

# Auditor's Annual Report on Kent Community Health NHS Foundation Trust

For the period 2020/2021

August 2021



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We are required under Schedule 10 paragraph 1(d) of the National Health Service Act 2006 to satisfy ourselves that the Foundation 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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# Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Trust's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

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



### Financial Sustainability

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

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# 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 Foundation 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 Foundation Trust's arrangements under specified criteria. For 2020/21 we also assessed arrangements concerning Covid-19. As part of our work, we considered whether there were any risk of significant weakness in the Foundation Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our Planning risk assessment did not identify any significant risks.

We completed our work between June and August 2021 with the data available in this timeframe in relation to the financial year 2020/21 and 2021/22 in respect of planning for future periods. Note has also been given to long term plans, such as Capital, where these are available.

We have conducted this assessment through;

- Interviewing senior leadership and other key personnel;
- Reviewing financial documents such as budgets, outturn reports and capital plans;
- Reviewing non-financial documents such as CQC reports, staff surveys, workforce and business plans; and
- Incorporating sector, regulator and other market knowledge and experience

We have not identified any significant weaknesses which have been confirmed and thus no key recommendations have been made. We have raised two improvement recommendations which have been included on pages 15 and 16.



### Financial sustainability

We assessed the arrangements concerning Financial Sustainability and raised no indications of potential significant weaknesses.

We did not conduct further risk based work on financial sustainability arrangements. We have raised no key recommendations or improvement recommendations.



### Governance

We assessed the arrangements concerning Governance and raised no indications of potential significant weaknesses.

We did not conduct further risk based work on Governance arrangements. Therefore whilst we have raised one improvement recommendation, we have raised no key recommendations.



### Improving economy, efficiency and effectiveness

We assessed the arrangements concerning the 3e's and raised no indications of potential significant weaknesses.

We did not conduct further risk based work on the 3e's arrangements. Therefore whilst we have raised one improvement recommendation, we have raised no key recommendations.

## Opinion on the financial statements

We have audited the financial statements of Kent Community Health NHS Foundation Trust (the 'Trust') for the year ended 31 March 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Accounts Directions issued under Schedule 7 of the National Health Service Act 2006, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2020 to 2021.

In our opinion, 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; and
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2020 to 2021; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.



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

All Foundation 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.

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

Under Schedule 10 of the National Health Service Act 2006, 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 Foundation 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 6 to 14. Further detail on how we approached our work is included in Appendix B.



# Financial sustainability



## We considered how the Foundation Trust:

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

## 1. identifies all the significant financial pressures it is facing and builds these into its plans

Based on the current data (August 2021) the Trust forecasts that it will have sufficient income to covers its expenditure in 2021/22, achieving a break even position without support from the Integrated Care System (ICS) under which it operates namely the Kent and Medway Integrated Care System. The break even position is based on a budget of £253.8 million and includes assumptions on central funding and additional income for exceptional items such as vaccination centres and elective recoveries.

The Trust's financial forecast is based on achieving the target to break even and assumes that the funding for the second half of 2021/22 is consistent with the first half of the year. This assumption is reasonable on the basis that further guidance for the second half of the year has not been issued by the Department of Health and Social Care (DHSC) and this approach reflects that taken by other NHS providers.

The uncertainties over the NHS financial regime operating in 2021/22 impact the Trust's ability to set realistic financial plans confidently. Our review of the financial planning indicates that the Trust has included considerable detail in areas such as cost pressures/expectations together with a prudent approach to additional income streams such as elective recovery funds. The Trust's approach also includes using available data for making assumptions in areas such as expected inflation, population statistics and the revenue costs of proposed capital expenditure.

As the financial regime for the second half of the financial year becomes clearer the Trust will need to consider the impact of any changes in assumptions on the achievement of break even position. From our discussions, the Trust has arrangements in place to monitor and adjust appropriately for any changes in assumptions.

## 2. plans to bridge its funding gaps and identify achievable savings

The Trust has a track record of strong financial performance and stewardship, operating within financial boundaries and managing savings programmes. Due to the pandemic, there has been a shift away from the delivery of operational savings plans which is in line with the expectations of the NHS financial regime. As the NHS starts to plan for a post-pandemic environment it is reasonable to expect a renewed focus on identification and delivery of savings. Again from our discussions the Trust is alert to this and based on the Trust's track record we have not identified weaknesses in the Trust's approach to management of savings plans.

