

# Auditor's Annual Report on St Helens and Knowsley Teaching Hospitals NHS Trust

2020-21

27 September 2021



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We are required under Section 21(3)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Trust or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# Executive summary



## Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Trust's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Trust's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

Our conclusions are summarised in the table below.

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified.
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, with one improvement recommendation made.



## Financial sustainability

We did not identify any risks of significant weaknesses in the Trust's financial sustainability in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. Our findings are set out in further detail on pages 5 to 7.



## Governance

We did not identify any risks of significant weaknesses in the Trust's governance arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. Our findings are set out in further detail on pages 8 to 11.



## Improving economy, efficiency and effectiveness

We did not identify any risks of significant weaknesses in the Trust's arrangements for improving economy, efficiency and effectiveness in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. Our findings are set out in further detail on pages 12 to 14.



## Opinion on the financial statements

We have completed our audit of your financial statements and issued an unqualified audit opinion on 3 September 2021, following the Audit Committee meeting on 25 August 2021. Our findings are set out in further detail on page 18.

# Commentary on the Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources

All NHS Trusts are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Trust's responsibilities are set out in Appendix A.

NHS Trusts report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 3, requires us to assess arrangements under three areas:



## Financial Sustainability

Arrangements for ensuring the Trust can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Trust makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the NHS Trust makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Trust delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 5 to 16. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how the NHS Trust:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Summary of the Trust's arrangements

The Trust has processes in place which detail the responsibilities of Board members and senior management for planning and managing the Trust's finances. These are set out in the Trust's standing financial instructions. We have not identified any evidence of the Trust not complying with these processes.

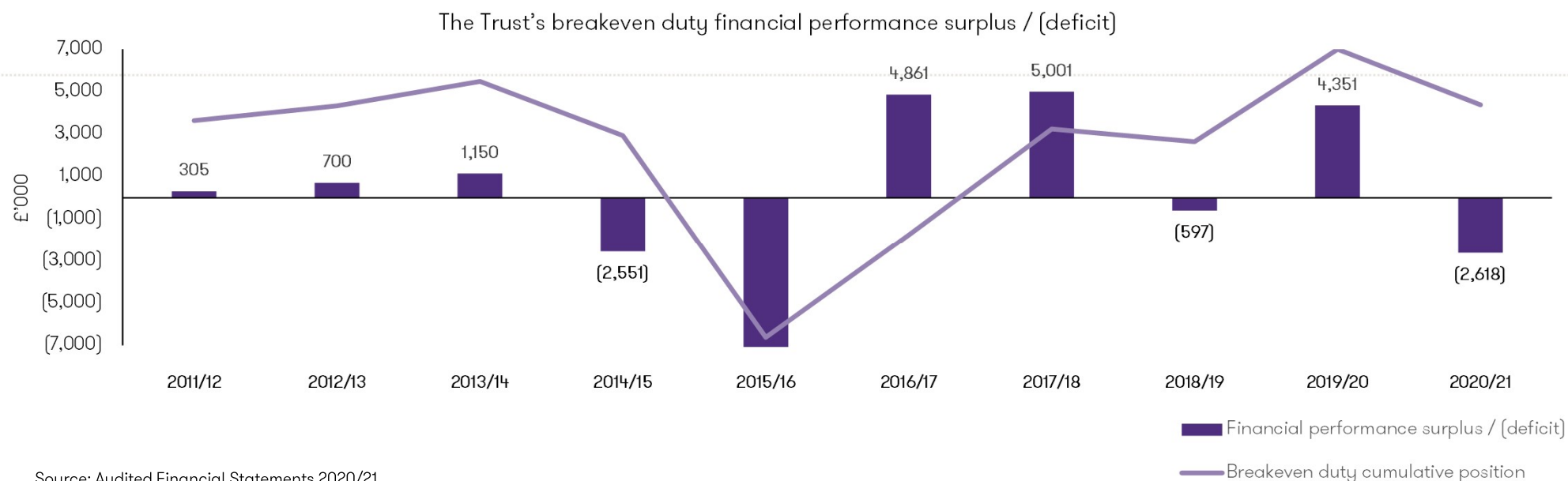
The Trust identifies future cost pressures as part of its initial budget setting process, which involves meetings between budget holders and members of the finance team, and on an ongoing basis throughout the year. The Director of Finance and Deputy Director of Finance maintain an overview of the Trust's financial position. Financial monitoring reports are prepared for every Finance and Performance Committee meeting. These reports set out key financial information, such as actual and forecast performance against budget, progress on delivery of efficiency savings, financial risk review and wider developments within the healthcare sector which impact on the Trust's finances. These reports are sent out in advance of the meetings, which enables questions to be formulated for discussion and scrutiny and challenge to take place.

