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The contents of this report are subject to the terms and conditions of our appointment as set out in our engagement letter dated 13 April 2021.

This report is made solely to the Audit Committee and management of Portsmouth Hospitals University NHS Trust in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit Committee and management of the 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 and management of the Trust for this report or for the opinions we have formed.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion	
Opinion on the Trust's:		
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Trust as at 31 March 2021 and of its expenditure and income for the year then ended. We issued our auditor's report on 15 June 2021.	
Parts of the remuneration report and staff report subject to audit	We had no matters to report.	
Consistency of the annual report and other information published with the financial statements	Financial information in the Annual report and published with the financial statements was consistent with the audited accounts.	

Area of work	Conclusion	
Reports by exception:		
Value for money (VFM)	We had no matters to report by exception on the Trust's VFM arrangements. We have included our VFM commentary in Section 04.	
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Trust	
Referrals to the Secretary of State and NHS Improvement	We made a referral to the Secretary of State and NHS Improvement on 8 June 2021, under s30 of the Local Audit and Accountability Act 2014. This referred to the Trust's cumulative deficit, which breached its statutory breakeven duty.	
Public interest report and other auditor powers	We had no reason to use our auditor powers.	

Area of work	Conclusion
Reporting to the Trust on its consolidation schedules	We concluded that the Trust's consolidation schedules agreed, within a £300,000 tolerance, to the audited financial statements.
Reporting to the National Audit Office (NAO) in line with group instructions	We had no matters to report to the NAO.

Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Trust communicating significant findings resulting from our audit.	We issued an Audit Results Report dated 3 June 2021 to the Audit Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We issued our certificate on 15 June 2021.

Fees

We carried out our audit of the Trust's financial statements in line with the engagement letter dated 13 April 2021. As outlined in our planning report, we estimated fees for elements of the audit associated with new requirements under the NAO's 2020 Code of Audit Practice, and the associated impact of Covid-19. We have now agreed the final fee with the Chief Financial Officer. Audit fees are presented in Appendix 1.

We would like to take this opportunity to thank the Trust staff for their assistance during the course of our work.

Kevin Suter

Associate Partner For and on behalf of Ernst & Young LLP 15 June 2021



Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements.

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 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 2020/21 audit work in accordance with the Audit Plan that we issued on 12 March 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 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 Improvement if we have concerns about the legality of transactions of 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.



Financial Statement Audit

We have issued an unqualified audit opinion on the Trust's 2020/21 financial statements.

Key issues

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 15 June 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 7 June 2021 Audit Committee meeting. 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.

Significant risk

Management override of controls

An ever present risk that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Conclusion

We obtained a full list of the journals posted to the Trust's general ledger during the year, and analysed these journals using criteria we set to identify unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.

We tested the accounting estimates most susceptible to bias, being mainly the valuation of land and buildings.

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any transactions during our audit which appeared unusual or outside the Trust's normal course of business.

Manipulation of reporting financial performance - revenue recognition

We presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.

We considered that this risk could be present through manipulating non-NHs income and expenditure, to achieve a particular financial target.

We reviewed and tested whether non-NHS income and expenditure recognised at the year end was appropriately supported, and had been recognised in the correct financial year.

We tested completeness of income and expenditure through cut-off procedures, and testing for unrecorded liabilities.

Specific to the financial regime in place during 202021, we reviewed expenditure to identify any unusual patterns around the mid-year when the Trust was funded to a break-even position, and tested cutoff arrangements at month 6.

We found no evidence of revenue manipulation.

Continued over.

Financial Statement Audit (cont'd)

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus

Going concern disclosures

The Trust is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approved financial statements. There is a risk that the Trust's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.

Conclusion

We challenged the adequacy of the Trust's going concern assessment and its disclosure in the financial statements by:

- Evaluating supporting evidence for indications of bias
- · Reviewing the cashflow forecast
- Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, before drawing our conclusions on going concern, including comparison to the prior year and any key changes impacting our conclusions.

We worked with the Trust to agree disclosures in relation to going concern included in the accounts, and agreed with their assessment that there were no material uncertainties to disclose.

Valuation of land and buildings

Land and buildings is the most
significant balance in the Trust's balance
sheet. The valuation of land and
buildings is complex and is subject to a
number of assumptions and judgements.
A small movement in these assumptions
can have a material impact on the
financial statements including the Trust's
charge for depreciation.

