

A medical office setting with a stethoscope resting on a clipboard with a form. The form has fields for 'INSURANCE', 'Patient name', 'Address', 'Phone', 'Email', 'Workplace', and 'GP'. A pen is also on the clipboard. In the background, there is a blue pen holder and a blue container.

# Oxford Health NHS Foundation Trust Auditor's Annual Report

Year ended 31 March 2023

# Contents



The contents of this report are subject to the terms and conditions of our appointment as set out in our engagement letter of 19 January 2023.

This report is made solely to the **Audit Committee, Board of Directors and management of Oxford Health NHS Foundation Trust** in accordance with our engagement letter. Our work has been undertaken so that we might state to the **Audit Committee, Board of Directors and management of Oxford Health NHS Foundation Trust** those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the **Audit Committee, Board of Directors and management of Oxford Health NHS Foundation Trust** for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# Introduction

## **Purpose**

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Trust or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

## **Responsibilities of the appointed auditor**

We have undertaken our 2022/23 audit work in accordance with the Audit Plan that we issued on 12 April 2023. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2022/23 financial statements;
- The parts of the remuneration and staff report to be audited;
- The consistency of other information published with the financial statements, including the annual report; and
- Whether the consolidation schedules are consistent with the Trust's financial statements for the relevant reporting period.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Trust;
- To the Secretary of State for Health and Social Care and NHS England if we have concerns about the legality of transactions or decisions taken by the Trust;
- If we identify a significant weakness in the Trust's arrangements in place to secure economy, efficiency and effectiveness in its use of resources;
- Any significant matters that are in the public interest; and
- Any significant issues or outstanding matters arising from our work which are relevant to the NAO as group auditor.

Responsibilities of the Trust

The Trust is responsible for preparing and publishing its financial statements, annual report and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



## Introduction (continued)

### 2022/23 Conclusions

<b>Financial statements</b>	Unqualified - the financial statements give a true and fair view of the financial position of the Trust as at 31 March 2023 and of its expenditure and income for the year then ended. We issued our auditor's report on 13 July 2023.
<b>Parts of the remuneration report and staff report subject to audit</b>	We had no matters to report.
<b>Consistency of the other information published with the financial statement</b>	Financial information in the Annual report and published with the financial statements was consistent with the audited accounts.
<b>Value for money (VFM)</b>	We had no matters to report by exception on the Trust's VFM arrangements. We have included our VFM commentary in Section 03.
<b>Consistency of the annual governance statement</b>	We were satisfied that the annual governance statement was consistent with our understanding of the Trust.
<b>Referrals to the Secretary of State</b>	We made no such referrals.
<b>Public interest report and other auditor powers</b>	We had no reason to use our auditor powers.
<b>Reporting to the Trust on its consolidation schedules</b>	We concluded that the Trust's consolidation schedules agreed, within a £300,000 tolerance, to the audited financial statements.
<b>Reporting to the National Audit Office (NAO) in line with group instructions</b>	We reported the unadjusted differences and control recommendations identified during the audit to the NAO.
<b>Certificate</b>	We will issue our certificate on with the final draft of this report.



# Audit of the financial statements

## Key findings

The Annual Report and Accounts is an important tool for the Trust to show how it has used public money and how it can demonstrate its financial management and financial health.

On 13 July 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 16 June 2023 Audit Committee meeting and met with the Audit Committee Chair and Vice Chair on 7 July 2023 to discuss matters arising since the date of the Committee before issuing our final reporting on 13 July 2023. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported two significant internal control recommendations in the Audit Results Report.