## 2020/21 outturn

The Trust reported a deficit position of £2.4 million within the Statement of Comprehensive Income and an adjusted financial performance deficit of £2.6 million, with a cumulative breakeven position of £4.4 million (surplus). The outturn position is summarised in the graphic overleaf for the 10 year period, including the cumulative breakeven position.



# Financial sustainability



Source: Audited Financial Statements 2020/21

Due to the Covid-19 pandemic, the normal regime of financial planning used in 2019/20 was paused in April 2020 and a temporary financial framework was put in place. During the first six months of 2020/21, the Trust was given a budget to operate within. This was based on their 2019/20 spend with a small uplift. Any expenditure variances from this budget (Covid or non-Covid related) were then funded retrospectively to ensure that for the first six months of 2020/21 the Trust had sufficient resources to respond to the pandemic. This regime was later extended to the full year.

We consider the financial management of the Trust to be sound.

## Financial planning for 2021/22 and savings plans

For the 2021/22 financial year the Trust's Board approved an interim expenditure

budget of £501 million in March 2021. The Trust excluded income and cash from this interim plan as no guidance had been issued, at that time.

Since the interim budget was approved, planning and funding arrangements have been confirmed for the first six months of 2021/22. The Trust prepared a financial plan for this period "H1 2021/22", with a forecast deficit of £4.151 million. Following adjustments to for the Trust's Cost Improvement Plans (CIP) target and estimated additional recovery income a breakeven position is forecast. The CIP target is 3% - H1 is £7.5 million and £15 million for the full year. The Trust has identified schemes with efficiencies of £24.0 million (£20.1 million of which are recurring).

The Trust has made good progress delivering 2021/22 CIPs. £5.0 million was delivered in April 2021. However significant efficiencies are required, with 82 schemes (£17.2 million savings) in the earlier stages (in progress or identified opportunity).

# Financial sustainability

The chart, to the right of this page, shows the progress been made by the Trust in identifying CIPs. The Trust uses a red, amber, green (RAG) rating system to monitor and report progress.

The Finance Team and Service Improvement Team are also working with the operational and clinical teams to develop further CIP plans and timescales for delivery. This will involve use of national initiatives such as the Model Hospital and GIRFT (Getting It Right First Time) reviews.

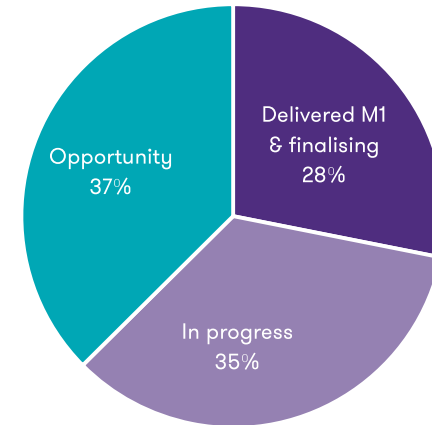
The Trust has a good track record of delivering CIPs and arrangements in place to monitor and manage progress, including reporting to the CIP Council, Risk Council and Finance and Performance Committee.

If the Trust does not deliver its 3% efficiency target, the Trust may not be able to meet the breakeven position. The Trust has made key assumptions in its financial plans for 2021/22, including delivery 3% efficiency target and Elective Recovery Fund (ERF) income based on current activity levels. We note that NHS national funding plans have only been set up to month 6 of 2021/22.

