



Auditor's Annual Report 2020/21

**Chesterfield Royal Hospital NHS
Foundation Trust**

June 2021

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This report is addressed to the Audit and Risk Committee of 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 2020-21 audit of Chesterfield Royal 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 14 June 2021. 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 land and buildings</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>The Trust engaged a valuer to undertake a desktop review for the year ended 31 March 2021. The assessment of the fair value of the assets is a key estimate in the financial statements.</p>	<p>We did not identify any material misstatements or raised any recommendations relating to this risk.</p> <p>We considered the estimate to be optimistic based on the procedures performed to challenge key assumptions within the valuation, including the use of relevant indices.</p>
<p>Fraud risk from expenditure recognition</p> <p>Professional standards require us to make a rebuttable presumption that the fraud risk from expenditure recognition is a significant risk. We considered this is most likely to occur through manipulating accruals at the end of the year to bring forward expenditure which should be deferred to the following year.</p>	<p>We identified one material misstatement in relation to this risk however this was a balance sheet adjustment within the note and was corrected. We did not raise any recommendations relating to this risk.</p>
<p>Fraud risk from revenue recognition</p> <p>Auditing standards set a rebuttable assumption that there is a risk revenue is recognised inappropriately.</p> <p>We assess the fraud risk to be focused on the existence and accuracy of income within the NHS boundary around the period end.</p>	<p>We did not identify any material misstatements or raise any recommendations 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 relating to this risk – please note that our work is ongoing in this area at the time of writing.</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://www.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	Trust – Good – May 2020 Hospital – Requires Improvement – May 2020
Single Oversight Framework rating	2 - Targeted support: support needs identified in Quality of care, Finance & use of resources and Operational performance – January 2019
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	One significant risk identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	One significant risk identified	No significant weakness identified

We have not identified any significant weakness with regards to the Trust's arrangements for ensuring value for money. We reported this as part of our audit report and have provided further details in our commentary on pages 6 to 8.

We have not identified any recommendations based upon our risk assessment or work completed in response to the identified risk. We have provided management with performance improvement observations based upon our risk assessment for future consideration.

Value for money

Financial sustainability	
Description	Commentary on arrangements
<p>Due to the current underlying deficit at both the Trust and Integrated Care System level there is a risk that the Trust does not have in place adequate arrangements to achieve financial sustainability in the medium term.</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>The Covid 19 pandemic has had a major impact on the NHS and this has resulted in changes to the financial planning regime. On 17 March 2020 normal contractual arrangements with NHS commissioners were suspended and the NHS moved to block contract payments on account. The value of these was determined centrally, rather than being agreed between the Trust and the commissioners. NHS organisations were also reimbursed with additional funding as required, in order to reflect the additional costs incurred as a result of Covid-19. For months 7-12 of NHSE/I provided allocations for each commissioner, with further funding made available to the Integrated Care System (ICS) to cover additional cost pressures due to Covid-19 and the provision of services.</p> <p>For months 7-12 of NHSE/I provided allocations for each CCG, with further funding made available to cover additional cost pressures due to Covid-19 and the provision of services. The financial position of the Trust and system improved during the year to a break even position by March 2021, although the ICS continues to report an underlying deficit. This position is reported to the Trust Board at regular intervals, demonstrating the arrangements in place.</p> <p>We found that the Trust has an appropriate reporting framework in place. The financial performance of the Trust is reported each month to the Finance and Performance Committee (F&PC) with identification of risks within the position. There was evidence of discussion and challenge by the Committee prior to a summary report being taken to the Trust Board. During the year this has included regular updates on changes to the national NHS financial regime and the performance of the wider ICS.</p> <p>Reducing the deficit across the ICS continues to be a key priority within the system that in turn impacts the Trust. We identified one significant risk in relation to the processes for ensuring financial sustainability.</p> <p>In response to this, we considered the arrangements in place to align the Trust financial plan with the ICS financial plan. The Trust was involved in the planning process as the Director of Finance and Contracting at the Trust is also the Director of Finance Joined Up Care Derbyshire (the ICS) and approved the Trust's element of the system plan on 5 May 2021. We found evidence of collaborative working between the Trust and other providers through review of system updates reported to the F&PC and ongoing work to develop a financial strategy to mitigate the underlying system deficit in the medium to long term. The Trust has followed the planning guidance by working within the ICS and has included efficiency targets which were identified at 2.0% of the six month forecast income.</p> <p>Through considering these arrangements, we have not identified a significant weakness linked to the identified risk.</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 consider the Trust to have effective processes in place to monitor and assess risk. Strategic risks are recorded and identified using the Board Assurance Framework, and any identified risks are reported to the Audit & Risk Committee. Our review of the risk register found this was sufficiently detailed to effectively manage key risks. Risk scores are reported in the context of the Board's risk appetite with actions identified which set out how the Trust intends to achieve a target risk level. The risks associated with both quality and performance are reviewed alongside financial risks. The consequences of operational and quality risks and how they impact on finance are discussed both through the normal budget setting process and in-year.</p> <p>The Trust have a dedicated counter fraud service provided by 360 Assurance. The Local Counter Fraud Specialist (LCFS) has an agreed workplan and reports progress to each Audit & Risk Committee, with an annual report taken at the end of the year. This resource is supplemented via consideration of fraud by the Audit & Risk Committee and senior finance staff whilst preparing the financial statements. The Trust have an Internal Audit service provided by 360 Assurance, some elements of work have been deferred or re-scoped due to the pandemic, however a full assurance opinion is expected to be provided for the year.</p> <p>The financial planning regime significantly changed for 2020-21 with block funding introduced for the majority of contracts the Trust holds. The Trust has maintained oversight of performance (both financial and operational) by holding monthly divisional performance meetings chaired by the Director of Finance and Contracting. These meetings are structured and a consistent reporting format helps to drive focus on areas where further work is required.</p> <p>The Trust has in place a staff code of conduct as per the standards of conduct and business behaviour policy. Specific guidance is in place for teams and managers via standards of behaviour for these roles. Reviews of compliance with laws & regulations, staff code of conduct and the Trust's constitution is completed through Board meetings with an outside legal firm available for expert advice if required. A register of interest is in place together with a policy for gifts and hospitality with regular reporting on new entries to the register taking place to the Audit & Risk Committee.</p> <p>Key strategic decisions are made via the Trust's governance process. A scheme of delegation is in place which sets out where different decisions/approvals should take place. There is guidance on what is required for both varying budgets and capital cases. Cases are reviewed by Hospital Leadership Team and FPC, prior to the recommendation to Board for final approval contingent on the values of the cases.</p> <p>The Trust has appropriate governance in place regarding the oversight of their wholly owned subsidiary, Derbyshire Support and Facilities Services Ltd.</p> <p>Through considering these arrangements, we did not identify a significant risk.</p>

