



# Auditor's Annual Report 2021/22

**Whittington Health NHS Trust**

22 June 2022

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This report is addressed to Whittington Health NHS Trust (the Trust) and has been prepared for the sole use of the Trust. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

## Introduction

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2021-22 audit of Whittington Health NHS Trust (the 'Trust'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Trust alongside the annual report and accounts.

## Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:

- **Accounts** - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Trust and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the Group Accounting Manual prepared by the Department of Health and Social Care (DHSC).
- **Annual report** - We assess whether the annual report is consistent with our knowledge of the Trust. We perform testing of certain figures labelled in the remuneration report.
- **Value for money** - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Trust's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.
- **Other reporting** - We may issue other reports where we determine that this is necessary in the public interest under the Local Audit and Accountability Act.

## Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

<b>Accounts</b>	<p>We issued an unqualified opinion on the Trust's accounts on 22 June 2022. This means that we believe the accounts give a true and fair view of the financial performance and position of the Trust.</p> <p>We have provided further details of the key risks we identified and our response on page 4.</p>
<b>Annual report</b>	<p>We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust.</p> <p>We confirmed that the Governance Statement had been prepared in line with the DHSC requirements.</p>
<b>Value for money</b>	<p>We are required to report if we identify any matters that indicate the Trust does not have sufficient arrangements to achieve value for money.</p> <p>We have nothing to report in this regard.</p>
<b>Other reporting</b>	<p>We did not consider it necessary to issue any other reports in the public interest.</p>

The table below summarises the key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Risk	Findings
<p><b>Fraudulent expenditure recognition</b></p> <p>The setting of a yearend financial target can create an incentive for management to manipulate the level of non-pay expenditure. This can take place by purposefully understating or overstating the level of non-pay expenditure recognised at the yearend through accruals and prepayments.</p>	<p>We did not identify any material misstatements relating to this risk.</p>
<p><b>Fraudulent revenue recognition</b></p> <p>Auditing standards set a rebuttable assumption that there is a risk revenue is recognised inappropriately. We recognised this risk over all of the Trust's income.</p>	<p>We did not identify any material misstatements relating to this risk.</p>
<p><b>Management override of controls</b></p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised one recommendation relating to appropriate segregation of duties around posting and approving journals.</p>
<p><b>Valuation of land and buildings</b></p> <p>Land and buildings are required to be held at fair value. As hospital buildings are specialised assets and there is not an active market for them they are usually valued on the basis of the cost to replace them with a 'modern equivalent asset'.</p>	<p>We did not identify any material misstatements relating to this risk. We considered the estimate to be balanced based on the procedures performed.</p>
<p><b>Valuation of provision relating to the dissolution of PFI Scheme</b></p> <p>There is an ongoing dispute with WFL the construction firm with which the Trust had a PFI arrangement. Legal proceedings are expected to take place in order to reach a settlement. The Trust is required to include a provision in its 2021/22 financial statements to reflect the latest position.</p>	<p>We did not identify any material misstatements relating to this risk. We considered the estimate to be reasonable and based on the procedures performed.</p>

# Value for money

## Introduction

We consider whether there are sufficient arrangements in place for the Trust for each of the elements that make up value for money. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

Further details of our value for money responsibilities can be found in the Audit Code of Practice at [Code of Audit Practice \(nao.org.uk\)](http://nao.org.uk)

## Matters that informed our risk assessment

The table below provides a summary of the external sources of evidence that were utilised in forming our risk assessment as to whether there were significant risks that value for money was not being achieved:

<b>Care Quality Commission rating</b>	Latest CQC report dated March 2020 rates the Trust as good and no areas as inadequate
<b>Single Oversight Framework rating</b>	The Trust is currently rated as a 2.
<b>Governance statement</b>	There were no significant control deficiencies identified in the governance statement
<b>Head of Internal Audit opinion</b>	Significant assurance with some improvement required

## Commentary on arrangements

We have set out on the following pages commentary on how the arrangements in place at the Trust compared to the expected systems that would be in place in the sector.

## Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
<b>Financial sustainability</b>	No significant risks identified	No significant weaknesses identified
<b>Governance</b>	No significant risks identified	No significant weaknesses identified
<b>Improving economy, efficiency and effectiveness</b>	No significant risks identified	No significant weaknesses identified

We have not identified any significant weaknesses with regards to the Trust's value for money arrangements.