## Conclusion

Overall, we found no evidence of any significant weaknesses in the Trust's arrangements for planning and managing its resources to ensure it can continue to deliver its services. Whilst the traditional financial planning process was put on hold for 2020/21, there remains need in 2021/22 for the Trust to continue to identify and deliver efficiencies to deliver a breakeven position. It remains critical that as the alternative financial funding regime comes to an end that the focus of the Trust returns to exploring areas where efficiencies can be made and on longer term financial planning.

Cost Improvement Plan 2021/22 progress



Source: Financial Plan H1 2021/22

# Governance



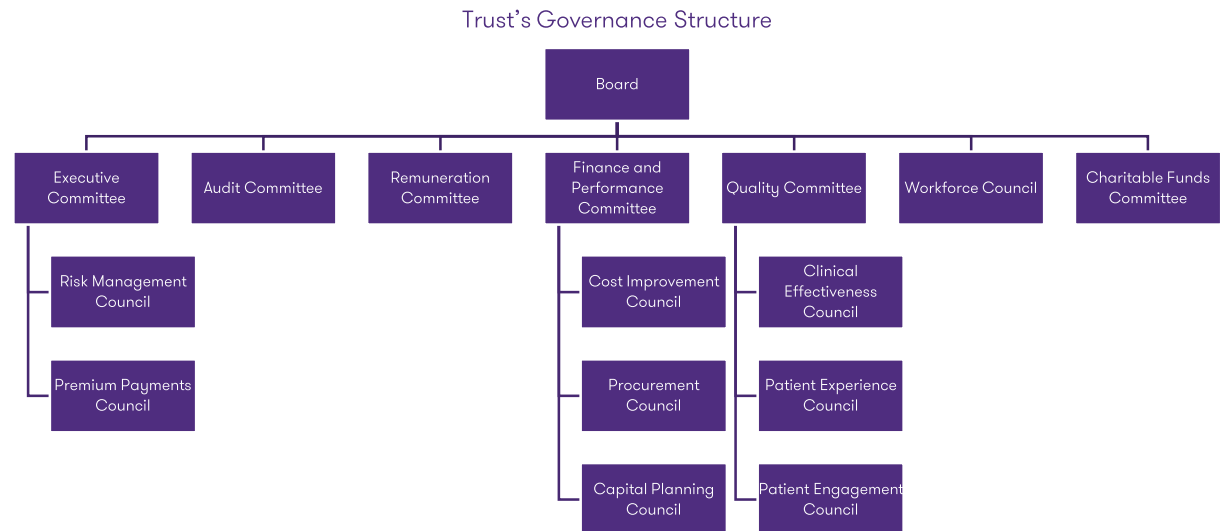
## We considered how the NHS Trust:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## Leadership and committee effectiveness

Appropriate leadership is in place. The Trust is led by its Board which is supported by an appropriate committee structure. Senior officers and clinical officers attend the Board and Committees to present reports and are open to questions during Committee meetings. Major decisions are made by the Board. Discussions take place at an Executive level prior to the presentation of reports and recommendations to Board/Committee. The Trust requires minuted approval of the Board decisions.

Six committees report to the Board which are supported by nine Councils. The roles and responsibilities are detailed within the Trust's Corporate Governance Manual, which incorporates the Trust's standing orders. The Trust's governance structure is shown in in the diagram below. The Audit Committee demonstrates appropriate challenge of financial and non-financial items. The Committee contains Non-Executive Directors with financial knowledge to provide appropriate challenge on these items.





# Governance

The Trust has a Major Incident Policy which took effect when the pandemic commenced. In response to the Covid-19 pandemic the Trust established a Covid-19 Gold Command Incident Management Team (Covid Gold Command) which has been formally constituted as a sub-group of the Executive Committee. The Covid Gold Command monitors the effectiveness of the Trust response to Covid-19 pandemic, including the receipt of a daily escalation and situation report from Silver Command.

At the start of the pandemic, a number of Board and committee meetings were cancelled. To ensure the Board maintained oversight, papers were prepared (including assurance reports) and issued to members, with questions facilitated through email.