In response to this risk, we undertook the following procedures:

- Reviewed the competency of the Trust's valuer and concluded they were appropriately competent to undertake the valuation;
- Reviewed the relationship of the valuer to the Trust and confirmed the valuer was appropriately independent of the Trust.
- Reviewed the output of the Trust's valuer;
- Challenged the assumptions used by the Trust's valuer by reference to external evidence and our EY valuation specialists; and
- We agreed the valuer's report to the Fixed Asset Register and the Fixed Asset Register to the accounts. This confirmed the assets and valuation adjustments were accurately processed in the financial statements.

We were satisfied that the Trust's valuation of land and buildings was materially fairly stated.

We reported one non-material finding. We were unable to obtain from the valuer sufficient evidence to understand the valuation of the plant element of the Trust's energy centre, included within the accounts at £3.5m. We were unable to obtain sufficient alternate information needed for such a specialist asset within the audit timescales. As a non-material item we agreed with management to report this as a judgemental audit difference. We were satisfied this was an isolated issue. There are no similar assets, or other assets where we were not able to obtain sufficient and appropriate audit evidence.

Financial Statement Audit (cont'd)

Audit differences

We identified a small number of misstatements in disclosures which management corrected.

Management did not adjust the accounts on the basis of immateriality for:

- the judgemental difference on the valuation of the energy centre (see previous page); and
- £0.4m difference between the pharmacy stock balance and general ledger, that could not be reconciled.

The latter item came to light after the 7 June 2021 Audit Committee meeting. The Trust has already committed to reviewing the stock reconciliation process, and we will work with them during 2021/22 regarding the energy centre valuation.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £7.08m as 1% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Trust.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.3m.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

► Remuneration disclosures: We audited all disclosures and undertook procedures to confirm material completeness



Value for Money

We did not identify any risks of significant weaknesses in the Trust's VFM arrangements for 2020/21.

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Notes in respect of VFM. We presented our VFM risk assessment to the Audit Committee, which was based on a combination of our cumulative audit knowledge and experience, our review of Trust board and committee reports, meetings with Trust officers and evaluation of associated documentation through our regular engagement with Trust management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Trust's VFM arrangements for 2020/21.

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

Reporting

We completed our planned VFM arrangements work in May 2021 and did not identify any significant weaknesses in the Trust's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements

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

VFM Commentary

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

- Financial sustainability
 How the Trust plans and manages its resources to ensure it can continue to deliver its services:
- Governance
 How the Trust ensures that it makes informed decisions and properly
 manages its risks; and
- 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.

Introduction and context

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

For 2020/21 the Trust has operated within a NHS Financial Framework that has taken into account the significant impact that the Covid-19 pandemic has had on the NHS as a whole as well as individual providers and commissioners. We have reflected this national context in our VFM commentary.

Financial sustainability

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

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

The Trust's Finance and Infrastructure (F&I) Committee meets on a monthly basis and is chaired by a non-executive director. The Committee maintains and provides oversight over the financial performance of the Trust. The Committee receives reports on budget setting, the capital programme, investment schemes, and in-year financial performance. It has oversight over the Board Assurance Framework (BAF) and Risk Register to identify and evaluate any changes in financial performance related risks. The Committee can refer matters to the Audit Committee where necessary, and reports to each bi-monthly Trust Board on financial performance and on related strategy matters. The work of the Finance and Infrastructure Committee and regular reporting of key matters to the Trust Board ensures that financial pressures are understood and addressed.

The Trust has managed financial pressures effectively in the second half of 2020/21, enabling it to achieve a small surplus outturn position. Financial risks and mitigations were properly recognised, reported and monitored, with a consistent forecast over the period, helping to achieve this outcome.

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

Monthly reporting on financial performance and planning to the F&I Committee, and bi-monthly reporting to the Trust Board, enables the Trust to identify gaps in funding and monitor progress on meeting savings targets. The financial regime in place for the first half of 20/21 as part of the national response to the Covid-19 pandemic ensured that the Trust achieved a break-even position for M1-6. For M7-12, the Trust forecast a break-even position net of exceptional items, in particular the annual leave accrual and loss of private patient income due to the cessation of most non-Covid related activity for large parts of the year.

Cost Improvement Programmes (CIP) were implemented to the extent possible under pandemic restrictions in 2020/21, and performance against these is reported to the F&I Committee. A Workforce and Financial Planning Group will help to refocus on CIP going forward as the Trust moves back to more normal ways of working.

Financial sustainability (continued)

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

The Trust has a vision and a long-term strategic plan which articulates how it will deliver its statutory responsibilities. This 5-year plan, launched in 2018, is titled "Working Together", and comprises five key strategic aims which are intended to ensure delivery of quality services. These key strategies inform the Trust's business objectives, with risks to its achievement identified and monitored through the Board Assurance Framework (BAF). The Trust translates its long-term plan into an annual operating plan including the financial plans for enabling sustainable delivery of services. This forms the basis of monthly Trust Board reporting.