# Value for money

Financial sustainability	
Description	Commentary on arrangements
<p>This relates to ensuring that the Trust has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> <li>How the Trust sets its financial plans to ensure services can continue to be delivered;</li> <li>How financial performance is monitored and actions identified where it is behind plan; and</li> <li>How financial risks are identified and actions to manage risks implemented.</li> </ul>	<p>The Trust's SFIs detail the responsibilities for planning, budget setting, budgetary control and monitoring of budgets. We found the Trust to have complied with its SFI requirements. As part of the budget setting process, meetings are held between each Budget Holder and their relevant finance business partner.</p> <p>The Trust identifies future cost pressures both as part of the initial budget setting process and on an ongoing basis throughout the year during budget monitoring meetings. Each ICSU/Corporate service will produce a list of unavoidable historic pressures, and unavoidable future cost pressures. These lists will be reviewed by the Chief Finance Officer and Chief Operating Officer in conjunction with the Heads of Finance and operational teams to identify opportunities to mitigate or remove these pressures. Any remaining pressure will be presented at Trust Management Group.</p> <p>As a result of our risk assessment work we did not identify any significant risks in relation to the processes for ensuring financial sustainability. We considered there were sufficient controls in place during the year allowing the Trust to effectively manage resources and ensure continuity in the delivery of its services. We found that the budget setting and control processes initially put in place clearly set out the arrangements. The 2021/22 plan was taken through and agreed by the Finance and Business Development Committee (FBD) and Trust Management Group in June 2021, prior to submission. The performance against plan was then monitored regularly at FBD. Additionally, finance reports are presented at each Board meeting. These are circulated in advance for the Board members to review and generate questions, enabling scrutiny. The CFO presents the reports at the meeting and takes questions/challenges from Board members. Each report presented to Board has an assigned individual who is responsible for that report.</p> <p>When considering our findings for the year ended 31 March 2022 we took account of the work undertaken in the year to 31 March 2021 in developing the financial plan for 2022-23.</p> <p>We note that over the past two years focus on achieving CIPs has reduced as NHS organisations have focused on responding the pandemic and its wide-ranging impacts. We also note that for 2022-23 challenging CIP plans have been developed and there is an expectation that organisations re-introduce real focus, discipline and process around CIP achievement. The CIP target for the Trust in 2022-23 is £13.8m, which is a significant increase on 2021-22 (where recurring savings of c£3.8m were achieved against a target of £4.1m). The Trust is in the process of identifying the plans to deliver the £13.8m of savings in 2022-23 but we are aware that not all of the CIP requirement has been identified to date, with £5.1m (37% of target) as yet unidentified. Whilst this increase in CIPs required is not unexpected, it will clearly present a real challenge to achieve this level of efficiency. We also note the context that the Trust (as at early June 2022) is forecasting a deficit of £1.7m (versus a breakeven position in 2021-22). Whilst we do not consider there to be a significant weakness in relation to financial planning have raised a recommendation to management in this area around driving real focus and rigour around CIP processes.</p>

# Value for money

Financial sustainability	
Description	Commentary on arrangements
<p>This relates to ensuring that the Trust has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"><li>▪ How the Trust sets its financial plans to ensure services can continue to be delivered;</li><li>▪ How financial performance is monitored and actions identified where it is behind plan; and</li><li>▪ How financial risks are identified and actions to manage risks implemented.</li></ul>	<p>The Trust's Board Assurance Framework (BAF) contains key risks to financial sustainability, including working with the ICS to identify areas where they can support each other. The BAF also contains appropriate controls and future actions. This ensures that key risks are tracked by the Board and areas where actions are not being taken can be identified.</p> <p>We have noted that since last year, where we raised a recommendation, the Trust's detailed Long Term Future Model (LTFM) has been revised during the course of 2021-22 which reflects key considerations as a result of the onset of the pandemic. This covers many aspects of Trust's future aspirations and appropriately reflects operational plans and strategic priorities.</p> <p><b>Conclusion</b></p> <p>Based on the procedures performed we have not identified any significant risks that the Trust does not have sufficient arrangements in place to ensure financial sustainability. We have also not identified any significant weaknesses in the Trust's arrangements to deliver financial sustainability during the year ended 31 March 2022.</p>