Significant risk	Conclusion
<b>Management override of controls</b>	<p>Our audit work did not find any evidence of material fraud, error or management bias; however, we did note that there were a number of significant manual adjustments made outside of the general ledger as part of the accounts preparation process. As these adjustments are not subject to the same processes and controls as transactions posted in the general ledger, there is an increased risk of fraud or error and we did identify two misstatements in relation to manual adjustments to reclassify operating expenditure as part of our work in this area.</p> <p>Our work did not identify any other transactions during our audit which appeared unusual or outside the Trust's normal course of business</p>
<b>Risk of fraud in revenue and expenditure recognition</b>	<p>Our work did not find any evidence of material fraud in revenue or expenditure recognition; however we did report some unadjusted misstatements to the Audit in relation to deferred income carried forward, deferred income released in year and understatements of accruals arising from our sample testing. We also identified some errors in the classification of NHS income balances through manual adjustments outside of the ledger, to avoid creating mismatches as part of the NHS Agreement of Balances process.</p>
<b>Valuation of land and buildings</b>	<p>We were unable to obtain a sufficiently detailed explanation about the adjustments made to the assumed gross replacement cost from the expert that the Trust had initially engaged to value the estate, for us to place reliance on their methodology used to perform the valuation. Management therefore commissioned a new expert to perform a full revaluation of the estate which resulted in an increase in value of £27m.</p> <p>We noted that there were some elements of the new specialist's application of the cost approach which did not align completely with commonly adopted /observed valuation practice in the UK but the overall valuation of the assets sampled fell within a reasonable range, and we were able to place reliance on the valuation methodology, to obtain assurance that the valuation of land and buildings was not materially misstated.</p>
<b>Implementation of IFRS 16</b>	<p>Our audit work did not identify any material errors in the Trust's implementation of IFRS 16, the new financial reporting standard for accounting for leases.</p>

We did not identify any risks of significant weaknesses in the Trust's VFM arrangements for 2022/23.

Our VFM commentary highlights relevant issues for the Trust and the wider public.

We had no matters to report by exception in the audit report.

## Scope

We are required to report on whether the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the 16 June 2023 Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Trust board and committee reports, meetings with Internal Audit and evaluation of associated documentation through our regular engagement with Trust management and the finance team.

## Reporting

We completed our risk assessment procedures in June and did not identify any significant weaknesses in the Trust's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2022/23 is set out over pages 7 to 9. The commentary on these pages summarises our conclusions over the arrangements at the Trust in relation to our reporting criteria (see below) throughout 2022/23. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Trust plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
<b>Governance:</b> How the Trust ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
<b>Improving economy, efficiency and effectiveness:</b> How the Trust uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified



## Value for Money (continued)

### Financial Sustainability: How the Trust plans and manages its resources to ensure it can continue to deliver its services

The Trust has well-established processes and networks for liaising with colleagues at the Integrated Care Board, and across the wider integrate Care System, to understand the level of funding to be received as part of the system level financial envelope. Although there is communication with the HR department, further work is ongoing to make sure that for 2023/24 and beyond there is closer alignment between the financial planning and workforce planning processes to ensure that there was one overall co-ordinated planning function.

Each directorate is allocated a cost improvement target for the year and is allocated a finance lead and Project Management Office (PMO) support to review the service plans and support in ensuring that the schemes are deliverable. The ability to deliver the savings in each scheme is assessed by service leads and the PMO team. Financial management review and agree the financial deliverability of schemes - providing a check and challenge on the size and opportunity. Additionally, finance sit in the CIP programme board where schemes are presented for additional challenge.

The Trust reports the financial position each month to the Board of Directors through the Integrated Performance Report. There is the ability to flex the financial plan, should it be required, for significant events during the year such as contract variations, winning new business, requirement for greater efficiencies etc. Approval for flex to budgets must be obtained from both service leads, and senior finance staff. The finance team also provide day to say support for the more immaterial financial matters

**Conclusion: The Trust had the arrangements we would expect to see in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**



## Value for Money (continued)

### **Governance: How the Trust ensures that it makes informed decisions and properly manages its risks**

The Audit Committee is the main committee of the Board that has oversight of the risks and internal controls of the Trust. It regularly receives and challenges the corporate risk register which is the document that collates the most significant risks to the Trust, including financial risks. The main mechanism through which the committee discharges its responsibilities in relation to the operation of internal control is through receiving reports from internal audit and holding management to account for addressing recommendations made as part of their work. There is a separate provider for counter-fraud services which supports the Trust in taking actions to prevent and detect fraud and summaries of these actions are also reported in to each Audit Committee meeting.