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

The most topical strategic priority in 2020/21 has been the response to the Covid-19 pandemic, as well as the resuming of non-emergency services between peaks in infection rates. The Trust's emergency readiness procedures were assessed as operating effectively through an internal audit review.

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

The F&I Committee has oversight of financial planning and related workforce issues, capital programmes and investment schemes, helping to ensure a coordinated approach to these areas. The F&I Committee then reports key matters to each meeting of the Trust Board. In addition, the Integrated Performance Report, taken to each meeting of the Board, reports on a range of performance metrics to enable consistency of planning and strategy, including quality & safety, operational performance, workforce, and finance.

The Trust's financial plans include reporting on these wider areas as part of its mechanisms for monitoring the achievement of targets for each of the key performance areas. Where the Trust identifies a risk to target achievement, it incorporates the resulting identified mitigating actions into the BAF, which enables it to identify the necessary financial resources required to implement the actions. Financial reporting in 2020/21 has also reflected the Trust's role in achieving financial balance across the STP area as a whole.

Oversight of the Trust's role within the local Integrated Care System is provided by the Trust's committees where relevant to their area of responsibility, with overall review by the Board.

In 2020/21, planning across financial and other areas is focussed on both the response to the pandemic and resumption of non-essential services when possible.

Financial sustainability (continued)

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

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

The F&I Committee receives monthly financial performance reporting which includes actual financial outturn as well as the expected/projected outturn position for the financial year. The report also highlights key risks to achieving the planned position, any changes to the original budgeted plan and how the Trust plans to address any related new risks.

During the 2020/21 financial year the Department of Health made changes to the financial framework for all Trusts as part of its response to Covid-19, with further changes expected for the 2021/22 financial year. The Trust has recognised these changes and the accompanying uncertainty and increased risk within its BAF and risk register, demonstrating how it identifies significant financial pressures and builds them into their short term and medium-term plans. Financial reporting and the BAF are then considered at Trust Board meetings, providing Board-level oversight.

The Trust has been able to respond to the unexpected changes to the funding regime arising from the C-19 pandemic. Achievement of financial plans has been an area of considerable improvement over the last two years for the Trust, with break-even achieved in 2019/20 and in 2020/21.

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Governance

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

The Trust's BAF is regularly reviewed and updated to align to its strategic priorities and risks. The BAF outlines the actions being undertaken by the Trust to provide assurance that risks are being mitigated to an acceptable level.

The BAF is supported by corporate and service risk registers. The risks assessed within these registers are wider than just financial, due to the nature of the Trust's activities, with significant focus also on performance, including against national clinical targets. The Trust assesses the impact of risks through the use of a matrix of likelihood and occurrence, with a combined score produced to assess the importance of the risk. The Trust has a risk appetite statement that defines acceptable levels of risk for its activities, and summarises its approach in its publicly available Annual Report.

The Trust has an internal audit service to help gain assurance over the effective operation of internal controls. It also has a Local Counter Fraud Specialist as part of its arrangements to prevent and detect fraud. Both Internal Audit and the LCFS have direct lines of communication with the Audit Committee. In 2020/21, Internal Audit gave a Substantial Assurance opinion on the Trust's strategic and operational risk management arrangements.

Oversight is provided by the Audit Committee, which reviews the effectiveness of internal audit arrangements, to ensure they meet mandatory NHS Internal Audit Standards. Trust management is responsible for responding to the internal audit and counter fraud findings appropriately and in a timely manner, with monitoring and challenge from the Audit Committee. The Accountable Officer is responsible for reviewing the adequacy of internal control across the Trust, and reports on this in the Annual Report.

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

The Trust develops its financial plan and budget using multiple co-ordinated processes. The core financial gap is quantified to inform the scale of the cost improvement plans required for forthcoming year. National and local planning assumptions, as well as known local commitments, are factored into these considerations. The Trust also develops a granular level of activity, income, expenditure, workforce requirements, capacity and efficiency planning. These plans are then considered alongside operational, performance and workforce plans to ensure consistency.

The financial plan is reviewed by the F&I Committee before being presented to the Board for approval.

Specifically in 2020/21, as part of the response to the pandemic, the NHS has suspended many of its normal planning procedures. The commissioning model

The Trust has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance (continued)

has also changed to a simpler allocation model rather than the previous contracted one. For the first 6 months of the year, funding was provided to ensure break-even. For the second 6 months, funding was on the basis of achieving break-even across the STP as a whole, with simplified payment and contracting arrangements remaining in place.

