



Auditor's Annual Report 2022/23

Barnsley Hospital NHS Foundation Trust

29 June 2023

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This report is addressed to Barnsley 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 2022-23 audit of Barnsley 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 issued an unqualified opinion on the Trust's accounts on 29 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 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 There is a risk of material misstatement due to error in the valuation of land and building assets, either due to data inputs (e.g. floor areas) being incorrect or accounting estimates (e.g. market indices) not being appropriate.</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>Fraudulent expenditure recognition Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We consider this would be most likely to occur through understating manual accruals, for example to push back expenditure to 2023-24 to mitigate financial pressures.</p>	<p>We identified a misstatement relating to accruals/expenditure which has been corrected by management. We raised a recommendation relating to controls over the review of accruals postings.</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. We raised a recommendation relating to the journals authorisation and approval control.</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	Significant 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. 	<ul style="list-style-type: none"> The 2022/23 financial year saw the national allocations methodology reset to move systems back towards a fair share distribution of resource approach, at the levels deemed affordable. The 2022/23 national planning guidance confirmed a continuation of system funding envelopes for 2022/23 based on block contract values in H2 2021/22. Aggregated impact of convergence, Covid-19 and general reduction created an efficiency challenge of 5.58% for the 2022/23 financial plan. Following the above approach and in the context of the South Yorkshire system balanced plan, the Trust's approved financial plan was that of an £8.8m deficit. This included £6.2m of underlying top-up funding shortfall and a £2.6m funding gap based on Integrated Care System (ICS) core allocation. The plan was consistent with the national planning assumptions of low Covid-19 numbers, system changes to support productivity back to 2019/20 levels and an efficiency requirement aligned to the allocation reductions. Efficiency schemes are identified through business planning process and also by Clinical Business Unit (CBU) and Corporate management teams throughout the year. These potential schemes are then discussed and reviewed in periodic meetings of Efficiency & Productivity Group meetings before final incorporation into the annual financial plan. For 2022/23, total value of Efficiency & Productivity Programme (EPP) is set as £16.6m with productivity maximisation (£2.6m), ICU nursing cost reduction (£1.5m) and depreciation savings (£1m) as major EPP schemes. All schemes are logged via Project Management Office (PMO) and assigned a maturity score. Scheme progress and maturity are monitored by PMO with CBU and Corporate management teams. Performance against the efficiency target is regularly reported to Finance and Performance Committee (F&P) as a standing item report. High level values are also reported as part of the finance section of the Integrated Performance report (IPR). Assurance is provided to the Board through the F&P chair's log and also the IPR.

Value for money

Financial sustainability (contd.)	
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 Trust's financial planning process forms part of its business planning process, led by the Associate Director of Strategy and Planning and the Associate Director of Operational Recovery, supported by teams from finance, PMO, CBU, information and contracting. Thus key stakeholders from all levels of Trust's management are involved in the process, producing initial expectations of budget requirements using their knowledge of the directorate. Before finalisation of the plans, Director review sessions are held by the executive teams to challenge CBU plans and agree where additional resources are required. For 2022/23, budget assumptions were also agreed across the South Yorkshire Integrated Care Board (SY ICB). Within the Trust, financial risks have been considered and incorporated into the Trust's financial plan, throughout the financial planning process. This has involved discussions and challenge with key stakeholders, including operational working groups, F&P Committee and Board. Furthermore, financial risks have been identified, assessed, managed, challenged and monitored via the Trust's risk registers and through the Trust's Board Assurance Framework (BAF). This is in accordance with the Trust's Risk Policy. The Trust's risk policies are subject to reviews by Audit Committee, F&P and Board on regular and timely basis. As per the latest BAF of March 2023, the Trust's risk of maintaining financial sustainability against the financial plan is assessed as 'Moderate' with control gaps mainly from the system pressure, pressures arising from Covid-19 and its recovery phase, uncertainties surrounding the future financial framework and lack of control over financial performance of external partners. Corrective actions against internal control gaps are in place with additional reporting to periodic F&P. In terms of the Trust's performance against the financial plan for 22/23, the Trust achieved a positive variance of £2.6m by incurring deficit of £6.1m against the plan of £8.8m deficit. Trust's year-end EPP position was savings of £12.1m against a plan of £16.5m, that gives the overall negative variance of £4.4m. The Trust had a total shortfall of £6.4m against non-recurrent deficiencies, partially off-set by £2m of additional recurrent efficiencies. For 2023/24, the Trust submitted a plan of £11.2m deficit, which forms part of the wider ICB plan breakeven submission. Plan is supported by the EPP of £12.5m which include recurring and non-recurring savings of £7.9m and £4.6m respectively.