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 processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved; how the performance of services is monitored and actions identified in response to areas of poor performance; the engagement with partnerships and how the performance of those partnerships is monitored and reported within the organisation; and the monitoring of outsourced services to verify that they are delivering expected standards. 	<p>From the 17 March 2020 Cost Improvement Programmes were put on hold in accordance with national guidance. This was to allow CCGs and providers to respond to the pandemic. It was therefore not possible for the Trust to implement and deliver the identified savings plans for the majority of areas; NHSE/I did not require the Trust to report on the delivery of efficiency schemes for months 1-6. Despite this pause on headline cost reduction programmes the Trust has continued to work within the ICS structure to engage in discussions about change at the system level.</p> <p>A monthly paper is presented to the Trust's Finance and Performance Committee in order to report on financial performance, allowing the Trust to assess the level of value for money being achieved. The Trust has a performance management framework in place to set the structure of performance management. This details the format of reporting and outlines roles and responsibilities at each level. The main element of performance reporting is the integrated performance report which provides the Finance and Performance Committee, and subsequently the Board, with key operational performance indicators on a monthly basis. This report highlights performance in different domains in line with the Trust's strategy and highlights key areas for improvement within each domain. For these areas further information is provided, such as trends, to help inform the Finance and Performance Committee and provide the full context. Escalation reports for key areas are presented to the Board.</p> <p>The activities of the ICS are reflected back into each Joined Up Care Derbyshire (JUCD) organisation via a key messages report following each JUCD Board meeting. A monthly update on the financial position of the ICS is presented to the Finance and Performance Committee and a bi-monthly update of strategic issues is presented to FPC. The Trust has senior engagement both as part of the ICS and with commissioners and works with partners to address key issues as they arise. A monthly update on the financial position of the ICS is presented to the Finance and Performance Committee and a bi-monthly update of strategic issues is presented to FPC. The Trust has senior engagement both as part of the ICS and with commissioners and works with partners to address key issues as they arise.</p> <p>The main partnership working occurs through the JUCD. There are specific workstreams related to planned care, urgent care and mental health and learning disabilities which are reported back within the organisation and drive the system and organisations plans. Urgent Care is reviewing the overall approach to the urgent care pathway which results in Derbyshire favourable emergency and out-of-hospital performance. Planned Care is reviewing the most clinically and cost effective route to scheduled care restoration which is resulting in a broad assessment of the approach to and merits of best approaches to delivering access to services.</p> <p>Major hard and soft facilities management provisions are managed via formal oversight through a sub group of the Trust Board, who meet quarterly with monthly KPI reporting. Clinical equipment sub contracts monitored through single clinical engineering contracts database, performance issues escalated to procurement. Dedicated estates contract manager.</p>

Improving economy, efficiency and effectiveness (continued)

Commentary on arrangements (continued)

The Care Quality Commission (CQC) inspected four of the core services at the CRH hospital site (Urgent and Emergency Care, Surgery, Medical Care and Maternity) in January 2020 and published their report in May 2020 rating elements of medical care as requires improvement. In March the CQC and NHSEI suspended their routine inspection processes and so neither the well-led or the use of resources reviews were completed. The Trust has a Quality Delivery Group which monitors CQC actions and compliance and these minutes are taken to the Quality Assurance Committee. An action plan was drawn up to carefully monitor the progress against the CQC actions to secure improvement where the Trust identified weaknesses. Investment in staff and increased education programmes has been evidenced.

Through considering these arrangements, we have not identified a significant weakness linked to the identified risk.



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