



The Annual Audit Letter for Cheshire and Wirral Partnership NHS Foundation Trust

Year ended 31 March 2020

29 July 2020



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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Cheshire and Wirral Partnership NHS Foundation Trust (the Trust) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Trust and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Trust's Audit Committee as those charged with governance in our Audit Findings Report on 7 July 2020.

Our work

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the National Health Service Act 2006 (the Act). Our key responsibilities are to:

- give an opinion on the Trust financial statements (section two)
- assess the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Trust's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Materiality	We determined materiality for the audit of the Trust's financial statements to be £3,000,000, which is 1.6% of the Trust's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Trust's financial statements on 9 July 2020. We included an enhanced key audit matter in our report on the uncertainty over asset valuations as at 31 March 2020 given the Covid pandemic. This does not affect our opinion that the statements give a true and fair view of the Trust's financial position and its income and expenditure for the year.
NHS Group consolidation template (WGA)	We also reported on the consistency of the financial statements consolidation template provided to the National Audit Office with the audited financial statements. We concluded that these were consistent.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Executive Summary

Value for Money arrangements	We were satisfied that the Trust put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Directors of the Trust on 9 July 2020.
Quality Report	Due to the Covid-19 pandemic, the Department of Health and Social Care suspended the requirement for the Trust's Quality Report to be certified.
Certificate	We certified that we have completed the audit of the financial statements of Cheshire and Wirral Partnership NHS Foundation Trust in accordance with the requirements of the Code of Audit Practice on 9 July 2020.

Working with the Trust

We worked with management to understand the implications of the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and support the audit process. We made use of secure data transfer tools to share information and video conferencing to observe accounting and reporting processes and to maintain dialogue between the Trust and the audit team. We held weekly virtual meetings with management and attended the virtual audit committee.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Trust's staff during these extraordinary times.

Grant Thornton UK LLP
July 2020

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Trust's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Trust's financial statements to be £3,000,000, which is 1.6% of the Trust's gross revenue expenditure. We used this benchmark as, in our view, users of the Trust's financial statements are most interested in where the Trust has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration as presented in the Remuneration Report which was £20,000.

We set a lower threshold of £200,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Annual Report to check it is consistent with our understanding of the Trust and with the financial statements included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Trust's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Key Audit Matters

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>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. These included remote working arrangements, redeployment of staff and consideration of the potential financial impacts.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • worked with management to understand the implications the response to the Covid-19 • pandemic has on the organisation's ability to prepare the financial statements and update • financial forecasts and assess the implications for our materiality calculations • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic • evaluated whether sufficient audit evidence can be obtained in the absence of physical • Verification • discussed with management any potential implications for our audit report. 	<p>See findings on the valuation of land and buildings at page 7.</p>

Audit of the Financial Statements

Key Audit Matters - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings</p> <p>The Trust revalues its land and buildings on a regular basis to ensure the carrying value in the Trust financial statements is not materially different from current value at the financial statements date. Management engages a professional valuer for this purpose. Valuation can be affected by both changes in the general economy and the extent of and content of capital expenditure programmes. The last full valuation was in 2018/19 and in the absence of any indication of a material change management decided not to obtain a valuation for 2019/20.</p> <p>Following the Covid-19 outbreak, on advice from RICS, regulated members considered whether a material uncertainty declaration was appropriate for current. The purpose of such a declaration is to ensure that any client relying upon a valuation report understands that it has been prepared under extraordinary circumstances.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions; evaluated the instructions issued to valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert; discussed with the valuer the basis on which the valuation was carried out; challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding evaluating the assumptions made by management, including how the impact of market volatility had been considered, and how management had satisfied themselves that the existing valuations were not materially different to current value at 31 March 2020; 	<p>Following audit challenge, management identified the material uncertainty regarding the valuation of land and buildings due to market uncertainty arising from the Covid-19 pandemic as a significant issue in note 1.4 to the financial statements, and described the action that it has taken to address this issue.</p> <p>We obtained sufficient audit assurance to conclude that:</p> <ul style="list-style-type: none"> the basis of the valuation of land and buildings was appropriate, the assumptions and processes used by management in determining the estimate of valuation of property were reasonable; the valuation of land and buildings disclosed in the financial statements is reasonable.

Audit of the Financial Statements

Key Audit Matters - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work..

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of the net liability in the local government pension scheme (LGPS)</p> <p>The Trust is one of a small number of Trusts to have taken over services previously provided by local authorities and to have taken on a significant number of local authority employees under TUPE arrangements. Many of these employees have remained in the LGPS, which is a defined benefit pension Scheme.</p> <p>In contrast to the NHS Pension scheme, assets and liabilities of the LGPS attributable to these employees can be identified and so are recognised in the Trust's financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the gross liabilities (£23.1 million) and the gross assets (£15.9 million), as well as the sensitivity of the estimate to changes in key assumptions.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • obtained assurances from the auditor of Merseyside Pension Fund relating to the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund • assessed the competence, capabilities, and objectivity of the actuary who estimated the net pension liability • confirmed the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) • tested the consistency of the net pension liability and disclosures with the actuary's report • performed analytical procedures on the gross assets and liabilities. 	<p>We obtained sufficient audit assurance to conclude that:</p> <ul style="list-style-type: none"> • the basis of the valuations was appropriate, and assumptions and processes used by management in determining the estimates were reasonable; and • the valuation of the net pension liability recognised in the financial statements is reasonable.