The Finance and Investment Committee has a significant role in terms of addressing financial risk. It reviews and challenges Trust budget plans and continuously monitors performance throughout the year, before making recommendations to the Trust Board for approval or consideration. There is a detailed budget planning and monitoring process which supports the information report to the Finance and Investment Committee, led by members of the finance team, to identify early any inherent risks to achievement of plans and develop mitigations to these risks.

Financial monitoring, at a more granular level, is performed through the monthly management accounts process and it is this process that identifies cost drivers and pressures that may impact achievement of target in the current, or future, financial years. Significant concerns emerging through this will feed into the summary of inherent risks reported to the Finance and Investment Committee.

The Trust has a wide range of policies covering expectations and requirements of staff, including policies relating to the conduct of individuals as well as operational practice and patient safety. These policies are developed as a mechanism to ensuring that the Trust remains compliant with legal and regulatory frameworks and, failure of staff to comply with these policies will trigger the Trust's performance management and disciplinary policies.

**Conclusion: The Trust had the arrangements we would expect to see in 2022/23 to enable it to make informed decisions and properly manage its risks.**





## Value for Money (continued)

### Improving economy, efficiency and effectiveness: How the Trust uses information about its costs and performance to improve the way it manages and delivers its services

In 2022/23 the Trust exceeded performance against the initial budget set and was in line with the national average on the majority of non-financial metrics reported.

The Trust has two monitors performance through two main routes - financial and operational. Financial performance is monitored through the budget setting and reporting processes through to Board, which are summarised on the previous two slides. Operational performance is also managed through reporting up to the Trust Board on performance against both the national average and internal targets set by the Trust. If targets are not met, an investigation is undertaken to understand the reasons behind the underperformance and the actions to be taken to address performance concerns.

A core element of improving and managing the delivery of services of the Trust is through partnership working - both within the Integrated Care System that the Trust operates and in terms of the provider collaborative arrangements for which the Trust is the lead provider of approximately £120m of services. The Trust manages these partner relationships through engagement at the most senior level - the Chief Executive is the main point of liaison but all executive team members have a role to play in participation of partner groups in their area of expertise. These executive team members then feed system wide performance and actions into the financial and operational plans of the Trust to ensure that plans are consistent with wider partners. The Board also see a high level summary of the Integrated Care System performance as a whole, as part of the regular reporting pack.

The Trust has arrangements in place to adhere to procurement legislation through the procurement policy and standing financial instructions and, wherever possible, risks are mitigated by contracting under standard NHS terms and conditions. Operational Services monitor the benefits and performance of services procured, through contract and operational review meetings.

**Conclusion: The Trust had the arrangements we would expect to see in 2022/23 to enable it to use information about its costs and performance to improve the way it manages and delivers services.**