## 3. plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Trust has a track record of planning its finances to deliver services sustainably and in 2020/21 the Trust achieved the target breakeven position and is on track to continue to meet the target position for 2021/22.

Financial planning at the Trust demonstrates a clear understanding of the cost of delivering core services as distinct from less high priority areas of spend and that spending priorities supports the corporate strategy of the Trust. The Trust has a Finance, Business and Investment Committee (FBI Committee) which meets bi-monthly and is in place to provide security and approval of budgets, operational plans and review the financial data presented.

The role of the wider ICS has developed during 2020/21 and the Trust has continued to engage well, including leadership roles, with the wider ICS discussions. The Trust's financial plans are consistent with the ICS plans.

We are satisfied the Trust arrangements enable it to plan its finances to support sustainable delivery of priorities.

# Financial sustainability

## 4. ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning

The workforce plan is intrinsically interlinked with the short and medium term budgets, and is appropriately presented with complementary reports to support decision making. In common with the rest of the sector, the Trust's employees have accumulated significant annual leave balances and decisions on how to manage this operationally are ongoing, however the financial impact of this has been factored in.

Ongoing revenue costs of major capital investments been properly reflected in the revenue budget. During 2020/21 the NHS approach to capital changed with the ICS being given a 'capital envelope' to agree all the capital requirements for the ICS locally.

The capital plan for 2021/22 is £12.7million, comprising, £1.3 million for estates' developments and maintenance, £6.0million for IT rolling replacement and developments including year two costs for Kent and Medway Care Record (KMCR) £2.8 million and £0.4 million for dental developments and minor schemes. The Trust will hold the Kent and Medway capital contingency £4.9 million for system priorities.

The Trust's 2020/21 published financial statements were consistent with the budget reporting in year.

## 5. identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

The Trust incorporates risks into its planning and budgeting appropriately and presents these risks clearly to the Board. The Trust's track record shows that the Trust has been able to manage in year financial risks to meet expected targets.

The uncertainty in the financial regime for 2021/22 creates a risk in managing the finances to meet targets. As the 2021/22 financial year progresses the Trust will need to continue to update its financial risks to reflect any changes in the NHS and ICS financial expectations. As the financial planning guidance is updated the Trust will need to consider both the impact and the range of options available to respond to the impact.

## Conclusion

The Trust's arrangements to deliver financial sustainability appear to be appropriate and we found no evidence or indication of potential significant weakness and therefore no further risk-based work has been performed on this criteria for assessing the arrangements for securing value for money.

# Governance



## We considered how the Foundation Trust:

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

### 1. monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Strategic risks are identified as part of the Board Assurance Framework (BAF) which is reviewed regularly at the Board, the Board committees and by the Executive. The BAF is supported by a detailed risk register (Datix) which scores the risks. The BAF records the risk which threaten achievement of the Trust's strategic objectives and records the controls in place to mitigate each risk, any gap in controls, an assessment of how effective the controls are expected to be in mitigating the risk together with planned actions and dates for completion. The BAF is clear, understandable and based on good practice.

The individual risks are allocated to specific committees for scrutiny. Each time a committee meets, the agenda includes discussion on the risks with comments fed back to the Board via the Committee Chairs' assurance reports.

The Trust's arrangements enable strategic risks to be identified and understood with the strategic risks recorded in the risk management system with scored assessments. The BAF is clear, accessible and contains sufficient detail on risks to allow scrutiny and oversight. Arrangements are in place to report risk to the Board regularly, and there is sufficient time and focus assigned to each BAF risk. In this reporting, risks are identified and reviewed to provide assurance that they are being appropriately managed.

The Trust has an outsourced Internal Audit function provided by TIAA to monitor and assess the effective operation of internal controls. The Audit and Risk committee approved the Internal Audit Plan, receives regular progress reports and reports setting out the results of specific audits. From our attendance at Audit and Risk Committee, appropriate time and prominence is given to the reporting presented by TIAA, with good challenge offered by the members of the committee.

The Local Counter Fraud Specialist (LCFS) holds regular update meetings with the Director of Finance where both reactive and proactive work are discussed and reviewed. Again LCFS presents plans, progress report and summary findings to the Audit and Risk Committee with sufficient time given to understand the matters arising from any findings.