Audit of the Financial Statements

Key Audit Matters - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Fraud in revenue recognition We have 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:</p> <ul style="list-style-type: none"> • Block contract income element of patient care revenues • Education and training income <p>We have not deemed it appropriate to rebut this presumed risk for all other material streams of patient care income and other operating income.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • obtained an exception report from the DHSC detailing differences in reported income and expenditure and receivables and payables between NHS bodies and obtained supporting information to corroborate the amount recorded in the financial statements by the Trust; • agreed, on a sample basis, income from contract variations and associated year-end receivables supporting evidence; • evaluated judgments made by management in determining the total income from contract variations to be recognised in the financial statements. 	<ul style="list-style-type: none"> • We obtained sufficient audit evidence to conclude that: • The Trust's accounting for income from patient activities and other operating income is in accordance with the Department of Health's Group Accounting Manual for 2019 to 2020; and • Income from patient care activities and other operating income is not materially misstated.

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Trust's financial statements on 9 July 2020.

Preparation of the financial statements

The Trust presented us with draft financial statements in accordance with the national deadline and pandemic lockdown restrictions that existed at the time, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries remotely during the course of the audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Trust's Audit Committee on 7 July 2020.

Annual Report, including the Annual Governance Statement

We are also required to review the Trust's Annual Report, including the Annual Governance Statement. It provided these during the audit of the draft financial statements with supporting evidence. our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and consider what that means for our report. We had nothing to report in this regard.

Whole of Government Accounts (WGA)

We issued a group return to the National Audit Office in respect of Whole of Government Accounts, which did not identify any issues for the group auditor to consider.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of [name of Trust] in accordance with the requirements of the Code of Audit Practice on 9 July 2020.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the 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.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Trust in June 2020, we agreed recommendations to address our findings.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

We are satisfied that, in all significant respects, except for the matter we identified below, the Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

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Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial sustainability Trusts have been facing increasing budgetary pressure and at the same time have been cooperating to ensure sustainable health economies.</p>	<p>As part of our work we reviewed reporting arrangements and confirmed the Trust had a clear understanding of its financial position throughout the year. Risk mitigations and assurances were reported to the Audit Committee where escalation of risks to the Board is considered.</p>	<p>The Trust's control total for 2019/20 was an operational surplus of £687k and was predicated on delivering savings of £5.4m. Department of Health made available an additional £50m of funding to support Mental Health Trusts and Cheshire and Wirral Partnership's share was an extra £776k.</p> <p>Combined with effective internal financial management, this resulted in a strong outturn position, with the Trust recording a surplus of £3.491m and target savings delivered in totality.</p> <p>We have reviewed the Trust's arrangements for sustainable resource deployment and have concluded that it has appropriate arrangements in place.</p>
<p>Service integration – informed decision making The Trusts' internal arrangements have evolved since taking on services previously provided by local authorities.</p>	<p>As part of our work we have confirmed that financial and operational performance reporting has been structured to properly reflect the different services provided by the Trust and the different localities served by the Trust.</p>	<p>The performance dashboard and the Board Assurance Framework capture and monitor performance and risk management across the services.</p> <p>We have reviewed the Trust's arrangements for informed decision making in respect of service integration and have concluded that the Trust has appropriate arrangements in place in this area.</p>
<p>Engaging with health economy change – working with partners and others Among other significant changes in commissioning, four of the five CCGs that cover the Trust's footprint have been planning to merge.</p>	<p>As part of our work we have We have monitored the reporting of partnership working at Board and Audit Committee</p> <p>We have obtained evidence of the trust's engagement with the development of ICP arrangements which differ across the Trusts footprint.</p>	<p>The Trust has been especially active in working to meet the demand for ADHD services and in the re-shaping of mental health services in East Cheshire.</p> <p>We have reviewed the Trust's arrangements for working with partners and this indicates that Trust has appropriate arrangements in place.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and confirm there were no fees for the provision of non audit services.

Reports issued

Report	Date issued
Audit Plan	7 January 2020
Audit Findings Report	3 July 2020
Annual Audit Letter	29 July 2020

Fees

	Planned £	Actual fees £
Statutory audit	50,500	TBC
Quality Report (not required 2019/20)	5,000	0
Total fees	55,500	TBC

Fees for non-audit services

Service	Fees £
Audit related services	Nil
- None	
Non-Audit related services	Nil
- None	

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 table above summarises all non-audit services which were identified.



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