## Monitors and assesses risk

Identifying risks starts at service level, with staff encouraged to raise risks when they become aware of them. Risks are then escalated through the Trust's management structure to the Corporate Risk Register (CRR), lower level risks are managed at care group or corporate department level. The CRR is reported to the Board four times a year.

From our review, we are satisfied that risks identified are presented appropriately to the Board and that there is sufficient challenge and monitoring of risk owners.

The Board also identifies strategic risks in relation to its statutory duties, strategic plans and long-term objectives. This is captured through the Board Assurance Framework (BAF). The table to the right details the long term strategic risks identified by the Board, at its meeting on 28 April 2021.

The Board's risk management arrangements demonstrate that risk management is integrated into decision, making, planning and performance reporting and delivery processes, to support rigorous and innovative decision making within the Trust. Risk management is embedded into the governance and decision-making of the Trust, planning and performance.

## Policies, procedures and controls

The Trust's Corporate Governance Manual is the key policy document that provides staff and directors of the Trust with the regulatory framework for how the Trust conducts its business affairs.

## Long term Strategic Risks (BAF reported to the meeting of the Board 28 April 2021):

Systemic failures in the quality of care

Failure to develop or deliver long term financial sustainability plans for the Trust and with system partners

Sustained failure to maintain operational performance/ deliver contracts

Failure to protect the reputation of the Trust

Failure to work in partnership with stakeholders

Failure to attract and retain staff with the skills required to deliver high quality services

Major and sustained failure of essential assets, infrastructure

Major and sustained failure of essential IT systems

It contains the Trust's standing orders, standing financial instructions, scheme of reservation and delegation (including delegated limits).

The Trust's internal auditors deliver a wide programme of work and reports support the Audit Committee in assuring itself that systems, processes and controls are operating effectively. This service is provided by Mersey Internal Audit Agency. No significant weaknesses have been identified by internal audit. Similarly, the Counter Fraud Specialists undertake a programme of work to support the Audit Committee, including a mix of proactive and investigatory work. Findings are reported appropriately. There have been only minor instances of fraud being perpetrated against the Trust in 2020/21.

An External Quality Assessment of MIAA was undertaken by CIPFA in 2020/21. The opinion issued was that MIAA fully conforms with the Public Sector Internal Audit Standards.

# Governance

## Budget setting and monitoring

The Trust has demonstrated that they have an appropriate annual budget setting process in place. Key stakeholders (including Clinical Leads and Directorate Managers) are involved with the process, including in approvals, and budget reviews occur in a timely manner. The Financial Plan highlights the inherent risks within the plan and this has been reported to the Finance and Performance Committee. The budget is subject to approval by the Trust's Board.

## Impact of budget setting, management and reporting

We note that the appropriate policies and procedures are in place with regard to budget setting, financial management, and reporting.

## Financial management and reporting

Financial management processes are appropriate. Budget reviews are undertaken monthly and are reported to the Finance and Performance Committee. Variances against budgets are investigated to identify reasons for variances and the actions required.

Where there is a significant underspend, discussions are undertaken to identify whether the service is being delivered to the expected level. For a significant overspend, mitigating actions for the future months are identified where applicable and a plan is put in place to bring closer to budget. If this is due to new factors, the budget adjustment process can be initiated to take this into account. Financial monitoring reports are sent to each Finance and Performance Committee meeting. Reporting is sufficiently detailed with budget reports outlining the headlines for the period. This is accompanied by appendices which give further detail on certain elements.

Financial performance is a key objective for senior managers in terms of the reporting, identification of risks and responses to these risks. There is no evidence of a lack of capacity in the finance department, with budget monitoring and submissions being made on time and to an overall high standard.

There is no evidence of serious or pervasive weaknesses in the Trust's processes for preparing its financial statements. This is detailed further in the 'Opinion on the financial statements' section of this report. The standard of draft accounts was good in 2020/21 and in previous years. Unmodified audit opinions have been issued on the 2020/21 and previous financial statements.



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# Governance

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## Monitoring and ensuring appropriate standards

The Trust has arrangements in place to monitor compliance with legislation and regulatory standards.