The Trust has an easily located section on the website setting how to raise a fraud issue or case, and examples of what constitutes fraud. This is good practice compared to some other trusts. This together with the proactive work by LCFS supports the Trust's arrangements to prevent and detect fraud. In addition, the Freedom to speak up (FTSU) index shows the Trust is in an exceptional position re staff's willingness and understanding of whistleblowing, ranking 2nd of 220 NHS organisations.



# Governance

## 2. approaches and carries out its annual budget setting process

The Trust's approach to annual budget setting includes meeting NHS business rules, liaison within the ICS and considering income and expenditure trends, know changes as well as risk and sensitivity analysis. The trust engages with internal and external stakeholders when setting budgets and aligning the medium term financial strategy (MTFS) to the operational planning of the organisation.

All required returns are submitted to NHSE/I and the Trust has elected to submit additional returns and budgets to enhance the engagement with NHSE/I which is supported with regular dialogue with the local NHSE/I representative around budgetary matters, trends and possibilities.

The Trust has a clear business case and investment policy which it adheres to with processes including limited on approval, delegation and a requirement to include sensitivities and trend analysis. The business cases and related strategic decisions are then filtered up through the appropriate chain of executive and governance committees.

It is clear that consultation has occurred for capital expenditure planning, both internally from a clinical need perspective and in the 'wider internal' of partnership organisations where the capital expenditure impacts the Trust.

## 3. ensures effectiveness processes and systems are in place to ensure budgetary control

The Trust has a clear process to engage with budget holders with monthly budget reports available by the 6<sup>th</sup> working day of the month and directorate written reports issued on the 7<sup>th</sup> working day. The process is supported through regular meetings with budget holders to review financial performance and identify actions to resolve adverse variances on a monthly basis with tolerance levels set for reporting to the Board. Specific areas such as salaries and agency costs are reviewed weekly as there has been a pressure on both of these areas during the Covid-19 pandemic.

The Board receives and notes the Integrated quality and Performance Report (IPR), which brings together performance, both operational and financial, in a detailed way including narrative, metrics and trends. Combining financial performance with clinical metrics enables the Board to draw appropriate conclusions. There is good use of exception reporting to highlight areas for scrutiny.

There is evidence that financial performance is a key objective for senior managers and that it forms part of the body's performance management processes to ensure formal and effective accountability for the delivery of budgets. We noted that in published job descriptions this requirement is listed.

In addition, the Trust won Finance Team of the Year in the Kent, Surrey and Sussex HFMA awards in October 2020 demonstrating recognition from a panel of peers.

## 4. ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

Under the scheme of delegation decisions are discussed within the Committee structure with approval from the Board where required. The arrangements provide appropriate opportunity for challenge and revisions where necessary.

Senior Executive Officers (including the Chief Executive Officer, Chief Operation Officer, Medical Director and Chief Nurse) are present at appropriate committee meetings enabling their professional input into decision making. This sets the 'tone from the top' with visible accountability to scrutiny. During the pandemic in 20/21 the Executive team has been active with daily communications using a variety of methods (video messages, written communication's and blogs) and this has demonstrated a regular and open communication approach.

Where decisions are made outside of the expected processes these would be reported as breaches or single tender waivers. All such events are reported to the Audit and Risk Committee for further scrutiny and a review of any such events has not identified areas of concern.

Increasingly the Trust is working more closely with other NHS organisations through the ICS. The Trust is engaged at a non executive and an executive director level with the ICS and demonstrates a willingness to lead. The formal governance arrangements to support system working will require further development now that the ICS has been formally approved on 31 March 2021.

The ICS website provides external clarity on progress and whilst it is understandable that there have been fewer updates in 2020, this is an area that the wider health economy should be looking to improve.

Improvement Recommendation A – We recommend that the formal governance arrangements to support system working are enhanced as the ICS develops during 2021/22.

# Governance

## 5. monitors and ensures appropriate standards

The Trust has arrangements in place to monitor compliance with legislation and regulatory standards including a standing item on Audit and Risk Committee agendas.

Directors must certify on appointment, and each year within the appraisal process, that they are/remain a fit and proper person and there is a code of conduct which all staff sign up to on employment which ensures all staff are aware of their responsibilities regarding legislation and regulation.