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 consider the Trust to have effective processes and controls in place to identify, monitor and assess risks across the Trust. Strategic risks are recorded and identified using the BAF and identified risks are reported appropriately. A recent internal audit review of the Trust's risk management arrangements found that the Trust has an appropriate framework in place for risk management at CBU/department level. Following the review, management has also demonstrated that action has been taken to address observations raised around the application of the framework and timeliness of the risk review process. Strategic risks are identified for inclusion on the BAF through regular discussion at Board and its sub-committees. Operational risks are identified for inclusion in the Corporate Risk Register (CRR) at divisional and departmental level and escalated in line with the policy. Risk scores are agreed and reviewed regularly: each risk identified is allocated to a committee for oversight and scrutiny. We have reviewed the BAF and CRR as well as evidence of reporting and follow-up on risks as part of our risk assessment. The Trust undertake a number of measures to prevent and detect fraud. They engage a counter fraud specialist through their Internal Auditors. The Trust also have relevant policies in place e.g. Freedom to Speak Up (FTSU) as well as clear authorisation processes and separation of duties controls for financial transactions. Also, the Trust has been given 'Significant Assurance' in a recent review of FTSU arrangements by the Internal Auditor. The 2022/23 financial plan was prepared by the Deputy and Director of Finance. It was reported to the Finance and Performance Committee and Board regularly through the planning process to allow scrutiny and challenge prior to approval. Financial risks were clearly communicated and are evidenced in the minutes of these meetings. Further scrutiny is undertaken by the ICB and other providers to allow alignment within the ICS. Financial performance is monitored against budget regularly. Monthly budget reports are circulated to budget holders following month-end closedown. Any adverse variances are discussed in meetings between budget holders and executive finance team with action plans prepared to address such variances. Significant pressures are reported to the F&P committee and Board in the monthly finance reports.

Value for money

Governance (Contd.)	
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"> Through inquiries of management, meeting minute reviews and review of policies/processes at the Trust during our risk assessment, we found that the Trust has appropriate processes in place to monitor compliance with laws and regulations. The Trust's Staff Code of Conduct clearly communicates values and expected behaviours of the staff. This is communicated to the staff from the recruitment process and is an integral part of the appraisal process. Trust has business conduct, bribery and conflict of interest policies in place. These policies clearly sets out the process for registering all interests which could impact staff's integrity. The Trust has ensured appropriate scrutiny, challenge and transparency on decision making. The Trust guarantees key decisions are appropriately challenged and scrutinised by the executive team through the business case process which is considered alongside the Trust's procurement policy as set out in the Standing Financial Instructions (SFIs). Business cases are presented to the Board/sub-committees where required and decisions taken formally recorded in the meeting minutes.

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. 	<ul style="list-style-type: none"> ▪ We found appropriate processes in place to ensure the Trust uses information about costs and performance to improve the way they manage and deliver services, with a focus on the level of value for money being achieved. Monthly reporting is undertaken and reported to the F&P and Board allowing the Trust to assess the level of value for money i.e. EPP being achieved and any improvements required. ▪ Scheme progress and maturity are monitored by PMO with CBU and Corporate management teams. The relevant department lead provides monthly delivery values to PMO and officer looking after EPP. Schemes, further ideas and actions required are discussed at the monthly EPP Group. ▪ Benchmarking information from different sources like Model Hospital, RightCare and GIRFT is used to highlight any significant unwarranted variations in the cost models and to identify any improvement opportunities. However, use of benchmarking resources is currently limited due to post-Covid data issues and operational pressures. ▪ Throughout our work and discussions with the Trust, we have seen evidence of engagement with the ICS partners. This include F&P committee oversight of integration of Trust’s financial plans with those of ICS, Barnsley place as regular agenda item of ICS/ICB Executive Team meetings and monthly board updates regarding Barnsley place from Chief Executive of SY ICB. The Trust also worked closely with the ICS for the financial planning process to ensure alignment of the plans. ▪ The Trust made changes to Pathology and Gastroenterology services in partnership with The Rotherham NHS FT to support, in both instances, more sustainable service provision across populations. A Virtual Ward model has also been introduced with partners at Place to support earlier discharge and readmission avoidance where appropriate. ▪ We noted that the Trust continued to keep its activities and strategic priorities aligned with those of the ICS and local place, with evidence of reports on this progress having gone to the Committees and the Board.



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