



# Auditor's Annual Report 2021/22

**Ashford and St Peter's Hospitals NHS  
Foundation Trust**

30 September 2022

## Key contacts

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## Contents

## Page

Summary

3

Accounts audit

4

Value for money commentary

5

This report is addressed to Ashford & St Peter's Hospitals NHS Foundation 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 2021-22 audit of Ashford & St Peter's Hospitals NHS Foundation 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 will issue an unqualified opinion on the Trust's accounts by 30 September 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>

# 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><b>Valuation of land and buildings</b></p> <p>The properties used for the delivery of the Trust's services are considered to be specialised assets and are therefore valued on the basis of the estimated cost to build a replacement asset with the same productive capacity. We identified a significant risk as this is an estimate made by management and judgments are made relating to the assumptions adopted in determining how a replacement asset would be constructed.</p>	<p>We assessed the assumptions underpinning the valuation on which the carrying value of land and buildings is based. The assumptions tested were all found to be within the acceptable range.</p> <p>No findings have been identified as a result of our work.</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 have not identified any indications of management override or management bias as a result of our audit procedures.</p>
<p><b>Fraudulent expenditure recognition</b></p> <p>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 overstatement of accruals at year end.</p>	<p>We identified one audit adjustment in relation to accrued expenditure. This is not material and has been reported as an unadjusted audit difference.</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>No findings have been identified as a result of our work.</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>	Good
<b>Single Oversight Framework rating</b>	2 – targeted support: Potential support needed in one or more of the five themes, but not in breach of licence.
<b>Governance statement</b>	There were no significant control deficiencies identified in the governance statement.
<b>Head of Internal Audit opinion</b>	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
<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

# 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 financial planning regime that was introduced as a result of the Covid 19 pandemic continued into 2021/22. The Trust's total income for the 2021/22 year increased by £38.9m (10.1%) year on year. This was a result of income being rolled over by the NHS from 2020/21 together with a range of additional allocations to negate the impact of COVID and increase elective and outpatient activity to start to address backlogs.</p> <p>We have observed the budget setting process to appropriately involve individual budget holders as well as the Finance team. All budget holders have access to an online system tool to enable budget holders to review individual cost centre performance. Cost pressures are identified across the organisation and compiled into a report that is made to the Modern Healthcare Committee (MHC). Our review of committee meeting minutes and reports presented at the MHC demonstrated robust challenge and discussion of cost pressures and potential options for mitigation. We reviewed the monthly budget monitoring process. There is scrutiny of the financial performance with monthly meetings between the budget owners and Finance team members. Variances from plan are identified and discussed along with potential mitigating actions. The MHC and the Board receive a monthly finance update.</p> <p>We have appraised the monthly finance reports and found them to be comprehensive and sufficiently detailed to support the reader in their understanding and decision making. We also found the level of detail in relation to financial risk to the position, developments at a national and local level, and key areas for scrutiny, such as agency spend to be appropriate and to provide a comprehensive view of the factors impacting on financial performance.</p> <p>The Trust's strategic and operational plans include significant investments in Surrey Safe Care, Theatres at Ashford Hospital, Abbey Wing at St. Peter's Hospital and on electrical resilience works totalling £29.7 million. Part of this capital investment includes the re-provision of the Picture Archiving System (PACS), the radiology imaging management, reporting and storage systems as a member of a multi-Trust consortium. We have observed the detailed level of project and programme management in respect of this capital project, including the funding requirements and cost implications which have been built into the full business case.</p> <p>Looking forward to 2022/23, the Trust has set its financial plan in line with the changing funding mechanisms across the NHS. We note the increasing financial pressures that the Trust faces at both an organisation, and system level, with a plan submitted for a £12.1m deficit. The Trust has commenced developing plans to achieve savings and efficiencies, but it is likely that return to financial balance will take more than one year to achieve. The risk has been appropriately reported and considered through the corporate risk process.</p> <p><b>Conclusion</b></p> <p>We have concluded that there are no significant weaknesses in relation to the Trust's arrangements for managing financial sustainability, though we note the increasing level of risk for 2022/23.</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 well established processes in place for the identification, monitoring and recording of risk, both at an operational and strategic level. We observed the strategic risks to be appropriately incorporated into the Board Assurance Framework (BAF). The Trust Board has overall responsibility for the BAF, but detailed reporting is also provided to the Board's sub-committees and detailed discussions take place within these for the risks that are within the scope of their terms of reference.</p> <p>The BAF is used as a tool for recording how the Trust assures itself over the control environment which mitigates the strategic risks. The Trust Board's appetite for taking risk is developed and communicated, and mechanisms for scanning for emerging threats are established. At each meeting of the Audit and Risk Committee, a report containing the latest version of the Corporate Risk Register along with explanations of any significant changes, emerging, and closing risks is prepared. We reviewed copies of the Trust's Board Assurance Framework (BAF) and corporate risk register together with reviews of the minutes of meetings of the Trust Board and Audit and Risk Committee and we noted that the risk register risks were appropriately monitored during the 2021/22 year.</p> <p>A detailed scheme of delegation is in place and this has been updated to include decision making specifically.</p> <p>We reviewed a sample of key decisions made in year including the full business case for the re-provision of the Picture Archiving System (PACS), the radiology imaging management, reporting and storage systems as a member of a multi-Trust consortium, including the reporting to the appropriate committee and the Trust Board. We also reviewed the committee/Board papers to support a no-bid decision for a particular service and found these to be appropriately comprehensive and balanced to support decision making.</p> <p>We observed through our review of committee minutes that the Trust assures itself over compliance with laws and regulations throughout the year, via its committee structure and reporting to the Board. The Board are also appraised of any changes to the NHSE/I Oversight Framework. Board and Executive members also take part in programmes such as Board site visits, which allow first hand experience and observation of the quality and compliance systems in place.</p> <p>The Trust has appointed an external firm to provide Internal Audit and Local Counter Fraud services, that provide updates to the Trust Audit and Risk Committee throughout the year. The overall Head of Internal Audit opinion concluded there to be reasonable and effective risk management, control and governance processes in place. Of the reports issued throughout the year, only one high priority recommendation was raised. One report received a partial limited assurance grading in relation to the effectiveness of controls, though this was an area where management reported action to already be underway. The programme of internal audit work is aligned to the risks of the Trust and has broad coverage on a cyclical basis.</p>