# Appendices

## Appendix A - Summary of arrangements

### Financial Sustainability

Reporting Sub-Criteria	Findings
<p>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</p>	<p>As part of the budget setting process a list of cost pressures are compiled including, the drivers behind them, the nature (unavoidable, avoidable, mitigated, offset) and the impact on services if the pressure was not to be funded. The cost pressures are RAG rated and considered by executive directors to determine how they can be best managed.</p> <p>Each month, a finance report is presented to the Board of Directors. This report includes a 'forecast risks and opportunities' section which sets out all significant financial pressures that are relevant to the Trust in the short and medium term. These pressures are then built into the plan for the remainder of the financial year and taken into account when preparing the future budgets if the financial pressure is a more medium term problem.</p>
<p>How the body plans to bridge its funding gaps and identifies achievable savings</p>	<p>As noted above, cost pressures are compiled as part of the budget setting process, including the drivers behind them, the nature of the pressure (unavoidable, avoidable, mitigated, offset) and the impact on services if the pressure is not funded. The cost pressures are RAG rated and considered by executive directors to determine how they can be best managed. The budget is prepared in discussion with the Integrated Care Board so that the Trust understands the level of funding to be received for the coming year. The plan is then submitted to NHSE and forms the basis for the Trust's financial monitoring in year.</p> <p>There is a continuous effort to improve efficiency at the Trust and, to address directorate level savings targets issued, cost improvement programme (CIP) plans are drawn up as part of the annual planning process and delivery against the savings targets is monitored, as it contributes to the delivery of the financial performance for the year.</p> <p>The ability to deliver the savings in each scheme is assessed by service leads and the PMO team. Financial management review and agree the financial deliverability of schemes - providing a check and challenge on the size and opportunity. Additionally, finance sit in the CIP programme board where schemes are presented for additional challenge.</p>
<p>How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</p>	<p>In 2022/23, the funding arrangements have reverted to that of pre covid, where allocation methodology has been reset to move systems back towards a fair share distribution of resource at the levels affordable within the settlement.</p> <p>ICB allocations to the Trust were based on the annualised system funding envelopes for the second half of 2021/22, with adjustments to remove non recurrent funding earned in 21/22 ,and adjusted to take into account pressures of the inflationary environment.</p> <p>This funding was communicated early in the budget preparation process to the Trusts, via the ICB's, which the management used to prepare their annual plan which is submitted to NHSE. This plan is what the trust used to plan their finances to support the sustainable delivery of services.</p> <p>Day to day financial planning covers smaller scale, immaterial actions. Larger scale actions, such as significant financial challenges or proposed service/strategic changes (eg implementing a new service), are picked up through the Trust's planning process. The Trust strategy operational Teams put plans together to address issues or change/implement services in line with strategic priorities. The plan changes throughout the year to adapt to any new financial pressures identified.</p>

## Appendix A – Summary of arrangements

### Financial Sustainability

#### Reporting Sub-Criteria

#### Findings

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

Planning assumptions are in place for the professional functions of the Trust, such as financial and workforce planning assumptions. Planning requirements from NHSE through the operational plan requirements, and long term plan, ambitions are clear. Whilst there is already good communication between the professional functions of the Trust when putting together the plan, work is under way to improve the alignment of planning assumptions so that greater assurance of their consistency, consistent application and testing can be achieved by a central coordinated business planning function.

At a system level, planning assumptions are discussed and agreed by the CFOs group to ensure consistency across organisations and form a part of the overall Integrated Care System planning and financial management process. Internally, staff costs are a major expenditure stream for the Trust and financial plans are developed with disaggregation between 'pay' and 'non-pay' costs. Pay expenditure plans are developed in co-ordination with the Human Resources team to ensure consistency with the Trust's staffing needs and anticipated headcount. Agency and bank staff are used to fill the gap between demand and permanent staff capacity and forecasting these needs is a key input to financial forecasting.

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

Financial plans and workforce plans are reviewed throughout the year, with forecasts updated by management as required. As noted above, in 2022/23 there was not a fully coordinated business planning approach pulling together key planning inputs to the plan; however this is in development for 2023/24 and beyond.

Budgets can be flexed part way through the year and, where necessary, the full year effect for the following year is calculated. There are a variety of factors which may require the budget to be flexed, including contract variations, success in tendering new contracts, response to cost pressures funded from reserves (e.g. inflation, CIP) and opportunities to re-align budgets due to efficiencies being identified. Budgets are maintained and monitored on a monthly basis, including both directorate and trust-wide forecasts to assess the success of the strategy, manage the risks and to monitor new emerging risk and opportunities culminating in a revised strategy where necessary. Where budgets are flexed, agreement is in conjunction with service leads and requires their sign off, as well as finance senior sign off, as part of a formal documented process which allows for reconciliation to the original plan and informs next years' budget

## Appendix A – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

**How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud**

#### Findings

The corporate risk register captures all risks pertaining to the Trusts operations, including financial risk. They are risk rated in terms of impact and likelihood, so that a proportionate action plan can be developed. The risk register is regularly updated and presented to the Audit Committee for review. The likelihood and significance of the risks is determined and an appropriate action is agreed to help mitigate the risk.

