this year. • We have considered the movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve as our auditor's expert. This work has not raised any issues with the 2019/20 valuations. • We are aware that the Royal Institution of Chartered Surveyors (RICS) issued *Valuation practice alert - COVID-19* to its members on 15 April creating an expectation that valuation reports will include material uncertainties in respect of property valuations as a result of the Covid-19 pandemic. This has been the case for most valuation experts providing services to NHS bodies and has been disclosed in most NHS Trust financial statements. This uncertainty was not included by your valuation expert in their report, as the valuation was performed at 31 January 2020. We did not consider that the Trust's disclosure of the estimate in the financial statements, and of the related estimation uncertainties, was adequate. Management has discussed this with your valuation expert, and has concluded that additional disclosure relating to estimation uncertainties at 31 March 2020 is appropriate, and this has been added to the financial statements.	(green)

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with management and the Audit Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Trust once our work is complete.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Trust's banks. This permission was granted and the requests were sent. One of these requests were returned with positive confirmation, however one request was not received so we undertook alternative procedures, including confirming the balances through the use of video conferencing software.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management to date has been provided. The Trust's financial statements were prepared in a timely manner, in line with the original closedown timetable, and were submitted to us for audit on 27 April 2020. Due to remote working as a result of the Covid-19 pandemic, normal communication flows have been affected on both sides, leading to delays in receiving supporting working papers and transaction listings which form the basis of our work.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect.
Auditable elements of Remuneration Report and Staff Report	We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the Act, directed by the Secretary of State with the consent of the Treasury. We have audited the elements of the Remuneration Report and Staff Report, as required by the Code. We found some minor issues through this work, which have all been amended by management. We propose to issue an unqualified opinion.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the NHS foundation Trust Annual reporting manual 2019/20 or is misleading or inconsistent with the information of which we are aware from our audit. • If the information in the annual report is materially inconsistent with the information in the audited financial statements or apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Trust acquired in the course of performing our audit, or otherwise misleading. • If we have applied any of our statutory powers or duties. We have nothing to report on these matters.
Review of accounts consolidation schedules and specified procedures on behalf of the group auditor	We are required to give a separate audit opinion on the Trust accounts' consolidation schedules and to carry out specified procedures (on behalf of the NAO) on these schedules under group audit instructions. In the group audit instructions the Trust was a non-sampled component. Our work in this area identified no issues.
Certification of the closure of the audit	We intend to certify the closure of the 2019/20 audit of Oxford Health NHS Foundation Trust in the audit report.

Value for Money

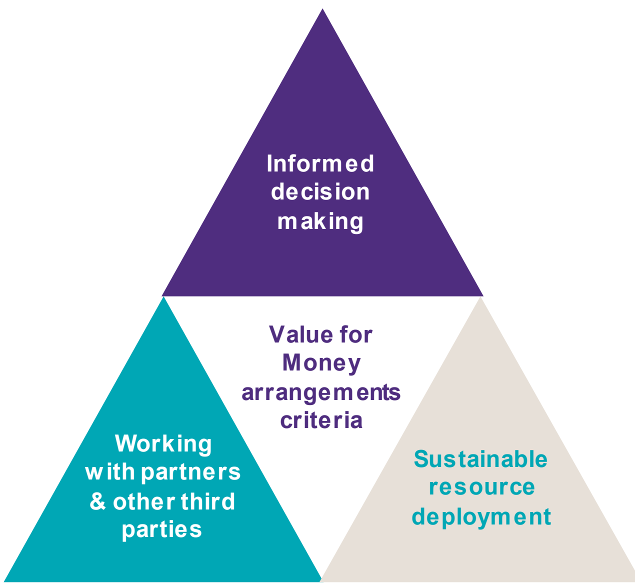
Background to our VFM approach

We are required to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception where we are not satisfied. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Trust. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2019. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2020 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated February 2020.

