



Auditor's Annual Report 2021/22

**Royal Surrey Hospital NHS Foundation
Trust**

21 June 2022

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This report is addressed to Royal Surrey Hospital 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 Royal Surrey Hospital 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 plan to issue an unqualified opinion on the Trust's accounts on 21 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>
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 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>
Other reporting	<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>Valuation of Property Plant and Equipment</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 or issues relating to this risk.</p>
<p>Fraudulent expenditure recognition</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 year end accruals of the Trust's expenditure.</p>	<p>We did not identify any material misstatements or issues relating to this risk.</p>
<p>Management override of controls</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 or issues relating to this risk.</p>
<p>Fraudulent revenue recognition</p> <p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p>	<p>We did not identify any material misstatements or issues relating to this risk.</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 \(nao.org.uk\)](https://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:

Care Quality Commission rating	Latest CQC report dated 22 June 2022 rates the Trust as 'Good'
Single Oversight Framework rating	The Trust is currently rated as a 2.
Governance statement	There were no significant control deficiencies identified in the governance statement.
Head of Internal Audit opinion	Moderate assurance

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. 	<p>We reviewed the Financial Planning & Budget Setting 2021/22 papers which set out the financial principles used in preparing budgets and described an approach to support the Trust in setting its 2021/22 operating plan.</p> <p>Due to block funding arrangements in place since March 2020, the Trust has taken a six-monthly planning approach.</p> <p>This process covers both a 'top down' process (i.e. a high level budget is modelled based on core income, cost improvement programmes and cost assumptions) as well as a 'bottom up' process (i.e. line by line by budget holders).</p> <p>The plan also gets financial management and budget holder challenge which takes place at a divisional level. This includes the monthly divisional finance reviews which are attended by operational, clinical and finance colleagues.</p> <p>Budget statements are sent out to budget holders on a monthly basis via e-mail. Divisional financial performance packs are prepared which include financial performance against the year to date plan and forecast. Any business case, cost pressures and other financial issues are clearly set out with their corresponding financial consequences, responsible officer and current status of the issue to be addressed.</p> <p>Variances between the actuals vs H1/H2 funding were highlighted in the monthly divisional performance review slide packs. The variances were discussed at the divisional finance meeting.</p> <p>The divisional budget review feeds into the finance report that is presented monthly to the Finance and Transformation Committee detailing any over/under spend. This is a high level overview of income and expenditure compared to the budgeted financial plan. We performed minute reviews of Finance and Transformation Committee meetings and did not identify any exceptions.</p> <p>Overall, we noted that the overview of the budget monitoring process is performed regularly by the divisions and variances are highlighted and investigated.</p> <p>We noted that cost improvement plans are developed as part of the financial planning process which included a CIP of 2% £8.8m for 2021-22. CIP targets were set for the Divisions and divided into those expected to be met from local schemes and those from transformational programmes. These were recorded in a CIP tracker which outlines the expected level of CIP per scheme and any likely profile of these savings. Each month the tracker is updated with actual achievement and any schemes that are no longer likely to result in savings are required to be replaced by new schemes.</p>

Value for money

Financial sustainability (cont.)