Arrangements for making a declaration of interest are in place at the beginning of all Board or committee meetings and a link on the website contains a compiled list of these. The Trust Secretary collates the annual declarations which contain instructions to update in-year if circumstances change. Members of the board and other staff classified as 'decision-makers' are required to complete an annual declaration. Board members are also asked to declare any interests they have before the start of each board meeting.

Website content includes explanations on what is fraud, what is bribery, the do's and don'ts and how to report it. This shows the commitment to highlighting how to act appropriately in its legal and regulatory environment from a different lens than just clinical safety.

## Conclusion

We found no evidence or indication of potential significant weakness regarding the governance arrangements at the Trust, as such, no further risk-based work has been performed on this criteria for assessing the arrangements for securing value for money.

# Improving economy, efficiency and effectiveness



## We considered how the Foundation Trust:

1. uses financial and performance information to assess performance to identify areas for improvement
2. evaluates the services it provides to assess performance and identify areas for improvement
3. ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
4. 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.

## 1. uses financial and performance information to assess performance to identify areas for improvement

Key performance metrics are provided to the Board to enable monitoring of the body's performance and identify areas for improvement. The IPR has an accompanying summary report which highlights the key performance indicators that are consistently failing their target as well as a general trend in the indicators. There is then summary messages on quality, workforce, finance and operations. The summary report gives readers an easily digestible overview of the Trust's performance and enables the Board to focus on key areas.

The financial performance of the NHS entities in the ICS is reported to the Finance, Business and Investment Committee as a Key Focus item. The wider performance reporting across the ICS is not yet included. The ICS was formally approved on 31 March 2021 and this is an area we would expect to see develop during 2021/22.

The Trust is assured of the accuracy of financial and performance data reported to the Board both from a review perspective and from the integrity of the collection and analysis methods. Most of the comparative data comes from nationally available datasets and tools.

The Trust uses regulatory reports, such as those from the CQC, to seek to improve, integrating the recommendations into the performance monitoring framework which is reported to the board. Our review of performance information indicates the Trust has appropriate arrangements in place to monitor KPIs and use this to instruct improvement programmes. Additionally Trust can demonstrate arrangements in place to learn from other NHS organisations to improve performance for example from review of reference costs, use of Model Hospital data and use of the NHS GIRFT approach where appropriate for a community trust.

## 2. evaluates the services it provides to assess performance and identify areas for improvement

The Trust sets targets for the service line reporting of its services to ensure that services are cost effective. Performance against the targets is monitored and reported as part of the Integrated Performance Report (IPR) which enables action to be taken where performance is off target. The Trust's most recent CQC report published in July 2019 assessed the Trust as Outstanding and the NHSI/E new performance rating has scored the Trust as a provisional 1. The Trust has a good track record of achieving targets.

## 3. ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve

The Trust engages well with the ICS for example the Trust Chair is the shadow Chair for the ICS and Executive Directors have taken lead roles in the ICS. The Chief Executive's updates to the Board include updates on the progress with the ICS. There are other significant partnerships for example with Kent County Council where there is a co-operation agreement in place. Within the ICS there are place based systems known as ICPs, for the Trust there are two (one in West Kent and one in East Kent) which have alliance agreements. Each are supported by forums for discussion of issues and are focussed on service improvements.

# Improving economy, efficiency and effectiveness

There is evidence of an increasing track record of collaborative working amongst health commissioners and providers and local authorities within Kent and Medway. In 2016, following the set up of the Kent & Medway Sustainability and Transformation Partnership, a collaboration of all NHS bodies in the local health economy and Kent County Council and Medway Council, a 'change plan' was prepared with the aim for transformation in the population's health and wellbeing, the quality of care and the sustainability of the system by targeting intervention in four key areas; care transformation productivity, system enablers – digital, estates and workforce and system leadership, creating one health commissioner for the area.

These themes have been consistent through to 2020/21. A governance framework was developed to plan, co-ordinate, consult and monitor progress against plans across the area. Named senior responsible officers from across the public sector bodies in Kent and Medway were nominated for each key workstream. Regular updates are provided to the respective health and well being committees of Medway Council and Kent CC's which share progress and developments.