# Value for money

Governance	
Description	Commentary on arrangements
<p>This relates to the arrangements in place for overseeing the Trust's performance, identifying risks to achievement of its objectives and taking key decisions.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> <li>Processes for the identification and management of strategic risks;</li> <li>Decision making framework for assessing strategic decisions;</li> <li>Processes for ensuring compliance with laws and regulations;</li> <li>How controls in key areas are monitored to ensure they are working effectively.</li> </ul>	<p>The Trust has a Risk Management Strategy (RMS) which is agreed annually by the Board covering the following financial year. The RMS sets out the roles and responsibilities of the key Committees (Audit &amp; Risk Committee, Quality Committee, FBD, and Workforce Assurance Committee) in monitoring and providing assurance to the Board that effective systems are in place to identify, manage and escalate risks.</p> <p>Identifying risks start at service level with staff encouraged to report incidents and near misses. A trust wide risk register exists using DATIX, the Trust's risk management software. Risks are then escalated as required throughout the Trust divisional structure and Committees up to corporate risk updated onto the BAF if required. De-escalation operates in the same way but in reverse.</p> <p>The Trust outsources its local counter fraud services (LCFS). The CFO has regular meetings with the LCFS to monitor progress and discuss emerging LCFS cases. The LCFS attends all Audit Committees and produces a report for each committee highlighting its activities in the period. The LCFS undertakes periodic reviews regarding the implementation and effectiveness of financial controls in place to prevent and detect fraud.</p> <p>Major decisions go through a stringent governance process, whereby business case plans developed within Integrated Clinical Service Units (ICSUs) are reviewed and discussed at FBD and then both Trust Management Group and Board. As an example as part of our risk assessment work we noted that in 2021-22, the Maternity and Neonatal Estate Transformation Programme business case was discussed and approved by the Trust Board in November 2021, having previously been reviewed by the Transformation Programme Board and the Finance and Business Committee and by the Trust's Management Group</p> <p>Our review of the risk register found this was sufficiently detailed to effectively manage key risks. It has details of initial risk scores, target risks and detailed descriptions. The BAF contains explicit links to strategic objectives along with risk owners, any gaps in assurance and planned future actions. This ensures that the Board has a detailed understanding of the significant risks that the Trust is facing and can identify areas which further improvements are needed. Risks on the BAF have a strategic focus.</p> <p>The Trust has appropriate and detailed policies in place for areas such as Whistleblowing, Freedom to Speak Up, Standards of Business Conduct. These are available on the intranet. These also cover gifts and hospitality, relevant laws and regulations applicable to the Trust. This helps ensure that staff are aware of the Trust's expectations and the different avenues available to them to raise any issues.</p> <p><b>Conclusion</b></p> <p>Based on the procedures performed we have not identified any significant risks that the Trust does not have sufficient arrangements in place to ensure sufficient governance arrangements. We have also not identified any significant weaknesses in this area.</p>



# Value for money

## Improving economy, efficiency and effectiveness

### Description

This relates to how the Trust seeks to improve its systems so that it can deliver more for the resources that are available to it.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- The planning and delivery of efficiency plans to achieve savings in how services are delivered;
- The use of benchmarking information to identify areas where services could be delivered more effectively;
- Monitoring of non-financial performance to assess whether objectives are being achieved; and
- Management of partners and subcontractors.

### Commentary on arrangements

An Integrated Performance Report (IPR) is produced every month, which is reviewed by the Board and relevant subcommittees. The KPIs provided to the Board include indicators from the NHSE/I single oversight Framework, CQUIN, NHS Long Term Plan, commitments, patient flow, CQC patient experience and safety domains and workforce.

The Trust is collaborating with other organisations in the North Central London ICS and is actively engaging with partners to save costs and deliver high quality. Financial planning is done on an ICS level and the Trust ensures that the financial position is discussed regularly with other NCL ICS members through fortnightly ICS CFO calls. There is a focus for the Trust to ensure their voice is heard within the wider ICS due to their historic relatively strong performance. For 2021-22 the Trust had a CIPs target of £4.1m, of which £3.8m were achieved (a 93% success rate). Encouragingly, 100% of the CIPs achieved were on a recurrent basis. However, for 2022/23 there will be more of a challenge to identify sufficient savings, as shown in the latest plan (as at early June 2022) where there is currently a gap of £5.1m of unidentified savings, which makes up 37% of targeted CIPs. Additionally only £1.9m of planned CIPs are considered low risk, compared to £5.5m high risk. Whilst we have not identified a significant weakness in relation to the CIP process have raised a recommendation to management in this area around driving real focus and rigour around CIP processes.

There is a CIP Delivery Board that meets monthly lead by the Chief Operating Officer (COO). This Board monitors performance on delivering CIPs from each ICSU with reports of whether schemes are on track, delayed, issues arising etc as well as launching Trust wide initiatives for future CIPs. FBD receives regular reports at a ICSU/corporate level as to performance against targets and overall high level messages on progress are included in Finance reports to the Board. There is a detailed scheme by scheme tracking register which is used to produce Board reports on progress and also monitor individual schemes.

The Trust uses benchmarking to help assist in identifying where it may be possible to make services. This includes benchmarking against Model Hospital, to support services and improve output against areas such as workforce. Benchmarking outputs are then investigated by individual ICSUs to assist in identifying savings. The Quality Assurance Committee meets regularly to review performance from quality perspective, for example the elective recovery plan.

During the pandemic there were decisions made to change the service provision for acute paediatric services in order to support agile decision making. Establishing an elective orthopaedic hub is an example of improvement in services, as a result of partnership working across the ICS.

### Conclusion

Based on the procedures performed we have not identified any significant risks associated with improving economy, efficiency and effectiveness. We have also not identified any significant weaknesses in this area.



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