We have updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VFM risks in relation to the Covid-19 pandemic.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Trust's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risk that we identified in the Trust's arrangements. Our main considerations are summarised on the next page, along with more detail on the risk we identified, the results of the work we performed, and the conclusions we drew from this work.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Overall conclusion

Based on the work we performed to address the significant risks, subject to receiving outstanding supporting information from management, we are satisfied that the Trust had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work performed
Financial position and sustainable resource deployment	
The Trust's original financial plan for 2019/20 was challenging. The planned break-even position included £4.8m of PSF and FRF income, which was dependent on the delivery of £7.6m of savings. At month 6, projected savings for the year were £3.5m below target. The Trust reforecast at Q3, with the revised forecast resulting in a deficit of £6.5m, including the loss of Q4 PSF and FRF totalling £1.5m. The Trust has fundamentally changed the approach to CIPs for 2019/20, however £6.8m of the planned £7.6m of savings were planned for the latter half of the year and were not supported by detailed delivery plans at the beginning of the 2019/20 financial year. This back-loading of the CIPs plans increased the risk that these would not be achievable and put at risk the PSF and FRF payments due in the final part of the year. The Trust has taken a number of steps to identify the underlying causes of this worsening position and what actions it can take to improve its position and avoid any potential slide. Based on a number of established benchmarks the Trust would appear to already be delivering efficient and effective services and this increases the risk that the Trust is not able to identify further efficiencies and savings without having an impact on the level of service it is able to deliver.	We have reviewed the arrangements in place at the trust for developing annual savings plans including the appropriateness of the underlying assumptions and operational plans. We have considered the Trust's arrangements for the management and delivery of CIPs, and the impact of this on their in-year financial performance and financial sustainability. We have reviewed the Trust's longer-term plans as they progressed, and the arrangements and processes behind these. We have considered the actions taken by the Trust following the outbreak of the Covid-19 pandemic, and the impact that this has had on financial planning for 2020/21 and beyond.

Findings

We noted through the work that we completed for the prior year's VFM conclusion that the Trust had under-delivered its planned recurrent CIPs in 2018/19, and fundamentally changed the approach to CIPs for 2019/20. Of the planned £7.6m of savings for 2019/20, £6.8m were scheduled for the latter half of the year and were not supported by detailed delivery plans at the time that the Trust's financial plan was finalised. This back-loading of the CIPs plans in the 2019/20 financial year increased the risk that these would not be achievable and put the PSF and FRF income due in the final part of the year at risk. Our concerns were echoed by the Trust's Internal Auditors, whose review of the arrangements relating to Cost Improvement highlighted that no individual plan had been developed for each CIP and no forecasting had been completed which would consider the CIP pipeline required over a period of more than one year.

The Trust formally reforecast at Q3 of 2019/20. Although the year-to-date position at that time was on-plan, this included £6.1m of one-off benefits in the year and no further such benefits were expected in the final quarter. This reforecast was £6.5m adverse to the original plan, including the loss of PSF & FRF of £1.5m in Q4. The Trust clearly identified the reasons for this deterioration, being overspends on both social care and mental health services in Oxfordshire. Additional social care funding has already been agreed with the CCG and the County Council for the 2020/21 year, along with plans to develop these services.

The funding of mental health services in Oxfordshire has been an ongoing discussion between the Trust and its system partners; particularly the CCG. The Trust and CCG commissioned an independent review of funding during the previous year which identified a shortfall at the time of between £18m and £28m for mental health services in Oxfordshire. The Trust has been working with partners across the system to address challenges posed by both funding and demand for services and is starting to see progress in this area.

Value for Money

Findings

The Trust has since reported a year end surplus of £1.1m (including £4.9m of PSF and FRF), against this reforecast deficit of £6.5m. The majority of the movement between the revised forecast and the actual outturn was due to the agreement of £8.5m of income in relation to New Care Models. Negotiations regarding these services and the related payments have been protracted, and due to the resulting level of uncertainty attached to this revenue, management took the decision not to recognise this earlier. We consider this to be a prudent approach.

Excluding the New Care Models income, and the one-off benefits in the 2019/20 year, the Trust is still managing a significant underlying deficit. As discussed above, there are plans in place to address elements of this, through additional commissioner funding or service redesign. The planning process for the 2020/21 year and beyond has been impacted by the Covid-19 pandemic, with funding arrangements being centrally determined for at least the first quarter of the year. Management are currently in the process of reviewing their financial forward planning to assess the potential impact of the Covid-19 pandemic and the related funding changes, as well as assessing the ongoing financial impact of the planned New Care Models, following agreements being reached in April 2020.