Progress has been made against the longer term key objectives set for improvement in the system. For example the Kent and Medway Care Record which brings together a single view of a patient's record from multiple systems across health and social care was launched in 2021. This is designed to help health and social care providers make better decisions for patients in their care. Chief financial officers from the NHS bodies in the area agreed principles and governance arrangements to manage the 2020/21 financial outturn; the revenue planning cycle for the 2021/22 period, and the preparation of outline capital investment plans for the next 3-5 years. Principles include 'system by default', 'a deficit in any organisation is a failure of the system' and 'risks faced, shared and managed'. The latter principal builds on earlier work in some parts of the Kent & Medway system, where aligned incentive commissioning contracts (shared risk of fluctuating patient demand between commissioners and providers) were agreed. Having agreed principles and governance arrangement should provide a good foundation for managing the future financial environment which is anticipated to be more challenging post-pandemic.

As part of the system wide approach to working, four place based integrate care partnerships (ICPs) were established working for their locality under the umbrella of the then Kent & Medway wide Sustainability and Transformation Partnership. Local Partnership working within these ICPS has been developing for the last two to three years. As part of our work, we sought the views of a small number of managers working in three of the four ICPS.

When asked about how they would assess the maturity of system working currently on a scale of immature; developing; established; maturing; fully mature – there was agreement on a rating of 'developing. We note that the further development of ICPs is one of the priorities agreed by the Kent & Medway integrated care system.

CQC reported positively on the Trust's approach to improvement with the following quote: 'Managers and staff embraced an improvement culture and tried hard to improve the quality and sustainability of services'.

Moving forwards the ICS will form the major partnership working element from the Trust. The ICS at the trust is in its' early stages, however we have reviewed other more mature ICS' in our work and so are able to make improvement recommendations based on best practice seen elsewhere.

Reporting to board and executive committees becomes more complex when the reports include performance indicators which are driven at an ICS rather than individual trust level. It can become complicated for decision makers to understand what areas they can and should be impacting with their discussion.

**Improvement Recommendation B – In reporting to scrutiny panels it should be highlighted which decisions can be made on a trust-only level and which form part of the wider ICS plans.**

The Trust monitors the implications or impact of spending reductions leading to, for example, a detrimental effect on service quality and performance in priority areas. Going forwards as a system, the ICS must set a balanced budget and the trust needs to deliver its own financial targets to support this objective.

There is no evidence of significant financial loss or failure to deliver expected efficiency/performance improvements when working through significant partnerships.

The Trust engages and consults with key stakeholders, where appropriate, to determine local priorities for resources or opportunities for savings.

# Improving economy, efficiency and effectiveness

4. 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.

The Trust has an established procurement strategy, evidence of compliance with this is found in the NHS Commercial standards level 1 accreditation.

The procurement function has operated under considerable challenge during COVID but has complied with existing procurement policies for open market tendering in all but exceptional circumstances. These circumstances relate mainly to the establishment of vaccination centres where the indicator of value for this procurement is the speed at which a site/contract can be operational and compliance with NHSI guidance on site safety and accessibility. These site procurements are approved by very senior management and thus this is not a sign of significant weakness.

The trust proactively engages with the market for contract management, and (re)negotiation to ensure value is provided to the trust through their function. The team showed a genuine and consistent drive for improvement and learning, attending training with fellow trusts, liaising with neighbours to negotiate better rates and engaging actively with the audit team to learn about best practice from elsewhere.

There is an established capital and procurement management strategy with monitoring built in to the business case led framework. There is open communication between the procurement function and the budget holders of services procured.

Where required, the Trust appropriately sources external expert guidance on procuring services, including legal advice. A review of breaches and waivers shows no indication of contracts being rolled forwards without due process being followed.

## Conclusion

We found no evidence or indication of potential significant weakness regarding the economy, efficiency and effectiveness arrangements at the Trust, as such, no further risk-based work has been performed on this criteria for assessing the arrangements for securing value for money.



# 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

Arrangements are in place to identify and monitor additional costs arising from responding to the Covid-19 pandemic. This includes capturing additional operational level expenditure through initial coding and clear reporting of the covid costs.

The Trust also has arrangements in place to compile and monitor monthly returns to NHSI/NHSE relating to Covid-19 costs which were reviewed by both the Director of Finance and the Chief Executive prior to submission with scrutiny at Committee level. The additional scrutiny provided assurance on whether the Covid-19 related expenditure was appropriate.