The Trust has a Standards of Business Conduct which outlines the ethical standards in the conduct of Trust business. This includes: responsibilities and accountabilities for all staff; gift and hospitality rules, declarations of interests. This ensures staff are clear on what behaviours are expected / not expected of them.

Arrangements for making a declaration of interest are in place at the beginning of all Board or committee meetings and a link on the Trust's website contains a compiled list of all declarations made. Members of the Board, plus other staff classified as 'decision-makers', are required to complete an annual declaration. What constitutes an interest and how to declare this are easily searchable online, with the majority of decision makers having made a declaration. We would not expect this number to be 100% as many decision makers are not acting in a role which would result in them having an interest to declare. The Trust has a clear policy for declaring and recording gifts and hospitality and there is evidence that members and staff are using the system put in place.

## Conclusion

Overall, we found no evidence of any significant weaknesses in the Trust's arrangements for ensuring that it makes informed decisions and properly manages its risks.

# Improving economy, efficiency and effectiveness



## We considered how the NHS Trust:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## Financial and performance monitoring

The Trust has appropriate performance monitoring arrangements in place. There is evidence of financial and non-financial information being routinely reported and scrutinised by the Board.

The Trust sets objectives annually, to ensure continuous quality and performance improvements. The objectives are aligned to support the achievement of the Trust's operational plans and the furtherance of its strategic direction and vision to deliver 'Five Star Patient Care'.

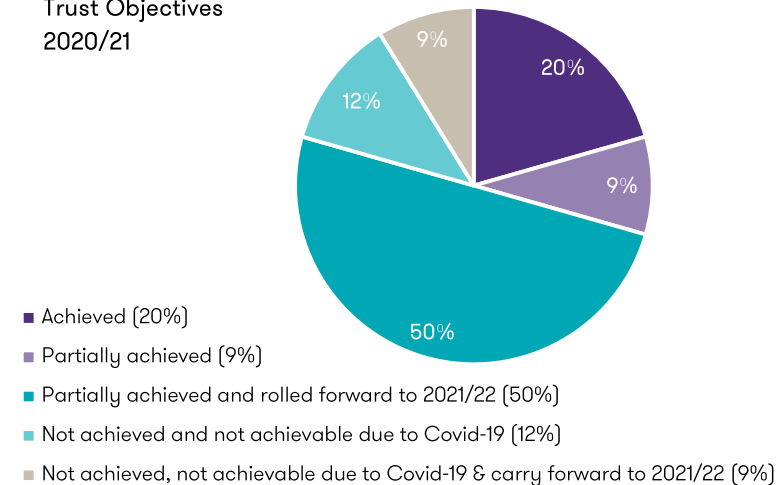
Key Performance Indicators (KPIs) or measurable targets are identified for each objective to ensure progress of each objective is measured.

Progress is reported through Integrated Performance Report (IPR) to provide regular assurance of delivery to the Board. IPR is presented to at each Board meeting. These present information in both narrative metric and tabular/ graphic format. The reports enables the Board to generate a good level of discussion with an appropriate amount of time allowed at each meeting to consider the reports and in our view reports are effective in their impact.

There are also two planned formal reviews of progress incorporated into the Trust Board annual work plans. In 2020/21, following the first wave of the pandemic, the Trust's KPIs were reviewed and updated in June 2020. The review did not anticipate the impact of the 2nd and 3rd wave of the pandemic. Business as usual activities were suspended and resources were diverted to support the emergency situation. Some National NHS targets were also suspended.

As part of the process of setting objectives and performance metrics for 2021/22, the Trust reviewed delivery of their 2020/21 objectives, see the chart below. As consequence of the pandemic, several of the planned objectives were not fully achieved during 2020/21. The Trust identified objectives which were fully not achieved and are incorporated into the 2021/22 Trust's Objectives.

Trust Objectives  
2020/21



Source: Board paper 31 March 2021 – Trust Objectives 2021/22

# Improving economy, efficiency and effectiveness

The Trust also uses the Model Hospital to benchmark costs and performance against similar bodies with the aim of optimising the efficiency of services and delivery cost improvement targets. These are incorporated into the annual objectives.

