



Auditor's Annual Report 2022/23

Ashford & St Peter's Hospitals NHS Foundation Trust

31 August 2023

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This report is addressed to Ashford and 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 2022-23 audit of Ashford and 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

Accounts	<p>We issued an unqualified opinion on the Trust's accounts on 30 June 2023. 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 identified 1 significant weakness relating to the arrangements for governance domain linked with the CQC inspection of the maternity (inpatient services). We have provided further detail on page 10.</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 We recognise a risk of error relating to misstatement of asset valuations. 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</p> <p>We raised a recommendation relating to managements consideration of impairment indicators.</p> <p>We considered the estimate to be cautious based on the procedures performed due to the selection of comparable data for alternative sites being at the lower end of the range of values. However, we recognise the relatively low number of potential sites data that currently exists and the other factors and judgements that the Trust would take into account should an alternative site be required.</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 all of the Trust's expenditure, with the exception of payroll and depreciation</p>	<p>We identified a misstatement relating to the recognition and classification of year end accruals balances that has not been corrected by management. Updating this would lead to an reduction in accruals, however we did not consider this material.</p> <p>We raised a recommendation relating to managements review of year end accruals balances.</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 relating to this risk</p> <p>We raised a recommendation relating to the review and authorisation of journal entries.</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
Single Oversight Framework rating	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	One significant risk identified	Significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant risks identified

We identified a significant weakness with regards to the Trust's arrangements for governance. We reported this as part of our audit report and have provided further details in our commentary on page 10.

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"> ▪ In line with the prior year, the Trust has remained on a block contract framework for the 2022-23 financial year. For 2022-23 the Trust worked with the wider system to develop a plan for a £12.1m deficit for the year when considered on an adjusted financial performance measure, this was approved and submitted in June 2022. As per review of the month 9 (December 2022) PFR submission to NHSE, the Trust were marginally adrift for their plan as a result of a £969k adverse variance on the Trust Cost Improvement Plan ('CIP') performance. However, as at the year end the Trust exceeded its planned financial performance, reporting a £6.1m deficit when considered on a comparable adjusted performance measure basis which was £6m ahead of plan. It is noted that the key driver for this improved financial performance was the receipt of additional income received from the system as opposed to the reduction of expenditure. ▪ We have reviewed the Trust's processes around budget setting and monitoring and have found that the control processes in place were able to identify and incorporate appropriate financial pressures and risks into the financial plan to ensure that it is both realistic and achievable. 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 including the identification and monitoring of emerging cost pressures throughout the year. It is considered that there is sufficient 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. ▪ The full year forecast included an efficiency (CIP) target of £14.7m for the Trust. As at the year end the Trust had achieved £15.1m of CIP which was £381k ahead of its CIP plan. Of the £15.1m of CIPs achieved, £12.1m of these relates to recurrent CIPs and demonstrates a good proportion of recurrent cost savings across the Trust. ▪ We have reviewed the financial plan for 2023/24 and note that the Trust is forecasting a deficit of £17.1m for the year, which is after the delivery of efficiency savings of £28m. This represents a CIP target of 6.1% of total expenditure compared to 3.6% budgeted in the prior year. Whilst the Trust have historically achieved their required CIP targets, this is a significant increase in a plan that is already a forecast deficit position. This is an area that should be monitored closely throughout the 2023-24 financial year. The risk has been appropriately reported and considered through the corporate risk process. <p>Conclusion</p> <p>Based on the procedures performed we have not identified a significant risk associated with financial sustainability. However, it is noted that the 2023-24 financial year represents a significant challenge to the Trust in terms of its financial performance both individually and as part of the system</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"> 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"> The Trust's risks are identified and managed in accordance with the Trust's Risk Management policy. 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. Our review of the risk register and committee meeting minutes found reporting was sufficiently detailed and balanced to enable management to make informed decisions. The Trust utilises a 5x5 risk scoring matrix for its risks and the BAF is updated regularly with narrative against actions to reduce the risk to the desired level. We observed that the Trust's budget process followed the appropriate governance process with oversight from the various sub-committees and sign off from the Board. Review of the Board minutes demonstrate robust challenge of Management, and we have observed that the progress against CIPs and the delivery of the financial outturn are reported frequently and transparently to the Modern Healthcare Committee and through to Board. We further note that there is a process for holding regular discussions with Budget holders to ensure that variances to budget are adequately discussed and actions taken as required. The Trust has a range of HR policies and procedures available to staff on the intranet which are updated regularly. We have obtained examples and observe that they are suitably detailed and easily accessible via the intranet site. There is a process in place for all staff to record gifts and hospitality and there is regular monitoring and review of this process. The Trust monitors compliance with laws and regulations through a number of mechanisms, including recruitment controls, CQC inspections, mandatory staff training, and updates from NHSE, internal auditors, and external auditors. The Trust was subject to its most recent CQC inspection in January 2023 (St Peter's Hospital) covering maternity (inpatient services) which received an 'inadequate' rating in March 2023 relating to this service, but retaining its overall Trust rating of 'requires improvement'. Following the maternity (inpatient services) review, a section 29A notice was issued to the Trust with a number of must-do actions around this domain with concerns raised around mandatory training, how risks in relation to the service were escalated, and safe staffing levels. We note that following the receipt of the Section 29A notice, the Trust responded to the points raised including a number of deep dive reviews around its risk management and escalation process, which was one of the key points raised by the CQC. These deep dives identified a number of findings including risk management not being fully understood and the risk requiring additional leadership and management. The Trust has developed a program to address these findings however, due to the timing of the CQC inspection it is considered that the risk management process was not operating effectively for the majority of the year and there has not been sufficient time for the Trust to implement and embed the findings of this risk review process. As such we have identified a significant weakness in relation to the Trust's risk management process. We have reviewed the governance structure across the Trust and note that each sub-committees has a clear Terms of Reference, summary reports from each sub-committee are reported up to the Board to allow for Board oversight of decisions across the Trust. We note there has been a relatively low level of senior and non-executive turnover in the year.