The Audit Committee is responsible for maintaining an overview of the operation of internal control and governance. Periodic evaluations of internal control are reported to the Audit Committee from internal audit, as well as any findings which are reported on an annual basis by ourselves as external auditors. Control failings are occasionally raised by employees performing the day to day work at the Trust, and this is actively encouraged by management to facilitate a culture of continuous improvement.

Corrective action is usually taken on a timely basis, and this is actively monitored by internal audit to ensure that deficiencies raised by them are followed up. The manager of the relevant section to which the findings related, reports on the subsequent measures that have been implemented and updates the Audit Committee on the progress of the improvements. The Audit Committee also maintain an audit action log and tracker, which takes any lessons learnt into the next year's financial planning round, monthly reporting and year-end, audit management letter review and actions. The arrangements in place at the Trust to prevent and detect fraud include engagement of a Local Counter Fraud Specialist (TIAA in FY22/23) who perform the following activities:

- produce quarterly fraud reports;
- participate in the National Fraud Initiative;
- provide training and fraud awareness sessions with staff;
- issuing internal advertising and communications such as intranet, leaflets, communications issued;
- issuing targeted circulars/updates
- reporting to Audit Committee
- carrying out an annual fraud risk assessment and an annual self-assessment review

## Appendix A – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

#### Findings

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

Standard practice in the sector is for annual budgets to be prepared in accordance with guidance published by NHSE as part of the broader NHS operational planning exercise. This provides key information against which individual entity plans should be prepared, such as overall funding envelopes and the contracting arrangements between NHS commissioners and NHS providers (which accounts for the majority of the Trust's income). The Trust used this guidance, published in February 2022 to produce the budget for 2022/23

The budget setting process follows a prescribed timetable. Initially, budget meetings are held between budget managers, holders and finance officers to consider the resources required (both pay and non pay) to deliver planned activity, contractual obligations and cost improvement plans. Inherent risks to the plan are considered and resolution is sought in terms of adjustment to budget, activity and/or mitigation. Where resolution is not achieved the final budget agreement is caveated and informs the overall risks and opportunities that the Trust is required to manage.

The Finance and Investment Committee reviews plans and makes recommendations to the Trust Board of Directors for approval in respect of the financial position. The Chief Finance Officer advises the Board of subsequent amendments to financial plans and budgets with material changes being subject to Board approval. The Chief Finance Officer agrees with other directors the risks that are inherent in the budget, develops a strategy to manage the risks in year and ensures that this is documented accordingly. The approved budget is maintained and monitored on a monthly basis, including both the directorate and trust year end forecasts, to assess the success of the strategy to manage the risks, and monitor emerging risk and opportunities, culminating in a revised strategy where necessary.

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

Budget reports are distributed to budget managers on, or before, the 10th working day following the previous month end. Managers meet with finance staff monthly, and on an ad-hoc basis as required, to review the accuracy of the reports which informs the following month's report. The discussions consider not only errors but cost drivers, and how they should be reflected in the accounts in line with accounting principles, and good accounting practice in terms of adherence to financial controls and managing risk.

The discussions around cost drivers also consider the impact on financial performance and the actions required to achieve performance targets, or mitigate against adverse performance within a prescribed timeframe. The outcomes are incorporated into financial forecasts so the overall full year impact is visible to facilitate decision making.

## Appendix A – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

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

#### Findings

The Trusts budgetary control policy sets out the obligations of the individual budget managers. They are required to deliver the agreed service specification, within the agreed budget, and material overspending or reduction of income should not be incurred without prior consent of the Chief Finance Officer. The process will initially be in the form of proactive/reactive discussions with relevant finance colleagues to consider corrective actions or mitigations and, where there is no potential for resolution, escalated to budget holders, service leads, directorate leads and senior finance officers before, ultimately, the Chief Finance Officer and the Board.