Conclusion

We have not identified any weaknesses in the Trust's arrangements through the course of our work and consider that the significant risk identified is sufficiently mitigated. As such we plan to issue an unqualified value for money conclusion for 2019/20.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2019 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Trust. The following non-audit services were identified which were charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Audit related	Fees £	Threats identified	Safeguards
Assurance on your 2018-19 Quality Report (completed April – May 2019)	7,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,000 in comparison to the total fee for the audit of £40,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
No non-audit related services were identified.			

Note that there is no requirement for assurance on your 2019-20 Quality Report, and so this work has not been completed this year.

These services are consistent with the Trust's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees.

Action plan

We have identified recommendations for the Trust as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those issues that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
(Medium)	Testing of a sample of 5 items of deferred income (totaling £914k of the total balance of £5,212k) identified 3 items which we do not consider meet the definition of deferred income per the accounting standards. As the deferred income balance is not material, there is no risk that these errors could be indicative of a material risk in the financial statements, however they represent weaknesses in management's closedown arrangements and have led to an overstatement of deferred income and receivables in the financial statements, and the potential under-recognition of income.	We recommend that management implement more stringent checks of deferrals of income in future years.
(Medium)	Testing of contract revenue has identified that the Trust has patient care income contracts that are not signed at the time of our audit. Although we have been able to gain assurance over the income recognised by the Trust in 2019/20, having no signed agreement in place exposes the Trust to the risk of non-achievement of planned income levels, and puts financial plans at risk of non-delivery.	We recommend that management finalise income contracts as soon as possible, to obtain more certainty regarding future levels of income.
(Low)	Through testing of operating expenditure, we identified a small number of transactions that related to the 2018/19 financial year but were not accrued in that year. Although we were satisfied that this is not indicative of a material misstatement in the financial statements, this is still evidence that the Trust's policies are not being followed.	We recommend that management review their accruals guidance and consider whether it might be appropriate to introduce a de-minimis threshold to ensure that the focus is on accruals of higher value when preparing the year-end position.
(Low)	Review of the Trust's fixed asset register highlighted that there were a significant number of assets that were held at a net book value of £nil. These assets have a gross book value in excess of £9 million. There is a risk that these assets are no longer in use, or that their useful economic lives, used to calculate the Trust's depreciation charge, were too short.	We recommend that management review the assets held in the asset register to ensure that these are still in use by the Trust, and that the useful economic lives being applied remain appropriate.

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of misstatements

There are no adjusted misstatements for the year ending 31 March 2020.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure Reference	Detail	Adjusted?
Audit Fees (Note 6)	Minor amendments have been made to reflect the updated audit fees for the 2019/20 year, and to correct the statement regarding the limitation on auditor's liability.	✓
Revaluations of Property, Plant and Equipment (Note 16)	Additional disclosure has been added to this note regarding the the Covid-19 pandemic and the resulting uncertainties and fluctuations in property markets, and the impact of this on the Trust's property valuations at the reporting date. The financial statements now include reference to a material estimation uncertainty in the valuation as a result of these circumstances.	✓
Related Party Transactions (Note 34)	The draft accounts contained more disclosure than is required by accounting standards and the DHSC Group Accounting Manual. This has been removed.	✓
Various	Other minor amendments have been made to improve the clarity of the financial statements and the elements of the Annual Report that are subject to audit, and improve the reader's understanding.	✓

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Statement of Comprehensive Net Income £'000	Statement of Financial Position £' 000	Impact on adjusted net surplus £'000	Reason for not adjusting
Testing of a sample of 24 items from within the Trust's payables balance identified one item of £23,171 which related to the 2020/21 year and therefore should not have been accrued for. Extrapolating this error over the payables population gives an estimated error as follows:				The impact on the financial statements has been estimated based on extrapolation of a sample, and this is not material.
Dr Payables		1,360		
Cr Expenditure	(1,360)			
Overall impact	**(£1,360)**	**£1,360**	**(£1,360)**	

Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services relating to the 2019/20 financial year.

Audit fees	**Proposed fee**	**Final fee**
Trust Audit	£48,200	£48,200
Charitable Fund Independent Examination*	£2,500	TBC
Total audit fees (excluding VAT)	**£50,700**	**£TBC**

* Note that as the Oxford Health Charity is not consolidated, the fees for the independent examination are not included in the Trust's financial statements.