Description	Commentary on arrangements
	<p>The performance of the CIP programmes is monitored by the Performance Executive, Finance & Transformation and Board Committees. We obtained Finance and Transformation Committee minutes as well as the Board finance report. Our review found that there were sufficient updates on variances and transformation projects. Minutes show a good level of discussion by committees.</p> <p>At year end, the Trust reported total actual savings of £6.026m against planned £8.8m savings although this was made up of 100% recurrent schemes.</p> <p>Management information reported to Finance Committee and Board includes a monthly slide deck and accompanying summary sheet. These are presented at the meetings by either the Director of Finance or the Director of Operational Finance.</p> <p>We obtained Finance and Transformation Committee minutes. Our review of the monthly summary finance found that there was sufficient detail to enable informed decision making to take place. Updates on breakeven position, capital position and spend, and variances from control total were all reported.</p> <p>Conclusion</p> <p>Based on the procedures performed we have not identified any significant risks or weaknesses associated with financial sustainability.</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. 	<p>We reviewed the Combined Standing Financial Instructions and Scheme of Delegation as at March 2022. These documents underwent appropriate governance reviews and were presented to Audit Committee on 24th March 2022 and ratified by the Board on 31st March 2022. A scheme of delegation stating the financial limits for the authorisation of tenders and competitive quotations is in place.</p> <p>With regards to the financial approval process, business cases are authorised in line with the Trusts SFIs with any material investments (£1m or above) requiring Board approval. Each Business case is subject to appropriate scrutiny as per the SFIs.</p> <p>The Trust outsources its local counter fraud services to Grant Thornton, who report to the Audit Committee. They have regular meetings with the LCFS to monitor progress and discuss emerging LCFS cases. The LCFS also attends Audit Committee meetings and produces a report for each committee highlighting its activities in the period. This service is high quality and the Trust engages diligently.</p> <p>The Trust's internal audit is outsourced to BDO LLP. Through our attendance of audit committee meetings and review of internal reviews performed by BDO, we have concluded this is a high quality services and the Trust engages holistically.</p> <p>The Trust has a standing agenda item for every committee meeting where attendees are required to declare any new interest which they have not previously declared. The Trust also publishes the register of interests for all board members on its website which is good practice.</p> <p>Non-financial performance is monitored by the Trust Board and the Quality & Performance Executive Committee (QPEC). This is based around a monthly performance scorecard. It covers key metrics related to Activity, A&E, Patient Flow, RTT, DM01, Cancer, Well led, Caring & Patient Safety. We reviewed a scorecard for October 2021 and noted that it was sufficiently detailed and highlighted insightful trends.</p> <p>The Trust's procurement policy is in line with the Public Procurement Policy which states that the EU public procurement rules should be followed. We noted that reports on waiver of SFIs were reported in November 2021 and March 2022 Audit Committees by the Finance Director in line with the policy.</p> <p>Overall ICS plans are reported to the Trust Board on a regular basis, usually through direct briefing to the private board. The Trust is well-reflected in the overall ICS governance. For example, the CFO is a member of the Finance Director Group at the ICS, the Trust's Chief Nurse attends the ICS Quality Group and there is representation at ICS Digital Group and ICS Capital Group. The Trust is also involved in the development and delivery of ICS plans, including the plans for critical care, emergency care, elective care and community services.</p> <p>Conclusion</p> <p>Based on the procedures performed we have not identified any significant risks or weaknesses associated with financial sustainability.</p>

Value for money

Improving economy, efficiency and effectiveness

Description	Commentary on arrangements
<p>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.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> ▪ 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. 	<p>We noted that the Trust has a Risk Management Policy in place. The policy details how risks are identified, recorded, assessed and scored. New risks are added as they are identified, from specific internal incidents, national external reviews, local risk registers and as part of the annual review of risk assessments.</p> <p>The Trust's Quality Committee (QC) is accountable to the Board of Directors and receives assurance on a bi-monthly basis on the processes in place for risk management. It reviews the Corporate Risk Register and seeks assurance that risk is being managed effectively and appropriately. We noted through our review of meeting minutes that the risk register is reviewed and new/emerging risk are considered at the QC providing evidence that processes are operating.</p> <p>We noted that for every risk the Trust has clear action plan with set date for delivery. Additionally, each risk is owned by risk owner(s) and a log of actions is maintained within the register.</p> <p>The Audit Committee reviews the Board Assurance Framework on a six monthly basis and the relevant board subcommittees as determined by their roles and responsibilities. This provides non-executive director oversight of significant operational risks and a mechanism for the committee chair to escalate to the Audit Committee or the Board through their report if they chose to.</p> <p>We noted that the December 2021 Finance and Transformation Committee also included a discussion and review of Board Assurance Framework risks. Similarly, it was presented to the Board during November 2021 for discussion and review.</p> <p>No exceptions were noted over our review of Audit Committee, Finance and Transformation Committee and the Quality Committee minutes. From the minutes reviewed, there was appropriate challenge around risk actions and appropriate focus on financial risks and pressures.</p> <p>The Trust is one of the organisations that makes up the Heartlands Trusts Integrated Care System (the ICS). The Trust has aligned its financial and operational strategies with the ICS strategies.</p> <p>Conclusion</p> <p>Based on the procedures performed we have not identified any significant risks or weaknesses associated with financial sustainability.</p>



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