In advance of the beginning of the financial year, the Trust works with directorates to set in-year (and next year) financial performance targets – for example, where overspending is identified consideration is given to the level of containment required, the minimum performance required and the impact the Trust's overall reported position. This work is performed at a directorate level but breaks down to budget areas which drive the performance of the Trust. Financial performance is monitored on a monthly basis through the management accounts, which are prepared on the same basis as the annual financial statements, to ensure performance is monitored on the same basis as it will ultimately be assessed. The Trust also makes quarterly submissions to NHSE where explanations are required for significant variances from budget to ensure that they are well understood and, where appropriate, mitigating actions have been implemented.

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 interests)

Compliance with applicable laws and regulations is dealt with by the Trust Board and the relevant Committees with issues escalated through the Trust's management and reporting structure, as well as internal and external audit reviews.

The Trust has a wide range of HR policies covering expectations and requirements of staff. This includes policies relating to the conduct of individuals (e.g. anti-fraud, bullying, appearance policies, IT policies) and policies relating to operational practice and patient safety (e.g. medical devices, patient transfer policies etc). There are additional policies concerning infection control and medicines management, which reflect various legal and practical requirements. Failure to adhere to these policies can result in disciplinary procedures against individuals. All policies are available via the Trust's internal intranet.

## Appendix A – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

#### Reporting Sub-Criteria

#### Findings

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

There are two main strands to the Trust's assessment of performance, operational and financial. Operational performance is considered in the criteria below.

Financial performance is monitored through monthly management accounts and reported quarterly to the Board. Financial information is disaggregated in management information in the same manner as the financial statements (e.g. income is split between sources and expenditure is split between staff and other costs), with comparison at line level to budget for both actuals to date and full year forecasts and significant variances identified.

Beneath the high-level reporting, both budgets and actual performance are split across the different departments of the Trust with individual budget holders responsible for ensuring each department delivers against its budget and providing accurate future forecasts. Staff costs are analysed between permanent staff, agency and bank staff with reasons for variations investigated.

The monthly budget reports produced for budget holders are intended to improve understanding of where performance is not on track, so that the reason for the over/underspend can be understood. If the budget holder is not able to easily identify the reasons, then support from finance staff is available.

Monthly reviews of budget reports with the finance team are in place, where significant variances against plan are analysed and explained. The definition of what is regarded as a significant or material variation is defined both in terms of bottom-line impact and particular lines of expenditure, and may be specific to individual budgets. Where required, an action plan is agreed to either return the position to budget or seek additional funding to cover the gap. In performing these monthly review, the explanations for variances are probed by finance to ensure that there is an understanding of their full-year impact and the underlying drivers.

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

As well as financial objectives considered above, the Trust also has non-financial objectives which focus on the services provided patients, including:

- To provide a wider range of high quality, safe and accessible health care services; and
- To recruit, retain and motivate skilled and compassionate staff who are proud to act as ambassadors of the services they provide.

These non financial objectives are presented to the Trust Board so that performance can be monitored against both the national average and internal targets set by the Trust. If targets are not met, an investigation is undertaken to understand the reasons behind the underperformance and the actions to be taken to address performance concerns. The Trust also has formal policies in place for both staff and patients to raise concerns over the quality of care, including protected means such as whistleblowing, and staff policies encourage people to come forward with concerns.

Review of the Integrated Performance Report indicates that the Trust is performing well compared to national average in most areas.



## Appendix A – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

#### Reporting Sub-Criteria

#### Findings

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 Trust operates within two significant areas of partnership working – the local health economy and the provider collaboratives for which the Trust is a lead provider.

The Trust Chief Executive Officer is the lead communication route with the Integrated Care Board and other members of the executive team are linked in through key partnership groups such as the Chief Finance Officer group, Chief Performance Officer group, Chief Operating Officers on operations groups and members of the procurement team on the procurement group. System-wide performance and actions are taken through these various groups and shared more widely within the Trust where applicable. For example, financial performance for all partners is monitored through the CFO group, with corresponding actions shared internally within the Trust. The performance is shared with the Board monthly through the Board finance pack which includes an ICS partner monthly performance summary.

The Trust is the lead provider for three provider collaborative arrangements with at a total value of £120m. There are individual provider collaborative meeting, involving partner organisations, and also an overarching provider collaborative board including executive team members from each organisation. These meetings cover performance and agreed actions where applicable.