The Trust has a range of performance measures used to measure and report performance to support the measurement of the delivery of the objectives. Effective arrangements are in place to ensure financial and non-financial performance of the Trust is appropriately monitored supporting improvement.

## Performance management

The Trust has maintained its strong “outstanding” CQC rating during 2020/21.

We have benchmarked the Trust using financial, operational, and clinical data which allows comparisons against other organisations, as well as trend analysis across historic data. This has been used alongside the Trust’s internal performance monitoring to gain an overall picture of performance against key standards and targets. The Trust has experienced a decrease performance against the following targets during 2020/21:

- referral to treatment within 18 weeks performance was 70.6%, 21.4% below target and 22% decrease from the previous year;
- the percentage of diagnostic waits less than six weeks was 67.6%, 31.4.% below target and 32% decrease from the previous year; and
- two MRSA bacteraemia cases in 2020/21 (the target is nil).

In relation to referral to treatment and diagnostic wait targets, the Trust’s performance remains above the average in comparison with other acute providers and in line with national trends, given the particular challenge of the pandemic response, does not give rise to a significant weakness.

During 2020/21 there were three “never” events, two MRSA bacteraemia cases and the Trust also received a prevention of future deaths Regulation 28 report from the Coroner in relation to discharge letters. The Trust’s target for never events is nil. This highlights the Trust’s aim is for these incidents never to occur. These events were reported to the Quality Committee in a timely manner, reaffirming that the Trust does not anticipate to encounter never events and this is appropriate. These were formally investigated with improvements implemented supported with action plans and were reported to the Quality Committee and Board in a timely manner to ensure robust oversight and transparency.



## Partnership working

A new health management platform has been established across Cheshire and Merseyside, Combined Intelligence for Population Health Action (CIPHA), to support the health and care system respond to the Covid-19 pandemic and support its recovery. CIPHA is a collaborative response with local government, NHS and Liverpool University, and is supporting the region’s response and recovery, including virtual ward programmes.

Examples of the tools and reports that have been developed include:

- Oximetry at Home – remote monitoring of oxygen saturation levels identifies patients at risk, through remote monitoring of oxygen saturation levels;

# Improving economy, efficiency and effectiveness

- delivery of Covid immunisations data into CIPHA – reports supporting local vaccination planning; and
- Covid In Hospital Demand Prediction Tool – using the University of Manchester hospital capacity model to predict acute and ICU bed capacity to aid bed management by showing how many beds are likely to be required by Covid-19 patients.

Further development of CIPHA is continuing in 2021/22 and following the success in Cheshire and Merseyside is being expanded to other regions in the UK.

## Integrated Care System (ICS)

In February 2021, the Government produced its white paper, 'Integrated and Innovation: working together to improve health and social care for all'. The paper sets out legislation proposals for a Health and Care Bill with a focus on removing barriers to integration, with NHS and local authorities having a duty to collaborate.

The White Paper also outlines major structural reform, which will see the demise of CCGs and the formation of ICS, which will change the relationship between the NHS and its key partners, including local authorities. The ICS will take on responsibility for commissioning services and this may either be through a centralised approach or locality level.

Cheshire and Merseyside Health and Care Partnership has made good progress to becoming an ICS, focusing on strengthening collaborative relationships between NHS, councils and communities together to improve health and care, which is supported by nine integrated care partnerships (ICPs) of NHS providers collaborating to deliver care, including St Helens Cares.

The Trust's Board approved the St Helens Cares Integrated Care Partnership Collaboration Agreement in March 2021. This Collaboration Agreement is between St Helens CCG, St Helens Council, North West Boroughs Healthcare NHS Foundation Trust, Torus (representing Housing Organisations in St Helens), Primary Care Network representatives, Voluntary Community and Social Enterprise and the Trust. The agreement builds on the existing arrangements between St Helens Council and the NHS partners to broaden the partnership formally to include other key partners. The Collaboration Agreement revised governance framework for the St Helens ICP, including an ICP Board drawn from all partner organisations and to be chaired by a lay chair, which will report into the St Helens People's Board. The Board also approved Terms of References for the governance framework set out in the Collaboration Agreement.