The financial regime in place for the second half of 2020/21 will remain in place for the first six months of 2021/22, meaning that "normal", full financial planning continues to be on-hold. The Trust has arrangements in place to plan within this environment, building on the work undertaken in 2020/21, The regime for the second six months of 2021/22 is yet to be confirmed.

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.

The Chief Financial Officer oversees the operation of the Trust's Standing Financial Instructions including the rules relating to budgetary control, banking, losses and controls over income and expenditure transactions. The F&I Committee provides oversight to ensure that effective processes and systems are in place regarding budgetary control, and receives monthly reports on financial performance from the CFO. The F&I Committee then reports to the bimonthly meetings of the Trust Board, and there is further consideration of the Integrated Performance Report, covering financial and non-financial information, at each Board meeting. The frequency and detail of reporting ensures that management information is relevant and timely, enabling correcting action to be taken where necessary.

Management report to each Audit Committee on the progress in implementing Internal Audit recommendations, including those regarding budgetary and financial control. There is a clear focus on ensuring that recommendations are appropriately actioned.

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.

The effective operation of the Board, supported with regular, clear and relevant information, is the Trust's key tool for ensuring that it makes properly informed decisions. Board papers and minutes evidence the challenge made by non-executive members and transparency is ensured as the papers and minutes for each meeting are publicly available. The Scheme of Delegation (and its pandemic amended version) sets out how the Board delegates power to make decisions in an appropriate manner.

The Trust has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance (continued)

The Audit Committee meets at least quarterly, and is comprised of appropriately skilled and experienced members. The Committee has clear terms of reference which emphasise the Committee's role in providing effective challenge and it has an annual work plan to help ensure that it focuses on the relevant aspects of governance, internal control and financial reporting. Committee members provide robust and constructive challenge of management and key outcomes are reported to the Board.

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).

Standards at a Board level are governed by the Trust Board's Code of Conduct, which details expectations of member behaviour. Staff are required to declare all actual and potential conflicts of interest, and this is now incorporated into the annual appraisal process to ensure increased transparency.

The Trust's Standards of Business Conduct policy sets out the rules which must be followed regarding conflicts of interest, gifts & hospitality, and sponsorship. All gifts and hospitality with a value over £25 must be declined under this policy. This was temporarily raised to £100 in recognition of gifts received from the public as a result of the dedication shown by Trust staff during the peaks of the Covid-19 pandemic, but has returned to its former level.

The Trust maintains its Standing Orders and Standing Financial Instructions as a regulatory framework for business conduct, to ensure legislative and regulatory requirements are met. Compliance with these is reported to each meeting of the Audit Committee.

The Trust's "Our Values" document, detailing its core values, is publicly available from its website. This has been formulated with inputs from patients and staff as part of the Trust's overall strategy-setting.

The Trust has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Improving economy, efficiency and effectiveness

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

The Trust has a F&I Committee, which considers detailed financial reporting on a monthly basis. The Trust also has a Quality & Performance Committee, which receives regular, detailed reporting on performance against a range of qualitative and quantitative metrics, and oversees clinical quality and effectiveness. Both Committees hold management to account as necessary in response to the content of these reports. Each committee has a process in place for monitoring agreed actions and escalating matters for Board reporting as required.

The Board furthermore receives directly reports on a range of performance metrics including quality & safety, operational performance, workforce, and finance. The reports clearly outline performance against planned targets and outcomes. Depending on the performance area, as noted above, a Board committee will have oversight of the actions being identified and taken to address areas where performance is below plan. Key areas of concern are also monitored through the BAF and risk registers, which are regularly reviewed and updated.

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

Executive Directors present information to Committees and the Board on financial and non-financial performance metrics through the Integrated Performance Reports, which are then used to identify risks and areas for improvement. These reports clearly identify KPIs and specific service targets which are then monitored by the Board on a regular basis. This allows for frequent performance assessment and identification of any areas for improvement.

Internal audit is also key part of the Trust's mechanisms for identifying potential areas for improvement, and steps which can be taken to achieve those improvements. Reporting to Audit Committee demonstrates that internal audit recommendations are monitored and addressed.

When areas of risk which could prevent delivery of the Trust's strategic objectives are identified, these are added to the BAF, where they are considered at Board level and mitigating strategies are planned.

The Trust is also regularly inspected by the Care Quality Commission and the outcome of the most recent inspection was an overall rating of "Good", with a rating of "Good" also achieved in all except one of the sub-areas of the CQC report. The Trust was also specifically rated "Good" for well-led. This evidenced significant improvement in the Trust's arrangements and performance since the preceding review.