# Value for money

Governance (continued)	
Description	Commentary on arrangements
continued	<b>Conclusion</b> We have concluded that there are no significant weaknesses in relation to the Trust's arrangements for ensuring appropriate governance.



# 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

The formal requirement for delivering efficiency savings was re-introduced in the second half of the year, having been paused during the pandemic. The Trust has developed cost savings and efficiencies opportunities, and achieved total savings of £3.8m in 2021/22.

For 2022/23, the special funding measures that have been put in place across the NHS to respond to Covid 19 will be replaced by those that closely align to processes in place prior to the pandemic. There is an increase in risk to financial performance as breakeven positions will no longer be funded centrally through covid top-ups, and NHS organisations will be expected to work closely with their local systems to find ways to achieve cost improvements and efficiencies to ensure financial balance across all organisations within the system.

A total of £14.7m of efficiency savings has been included in the plan that the Trust has submitted for 2022/23, or which £12.4m is planned to be recurrent. Whilst we observe that historically, the Trust has a good track record in the delivery of cost improvements and efficiency programmes, the scale of the financial challenges across the local system and wider NHS is significant, and the identification of new recurrent schemes becomes inherently more difficult over time. The Trust will need to ensure it maintains a robust and detailed programme to monitor and measure the success across its efficiency work streams.

We have reviewed the current reporting and monitoring processes that the Trust has in place in respect of its cost improvement programmes and found these to be monitored appropriately and regularly throughout the year. Whilst we assessed the arrangements in respect of cost savings to be appropriate for 2021/22, we note the increase in risk in this area for the 2022/23 period and beyond.

Overall, we have found the arrangements in place for reporting performance to be appropriate. The Modern Healthcare Committee (MHC) receives a finance report at each of its meetings. The Trust Board receives verbal updates from the Director of Finance & Information and exception reports, business cases as and when required. Our review of the monthly Committee reports found them to contain comprehensive and relevant narrative to support the KPIs and useful context around scheme development, achievements and challenges to support the Committee in their decision making.

The Trust is part of the North West Surrey Alliance, partnering with other local bodies, including local authorities and charitable organisations to deliver improvements in quality and efficiency. Partnership arrangements are managed via a formalised agreement. Review of meeting minutes demonstrates performance and outcomes of the arrangements are monitored and challenged.

### Conclusion

We have concluded that there are no significant weaknesses in relation to the Trust's arrangements for improving economy, efficiency and effectiveness.



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