The Trust recognises that the agreement represents progress towards developing an ICP for St Helens and focuses on key priority areas for the partners to collaborate to achieve improvements.

## Public Finance Initiatives (PFI)

The Trust has two PFI arrangements for: managed equipment service (MES) and the provision of two hospitals, due to expire 2026 and 2046/47 respectively. We have reviewed these arrangements and concluded that the contract is being effectively managed. The MES is due to expire in 2026 and the Trust has commenced considering the options available post expiry, including an options appraisal to be undertaken. We recommend that this process is formalised into a business case in line with HM Treasury best practice.

## Conclusion

Overall, we found no evidence of any significant weakness in the Trust's arrangements for improving economy, efficiency and effectiveness.

# Covid-19 arrangements



Since March 2020 Covid-19 has had a significant impact on the population as a whole and how NHS services are delivered.

We have considered how the Trust's arrangements have adapted to respond to the new risks they are facing.

## Financial sustainability

The impact of Covid-19 has radically altered the financial framework within the NHS. During March 2020 business as usual was suspended in relation to NHS finances. This allowed the system to respond to managing the pandemic and focus on the uncertainties created by the outbreak of Covid-19.

NHS England Improvement (NHSEI) announced the move to an expenditure-based system to ensure that providers had the funding required to provide patient care. Funding arrangements were set nationally by NHSEI, removing the need for contract negotiations.

The revised financial arrangements have included the following:

- Funding from CCGs is based on block payment arrangements, with no payment by results.
- No signed contracts between CCGs and providers with the NHS Standard contract terms in place
- Health Systems expected to achieve financial balance within their Integrated Care System (ICS) / Sustainability & Transformation Programme (STP) envelope.
- System top-ups, growth funding and Covid-19 funding all distributed to systems rather than individual NHS bodies, with allocations made through Lead CCGs in the system.

Included in operating expenses is revenue expenditure for costs incurred in responding to the Covid-19 pandemic during 2020/21 – funding costs such as supplies of personal protective equipment; enhancing mobile and remote working capacity; increased costs of pay linked to additional hours worked. In addition, there has been a nationally driven change in annual leave allowance and temporary rules in response to Covid-19 allow NHS staff to carry forward up to 20 days annual leave at the end of 2020/21.

NHSE/I Covid-19 Reimbursement Review was undertaken by Deloitte of 13 NHS providers and 14 CCGs, which included St Helens and Knowsley Teaching Hospitals NHS Trust. There were no significant findings from this review and no significant weaknesses identified in the Trust's arrangements.

## Governance

While the Trust generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions announced on the 16 March 2020, the Trust adjusted some of its internal control processes to support effective governance throughout the pandemic.

# Covid-19 arrangements

As interim governance arrangements were put in place during 2020/21, for the period of the Covid-19 major incident response and recovery period, the Trust's objectives and BAF were reviewed and revised in recognition of Covid-19.

All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working has continued throughout the pandemic, and the Trust has not seen a significant impact on productivity as a result. Requiring staff to work from home also supported the Trust's protection of its frontline staff and patients by reducing the risk of cross-contamination.

Following the national Lockdown, committee meetings moved to video conferencing and have taken place remotely throughout the pandemic. Appropriate levels of scrutiny and challenge continue to be applied. The strategic risk register has been updated to ensure Covid-19 related risks are recorded appropriately, mitigated where appropriate and monitored.

The Audit Committee has worked effectively with internal audit to ensure that the design and operation of the Trust's internal control processes are sufficiently robust. The Trust's Covid-19 governance arrangements were reviewed by Internal Audit, whose report concluded that they were appropriate and in line with national guidance. Internal Audit have concluded there was substantial assurance over the operating effectiveness of the key Committees during the period.

## Improving economy, efficiency and effectiveness

Patient case activity and performance against statutory targets has been impacted significantly by the pandemic, both at the Trust and nationally. The funding regime for 2021/22 includes access to an elective recovery fund which began in April 2021. This has allowed elective activities to increase during the first part of 2021/22 whilst not adversely impacting on the Trust's financial position.

