



Auditor's Annual Report 2022/23

Whittington Health NHS Trust

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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.

Summary

Introduction

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2022-23 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.

Accounts	<p>We expect to issue an unqualified opinion on the Trust's accounts. 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>
Annual report	<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>
Value for money	<p>We are required to report if we identify any significant weaknesses in the arrangements the Trust has in place to achieve value for money.</p> <p>We have nothing to report in this regard.</p>
Other reporting	<p>We did not consider it necessary to issue any other reports in the public interest.</p>

Accounts Audit

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>Valuation of land and buildings The Trust is required to record land and buildings in their accounts at fair value. The valuation of hospital buildings is complex because they are required to be valued on the basis of the cost to replace them with a 'modern equivalent asset'. The valuation includes judgemental assumptions regarding the size and location of the modern equivalent asset.</p>	<p>The majority of our work in this area is complete.</p> <p>We have considered the approach that management has taken to the impairment relating to the valuation of Blocks A & L of the Trust site with support from KPMG valuation specialists. We found the approach to be reasonable.</p> <p>Overall we considered the estimate to be balanced based on the procedures performed although note that we have a small number of procedures outstanding to complete.</p> <p>We raised a recommendation relating to management review of valuation instructions and the valuation report from Cushman & Wakefield.</p>
<p>Fraudulent expenditure recognition Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk over the existence of the Trust's expenditure, which we considered would be most likely to occur through overstating accruals.</p>	<p>We did not identify any material misstatements in relation to our work in this area.</p> <p>We raised a recommendation relating to the review of month end accruals.</p>
<p>Valuation of legal provision There is an ongoing dispute with WFL the firm with which the Trust had a PFI contract arrangement that was terminated in 2020. Legal proceedings are expected to take place in order to reach a settlement. The Trust is required to include a provision in its 2022/23 financial statements to reflect the latest position.</p>	<p>Our work in this area is complete. We have assessed the conditions at the balance sheet date in respect of recognising the provision and we have, with support from KPMG specialists assessed the costing involved in developing the estimate that is included within the financial statements for the year ended 31 March 2023.</p> <p>We consider the approach taken to the Trust to be prudent but reasonable based on the information available at the balance sheet date. No material misstatement has been identified.</p>
<p>Management override of controls 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 in relation to our work in this area.</p> <p>We raised a recommendation relating to the manual controls over general ledger journal entries including checking whether documentation is attached to the journal to support the entries, and whether the evidence to confirm that the documentation and the journal entry was appropriately reviewed by a separate authoriser.</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).

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:

Source	Detail
Care Quality Commission rating	Good (April 2023)
Single Oversight Framework rating	Segment 2
Governance statement	There were no significant control deficiencies identified in the governance statement.
Head of Internal Audit opinion	Unqualified

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
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

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"> How the Trust sets its financial plans to ensure services can continue to be delivered; How financial performance is monitored and actions identified where it is behind plan; and How financial risks are identified and actions to manage risks implemented. 	<ul style="list-style-type: none"> The budgeting process is overseen by the Trust Management Group (TMG) and the Finance and Business Development Committee (FBD), and is chaired by the Deputy Director of Finance. The budget setting process is well documented and supported by a paper that sets out the planning principles to be followed and the key assumptions that need to be adopted. As part of the budget setting process Heads of Finance meet with Directors, managers and budget holders to capture and present cost pressures which are reviewed by the Chief Finance Officer (CFO) and Chief Operating Officer (COO) for approval or agree actions. The list is reviewed by the wider Executive team before being approved at TMG. The process in place helps ensure that appropriate staff are involved in preparing budgets who have a detailed understanding of performance in their areas as well as cost pressures, service developments and key risks. This process is the same as in the prior year. The 2022/23 plan was taken through and agreed by the Finance and Business Development Committee (FBD) and Trust Management Group prior to submission to NHSE. The performance against plan was then monitored regularly at FBD. As part of the North East London Integrated Care System (NCL ICS) additional scrutiny was provided by undertaking peer reviews of the 2022/23 plans. The Trust took part in this exercise on 25 May 2022 and presented the peer reviewed plan to the Board on 27 May 2022. The reports to FBD contain a clear summary of performance against budget and the drivers for any adverse performance are well explained. For example the Month 9 report highlighted the slippage on the CIP plans, the cost of additional agency and temporary staff, unfunded escalation beds and areas of non-pay overspend with explanations and planned actions. The finance reports also include cashflow data and a summary income and expenditure account and balance sheet. Cost improvement plans are detailed and a summary of performance by Integrated Clinical Service Units (ICSUs) and Corporate divisions. An initial plan for 2023/24 was presented on 30 March. Following updated guidance from NHSE a revised May submission deadline was given and the updated 2023/24 plan was taken through and agreed by the TMG on 9 May and then through FBD on the 23 May.

Value for money

Financial sustainability (continued)

Description

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.

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

- How the Trust sets its financial plans to ensure services can continue to be delivered;
- How financial performance is monitored and actions identified where it is behind plan; and
- How financial risks are identified and actions to manage risks implemented.