How the body ensures that commissioning and procuring services 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 adheres to the procurement legislation through the procurement policy and standing financial instructions when procuring services. Services can be procured through written quotes, full competitive tenders, mini competitions under framework agreements and, where appropriate direct, award may be used. All procurements are advertised in accordance with the Procurement Legislation requirements.

Selection of suppliers is based on a pre-qualification process looking at mandatory and discretionary criteria, which can be tailored to meet specific individual requirements to test technical capability and capacity. Award is then based on quality, reliability, experience, cost and timeliness and, where applicable, social value criteria. The Trust contracts using NHS Standard Terms and Conditions with relevant schedules completed to cover service requirements, price, quality, governance, data processing, expected activity levels, performance and reporting requirements. The Trust will also contract, where appropriate, using Framework Agreements on the Framework provider's Terms and Conditions. Potential suppliers will have to undertake information governance assessments in relation to cyber/infrastructure requirements when handling and storing personal identifiable data. Suppliers need to be compliant with data protection regulations and potential suppliers are required to complete a sub contract information form detailing information around indemnity, registration, audited accounts, complaints, health and safety, information governance policies etc. Operational Services monitor the benefits and performance through contract and operational review meetings.

## Appendix B – Summary of all recommendations

### Recommendations

The table below sets out the key recommendations arising from the financial statements and value for money audits in 2022/23. All recommendations have been agreed by management.

Observation	Impact	Management Response
<p><b>Financial statements: Income – contracting arrangements</b></p> <p>Signed contracts with Commissioners were not in place, despite there being an expectation from NHSE that contracting arrangements would have returned to the more formal pre-Covid arrangements. As part of this work we also noted that the Trust does not maintain a complete contract register and does not perform a full contract income reconciliation, which reconciles the income in the accounts back to the income agreed in the contracts, including any additional contract variations</p>	<p>Without signed contracts in place, a complete contract register and full contract income reconciliations being performed, management will find it challenging to have full oversight of all of their contracting arrangements. This will also make it more difficult to hold other parties to account for the terms and conditions of compliance with the contract.</p>	<p>The contracts register is work in progress but a version has now been shared with the audit team.</p> <p>Income reconciliations are performed throughout the year but not in the level of detail or the format required for the year end audit. We will introduce this for FY24</p>
<p><b>Financial statements: Manual adjustments</b></p> <p>As part of our audit work, we identified that there were a number of significant manual adjustments made outside of the general ledger as part of the accounts preparation process. This includes the reclassification misstatement included in Section 5 of this report.</p>	<p>As these adjustments are not subject to the same processes and controls as transactions posted in the general ledger, there is an increased risk of fraud or error occurring in the financial statements</p>	<p>We will assess the root causes of manual adjustments and seek to reduce them in FY24</p>



## Appendix C - Certificate

### Certificate

#### INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF GOVERNORS OF OXFORD HEALTH NHS FOUNDATION TRUST

##### Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2023 issued on 13 July 2023 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Oxford Health NHS Foundation Trust as at 31 March 2023 and of its income and expenditure for the year then ended;
- had been prepared properly in accordance with the Department of Health and Social Care's Group Accounting Manual 2022 to 2023; and
- had been properly prepared in accordance with the National Health Service Act 2006.

##### Certificate

In our report dated 13 July 2023, we explained that we could not formally conclude the audit on that date until we had issued our Auditor's Annual Report for the year ended 31 March 2023. We have now completed our procedures and no matters have come to our attention that would have resulted in a different opinion on the financial statements or additional exception reporting on significant weaknesses in the Foundation Trust's value for money arrangements.

We certify that we have completed the audit of the accounts of Oxford Health NHS Foundation Trust in accordance with the requirements of the National Health Service Act 2006 and the Code of Audit Practice issued by the National Audit Office on behalf of the Comptroller and Auditor General.

Maria Grindley

For and on behalf of Ernst & Young LLP (Local Auditor)

Reading

[Date]

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