The Trust has been mindful of the impact on the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Trust.

In order to focus on providing the safest possible care to patients, at the outset of the pandemic, the Trust paused all elective procedures and where possible moved to virtual appointments (e.g. fracture clinic and stroke rehabilitation) allowing the Trust to maintain support for these patients whilst also ensuring the hospital sites had sufficient capacity to respond to the increasing Covid-19 cases. The Trust also implemented a Gold, Silver and Bronze incident control to co-ordinate the response to the pandemic, with the primary focus being the safety and wellbeing of patients and staff.



## Conclusion

Our review has not identified any significant weaknesses in the Trust's VFM arrangements for responding to the Covid-19 pandemic



# Improvement recommendations



## Improving economy, efficiency and effectiveness

<b>01 Recommendation</b>	A formal business case should be prepared, considering HM Treasury business case approach, for the expiry of Managed Equipment Service in 2026.
<b>Why/impact</b>	The NAO highlights that early development of a business case allows all to participate in stakeholder conversations on the post PFI arrangements, considering what sort of expiry options may work in the future and explore options to drive savings.
<b>Auditor judgement</b>	We recommend that the Trust's planned options appraisal is formalised into a business case in line with HM Treasury best practice.
<b>Summary findings</b>	The Trust has commenced considering the options available post expiry, including an options appraisal to be undertaken during 2021/22.
<b>Management comment</b>	The Trust continues to be sighted on this matter and is taking early action. Progress will occur on a suitable timescale, ahead of contract expiry.



The range of recommendations that external auditors can make is explained in Appendix C.

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified the financial statements on 3 September 2021

## Other opinion/key findings

We had no significant unamended findings in relation to other information produced by the Trust where we report by exception including the Annual Report, The Annual Governance Statement and the Remuneration Report.

## Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was presented in draft to the Trust's Audit Committee on 25 August 2021 and the final version published 3 September 2021.

## Whole of Government Accounts

To support the audit of Consolidated NHS Provider Accounts, the Department of Health and Social Care group accounts, and the Whole of Government Accounts, we are required to examine and report on the consistency of the Trust's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

The figures reported in the consolidation schedules are consistent with the audited financial statements, on which we

have issued an unqualified opinion, except for the following:

Since issuing the opinion on the financial statements, we have identified that the comparative figures disclosed for 2019/20 within note 24.2 of the financial statements have not been updated in accordance with consolidation schedule TAC 27. This difference only affects the 2019/20 figures. The primary statements and no other disclosure notes are affected by this difference.

## Preparation of the accounts

The Trust provided draft accounts and provided a good set of working papers to support it.

## Issues arising from the accounts:

We did not identify any adjustments to the financial statements nor unadjusted misstatement which result in an adjustment to the Trust's financial position reported.

Our work identified one prior year misstatement in respect of the PFI gross liability (disclosure only). Within our Audit Findings Report, we made a recommendation in respect of critical accounting judgements and other sources of estimation uncertainty.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



# Appendices

# Appendix A - Responsibilities of the NHS Trust



## Role of the directors of the Trust:

- Preparation of the statement of accounts
- Assessing the Trust's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The directors of the Trust are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are required to comply with the Department of Health & Social Care Group Accounting Manual and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. An organisation prepares accounts as a 'going concern' when it can reasonably expect to continue to function for the foreseeable future, usually regarded as at least the next 12 months.

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Trust's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Trust under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	Not applicable
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Trust. We have defined these recommendations as 'key recommendations'.	No	Not applicable
Improvement	These recommendations, if implemented should improve the arrangements in place at the Trust, but are not a result of identifying significant weaknesses in the Trust's arrangements.	Yes	Page 17

# Appendix C - Use of formal auditor's powers

We bring the following matters to your attention:

## **Statutory recommendations**

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body

We did not issue any statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014

## **Section 30 referral**

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of an NHS body has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate

We did not make a referral to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014.

## **Public Interest Report**

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report under Schedule 7 of the Local Audit and Accountability Act 2014.