The financial architecture of the NHS adapted to the pandemic and the Trust adapted its arrangements to meet the revised funding mechanisms.

## Governance

The Trust's arrangements adapted to respond to the new risks its face from 2020-21 onwards in respect of Covid-19. This included adapting the BAF to incorporate COVID risks.

The Trust's governance and internal control systems were adapted to take account of the impact of Covid-19 on the body's operations. Where changes were required to financial or other control processes as a result of Covid-19 these have been assessed by the internal audit function and by management to confirm they are appropriate. There has been no marked decrease in assurance gradings in 2020/21.

## Improving economy, efficiency and effectiveness

The Trust has maintained effective controls around expenditure and procurement during the pandemic by maintaining good practise on breaches and waivers and complying with existing procurement rules. We have not identified concerns relating to procurement during this period.

The Trust has arrangements in place for capturing and monitoring the impact of Covid-19 on quality and safety through the committee structure and through the integrated performance reporting.

## Conclusion

We have no concerns to raise in relation to the Trust's arrangements to respond to the Covid-19 pandemic.

# Improvement recommendations



## Governance

### Recommendation A

**Auditor judgement** The ICS continues to develop and the governance arrangements to support are also developing. There is a need to adapt the current arrangements during 2021/22 as the ICS prepares for formal establishment.

**Summary recommendation** We recommend that the formal governance arrangements to support system working are enhanced as the ICS developed during 2021/22.

**Management comment** The trust plans to enhance the formal governance arrangements to support system working as the ICS develops during 2021/22.

# Improvement recommendations



## Improving economy, efficiency and effectiveness

### Recommendation B

<b>Auditor judgement</b>	Reporting to board and executive committees becomes more complex when the reports include performance indicators which are driven at an ICS rather than individual trust level. It can become complicated for decision makers to understand what areas they can and should be impacting with their discussion. There is currently no reporting distinction between ICS driven elements and Trust controlled items.
<b>Summary recommendation</b>	In reporting to scrutiny panels it should be highlighted which decisions can be made on a trust-only level and which form part of the wider ICS plans.
<b>Management comment</b>	The trust will apply the above recommendation where there is explicit differentiation of control between system and trust level.

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements in June 2021.

We also concluded the other information to be published with the financial statements, was consistent with our knowledge of the Trust and the financial statements we audited.

## Audit Findings Report

More detailed findings can be found in our AFR, which was reported to the Trust's Audit Committee in June 2021.

We did not identify any material adjustments to the financial statements which impacted on the Trust's surplus position.

We have also raised one medium priority recommendation and followed up the delivery of prior year recommendations.

## 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 (NAO).

We were able to certify and report to the NAO that the figures reported in the consolidation schedules were consistent with the audited financial statements.



# Appendices



# Appendix A - Responsibilities of the Foundation Trust



## The accounting officer is responsible for:

- Preparation of the statement of accounts
- Ensuring that income and expenditure is in line with relevant laws and regulations
- 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 accounting officer is 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 accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Accountable Officer is also responsible for ensuring the regularity of expenditure and income.

The accounting officer is required to comply with the NHS foundation trust annual reporting manual and 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 - Risks of significant weaknesses - our procedures and conclusions

As part of our planning and assessment 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 that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, the conclusions we have drawn and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
None identified.	NA	NA	NA

# Appendix C - An explanatory note on recommendations

The recommendations that can be raised by the Trust's auditors are as follows:

Type of recommendation	Background	Raised within this report
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'.	None identified
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.	Three improvement recommendations

# Appendix D - Use of formal auditor's powers

We bring the following matters to your attention:

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## Public Interest Report

Not applicable

Under Schedule 10 of the National Health Service Act 2006, auditors of foundation trusts have a responsibility to make a report in the public interest 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.

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## Referral to NHS Regulator

Not applicable

Under Schedule 10 of the National Health Service Act 2006 auditors of foundation trusts have the responsibility to report to the relevant NHS regulatory body if the auditor has reason to believe that the foundation trust (or director or officer of the foundation trust) is:

- about to make, or has made a decision which involves or would involve unlawful expenditure;
  - About to take, or has taken, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss of deficiency.
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