The Trust publishes an annual Quality Account outlining the its performance against a wide range of quality measures.

The Trust has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness (continued)

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's 5-year strategy, "Working Together", sets out how the Trust works together with partners to achieve its strategic aims and to meet the needs of stakeholders. In particular, the Trust has regional relationships including the Hampshire and Isle of Wight Sustainability and Transformation Partnership (STP), which is a strategic alliance with other local healthcare providers. The Trust has worked within the STP in 2020/21 to help ensure financial balance across the region. The Trust furthermore has shared appointments for Chairman and Director of Governance and Risk with Isle of Wight NHS Trust.

The Trust works together with a number of smaller local providers including primary care/GP practices and community care organisations to meet the needs of the public in the geographical area it serves.

The Trust furthermore has close working relationships with the Ministry of Defence (MoD), and Portsmouth University. Students are trained at the Trust, and an agreement with the MoD means training is provided for military doctors, nurses and allied health professionals. These relationships are further evidenced through non-executive appointments at the Trust - Commodore Inga Kennedy (head of the Royal Navy Medical Services) is a serving non-executive director, as is the Vice Chancellor of the University of Portsmouth, Graham Galbraith.

As noted above, the Trust has a range of measures for monitoring delivery against strategic and performance goals, and these incorporate measures relating to partnership working.

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.

Significant elements of procurement are outsourced to NHS specialist providers with expertise in their field. In particular, certain business services are provided by NHS Supply Chain. The Trust has also established a procurement partnership with Isle of Wight NHS Trust to gain the benefits from joint working in this area.

The Trust's standing financial instructions give clear guidance on the tendering process for contracts and rules around general expenditure. This gives staff clear guidelines based on relevant legislation and standards for the purchase of goods and services. There are further details on these policies in the standing orders.

The Audit Committee receives reports on single tender waivers, with individual information on any with a value over £50k.

The F&I Committee has oversight of the contracts register and receives reports on business cases supporting any major new contracts being entered into.

The Trust has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness (continued)

Regular reporting on a wide range of financial and performance metrics to Committees and the Board enables an assessment to be made of the realisation of expected benefits from significant contracts and purchases, and remedial action to be taken where necessary.

We have no recommendations to make to the Trust.

Recommendations

As a result of the VFM procedures we have carried out we have no recommendations to make.



Other Reporting Issues

Consolidated NHS Provider Accounts Group Instructions

We are only required to report to the NAO on an exception basis if there were significant issues or outstanding matters arising from our work. There were no such issues

Governance Statement

We are required to consider the completeness of disclosures in the Trust's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

Breach of statutory breakeven duty and referral to Secretary of State and NHS Improvement

We must report to the Secretary of State any matter where we believe a decision has led to, or would lead to, unlawful expenditure, or some action has been, or would be, unlawful and likely to cause a loss or deficiency.

As at 31 March 2021 Portsmouth Hospitals University NHS Trust reported a surplus for the 2020/21 financial year of £0.255m. However, it still has a historic cumulative deficit at 31 March 2021 of £108.566m. Therefore, the Trust has not met its break-even duty over a rolling 3-year period.

We fulfilled our responsibility on this matter by issuing a report to the Secretary of State and NHS Improvement under Section 30 of the Local Audit and Accountability Act 2014, on 8 June 2021.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the **Trust** or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Other powers and duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014

Other Reporting Issues (cont'd)

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.



Audit Fees

Our final fee for 2020/21 is set out below

	Final Fee 2020/21	Planned Fee 2020/21	Final Fee 2019/20
Description	£	£	£
Total Audit Fee – Code work	116,647	114,464	95,637
Non-audit work (2019/20 quality accounts)	n/a	n/a	900

Our planned fee for 2020/21 included an estimate of additional fees, which has now been finalised. The final fee includes an additional £10,183, covering the following;

- · Going Concern and related internal consultations on our auditor's report,
- Inventory stock counts undertaken using remote technology,
- The new requirements of the NAO's 2020 Code of Audit Practice regarding our work on Value for Money (VFM) and to produce a VFM commentary within this Auditor's Annual Report, and
- Work done to assess the proposed accounting treatment for a future capital scheme.

The final fee has been agreed with the Chief Financial Officer.

We confirm we have not undertaken any non-audit work for 2020/21. Non-audit fees in the prior year related to initial work on the Trust's Quality Report, before the assurance requirement was withdrawn due to the impact of Covid-19.

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