Commentary on arrangements

- The budgeting process includes consideration of WTE requirements. This ensures the Trust understands staff needs for the future and can plan appropriately for those levels.
- The final outturn for 2022/23 was an surplus of £4.9m from continuing operations. At the time of issuing this report, the Trust is forecasting a surplus plan of £2m for 2023/24. The ICS is also forecasting a break-even position. The CIP requirement for the Trust is £17.9m of which approximately £10m has been highlighted as at risk. During 2022-23 only £3.6m of the Trust's £13.9m CIP plan was delivered on a recurrent basis. This does therefore pose a financial risk and challenge to the Trust which has been reported to the Board.
- This process for identifying CIPs is ongoing as there is a gap as highlighted above. £20m of potential opportunity has been identified but this is not yet fully developed and signed off.
- The Trust has a PMO with staff assigned across the five ICSUs and corporate divisions. There are also transformation roles in ICSUs and some transformation functions in the Exec Strategy office. The PMO supports local CIP initiatives as well the transformation schemes which include programmes linked to digital transformation, outpatients and improving patient flow.
- All approved schemes go through a project governance process and are supported by Project Initiation Documents (PIDs), Quality Impact Assessments (QIAs) and Financial Impact Assessments (FIAs).
- The corporate risk register and the BAF are presented to the Board and the Audit and Risk Committee. The Audit and Risk Committee annual agenda includes a Risk Register report, and the Board Assurance Framework (BAF).

Risk assessment: Based on the risk assessment procedures performed we did not identify a significant risk associated with financial sustainability.

Overall conclusion: The Trust is forecasting a modest surplus for 2023/24 and the ICS is forecasting a breakeven plan. The Trust has a challenging savings target to achieve. Whilst there is risk to the financial position we have not identified any significant weaknesses in the arrangements that the Trust had in place during 2022/23 in relation to financial sustainability.

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"> Processes for the identification and management of strategic risks; Decision making framework for assessing strategic decisions; Processes for ensuring compliance with laws and regulations; How controls in key areas are monitored to ensure they are working effectively. 	<ul style="list-style-type: none"> We reviewed the Risk Management Strategy for the key features. It is presented to the Board annually was just updated in November 2021. Risk identification is done at a service level with staff encouraged to report incidents and near misses. The Trust uses the Datix risk management software. Risks are escalated as required from clinical service units and divisions up through Committees to corporate risk updated onto the BAF if required. De-escalation operates in the same way but in reverse. The Trust outsources its local counter fraud services (LCFS). The CFO has regular meetings with the LCFS to monitor progress and discuss cases. The LCFS attends all Audit and Risk Committees and produces a report for each meeting highlighting its activities in the period. Major decisions go through a well defined governance process, whereby significant business case plans developed by ICSUs are reviewed and discussed at FBD Committee and then both Trust Management Group and Board. An example of this in 2022/23 related to the funding of 33 flex beds at a cost of £4.3m. This proposal was discussed and agreed at FBD Committee and TMG before going to the Trust Board. The investment had not originally been planned but was need to address the bed pressures which emerged and to help mitigate the clinical and financial risks posed by use of temporary staff. We have seen the business case for flex beds that was taken through the Trust's governance structure and note that the document was detailed, including financial analysis and quality impact considerations as well and future cost savings associated with temporary staff costs. Trust has 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.

Value for money

Governance (continued)	
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"> Processes for the identification and management of strategic risks; Decision making framework for assessing strategic decisions; Processes for ensuring compliance with laws and regulations; How controls in key areas are monitored to ensure they are working effectively. 	<ul style="list-style-type: none"> There is relatively limited use of benchmarking at the Trust. Benchmarking is used on an ad hoc basis for example the Trust looks at national and local standards such as Cancer Access Standards. The Trust has also been benchmarked against the elective recovery standards. However, this is not used in a structured way. Benchmarking at Audit and Risk Committee is provided by internal and external audit. The Audit & Risk Committee oversees the governance processes in place for ensuing compliance with laws and regulations. <p>Risk assessment: Based on the risk assessment procedures performed we did not identify a significant risk associated with governance.</p> <p>Overall conclusion: We have not identified any areas of significant weakness.</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 is provided to the Board on a monthly basis. Performance is reviewed and challenged at each Board meeting.
- Before the information comes to the Board it is reviewed every two weeks at TMG and before that at weekly Trust Operations Management Team meetings which are chaired by the COO.
- As well as the PMO in place the Trust works with Kingsgate which is an external consultancy that brings together learning from across similar organisations, to support its transformation workstreams and recurrent CIP identification.
- Performance against CIP targets are monitored and reported by the PMO and at TMG and FBD Committee before being reported to the Board. The Trust also participates in the ICB run productivity pillar work stream.
- There is evidence of collaborative and constructive working across the ICS. The Trust participates in and leads on some of the workstreams and participates in regular finance and operational meetings. The ICS CFO meetings take place every two weeks and report on and monitor financial performance and operational performance is monitored through the NCL Integrated Care Board (ICB)
- Actions developed as part of ICS working include the establishment of an elective orthopaedic hub, the Startwell transformational change programme for children and young people, the establishment of community diagnostic hubs and the development of the ICS estates strategy
- We have seen evidence of monthly performance meetings for key contracts, which include minutes and detailed action logs.
- The ICS faces some significant financial challenges in 2023-24 however we have seen evidence of open and collaborative which include peer review and support.
- The Trust operates weekly contact monitoring for its key suppliers. There is a weekly validation report used to assess performance. Any issues are picked up and addressed at these meetings. No interventions have been required.

Value for money

Improving economy, efficiency and effectiveness (continued)

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

Risk assessment: Based on the risk assessment procedures performed we did not identify a significant risk associated with improving economy, efficiency and effectiveness.

Overall conclusion: The Trust can demonstrate collaboration with partners and the ICS. We have not identified any significant weaknesses in the arrangements that the Trust had in place during 2022/23 in relation to improving economy, efficiency and effectiveness.



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