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"> The Trust has an internal audit function that reports to the Audit Committee, the internal audit plan is linked to the Trust’s strategic objectives and is risk focused. We note that for the 2021-22 financial year, the overall Head of Internal Audit opinion concluded there to be reasonable and effective risk management, control and governance processes in place. We will review the 2022-23 Head of Internal Audit opinion as part of our year end assessment. Our review of minutes and attendance at Audit Committee meetings indicates that there is a high level of challenge and scrutiny from the Non-Executives which holds the Executive Directors accountable. <p>Conclusion:</p> <p>During the year to March 2023 the Trust was subject to a CQC inspection of its maternity services, with the report published in March 2023. The CQC rated the service as “inadequate” and a 29A warning notice under the Health and Social Care Act 2008 was issued. Although it is noted that the overall CQC rating for this hospital remains unchanged.</p> <p>The most significant findings identified by the CQC related to the Trust’s risk management and escalation process. In response to the CQC report and warning notice the Trust carried out “deep dive” risk reviews and developed an improvement plan which identified “must-do” and “should-do” actions. Due to the timing of the CQC inspection our review of the improvement plan identified that, whilst a number of these “must-do” and “should-do” actions have been implemented, many of the remedial actions had not been in place for the whole financial year and a number of actions had not been fully implemented at the year end.</p> <p>Our formal Recommendation can be found on page 10.</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

- We have reported as part of our considerations over financial sustainability that Trust has delivered £15.1 million of the CIP target as at the year end, which is £380k in excess of budgeted CIP savings. As per review of the 2023-24 financial plan, the Trust has a challenging CIP target of £28 million to achieve its control total deficit of £17 million. 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. The Trust has identified a number of schemes to allow them to achieve this CIP target however are currently noting £8 million of unidentified pay and non-pay efficiencies.
- 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.
- We have reviewed the Procurement policy for the Trust and have found it to be in line with public sector procurement legislation and has a clear matrix of approvals. The policy has a clear focus on achieving value for money through procurement and is consistent with the Trust's standing financial instructions.
- 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. It is noted that the Trust has engaged proactively on the development of the Surrey Heartlands Joint Forward Planning process.
- This monitors the Trust performance against non-financial performance targets including A&E four hour wait times, referral to treatment and cancer referrals. The Trust has shown improvement in these non financial domains during the 2022-23 financial year, although note they are still performing below the NHS England targets. It is considered there is appropriate monitoring and reporting in these areas by the Modern Healthcare Committee and Trust Board.

Conclusion:

Based on the procedures performed we have not identified a significant weaknesses associated with improving economy, efficiency and effectiveness

Value for money

We raised the following recommendations in response to significant weaknesses identified in our value for money procedures.

# Issue, Impact and Recommendation	Management Response
<p>1 Issue/Impact</p> <p>Significant weaknesses – Governance</p> <p>During the year to 31 March 2023 the Trust was subject to a CQC inspection of its maternity services, with the report published in March 2023. The CQC rated the service as “inadequate” and a section 29A warning notice under the Health and Social Care Act 2008 was issued. The overall CQC rating for the Trust remained unchanged.</p> <p>The most significant findings identified by the CQC related to the Trust’s risk management and escalation process. In response to the CQC report and warning notice the Trust carried out “deep dive” risk reviews and developed an improvement plan which identified “must-do” and “should-do” actions. Due to the timing of the CQC inspection our review of the improvement plan identified that, whilst a number of these “must-do” and “should-do” actions have been implemented, many of the remedial actions had not been in place for the whole financial year and a number of actions had not been fully implemented at the year end.</p> <p>Recommendation</p> <p>We recommend that The Trust continues to work through its action plan ensuring that actions are implemented in line with the agreed timelines and that the key actions from the deep dive risk reviews are fully embedded into the Trust’s risk management process.</p>	<p>Agreed, In line with the agreed CQC Maternity Improvement Plan delivery dates and responsible officers</p>



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