

Auditor's Annual Report 2021/22

**Sheffield Health and Social Care NHS
Foundation Trust.**

July 2022

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Contents	Page
Summary	3
Accounts audit	4
Value for money commentary	5
Follow up of prior year recommendations	11

This report is addressed to Sheffield Health and Social Care NHS 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 Sheffield Health and Social Care (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 01 July 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 identified 1 significant weakness relating to the arrangements for improving economy, efficiency and effectiveness. We have provided further detail on page 10.</p> <p>We have followed up on the significant weaknesses in the prior year on page 11 and 12.</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 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'. There are a number of estimates and assumptions that are made in order to reach the recognised value. Due to this complexity and the high value of land and buildings there is a risk that the value is misstated.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised two recommendations relating to valuation of land and buildings to enhance controls.</p> <p>We considered the estimate to be balanced based on the procedures performed.</p>
<p>Disposal of Fulwood House</p> <p>The Disposal of Fulwood House is complex and involves judgements against the Department of Health and Social Care Group Accounting Manual (GAM).</p>	<p>We did not identify any material misstatements 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.</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 the Trust's over accruals.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised one recommendations relating to accruals to enhance controls.</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	Requires Improvement
Single Oversight Framework (SOF) rating	Rated 4 – Mandated Intensive Support until March 2022 Rated 3 – Mandated Regional Support from March 2022
Governance statement	Significant internal control issues identified
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.

Significant weaknesses followed up from the prior year

On page 11 and 12 we have set out commentary on the significant weaknesses identified in the prior year and whether the recommendations to address the weaknesses have been satisfactorily implemented.

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	One significant risk identified	Significant weakness identified

We identified a significant weakness with regards to the Trust's arrangements for Improving economy, efficiency and effectiveness arrangements. 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. 	<p>The ongoing Covid 19 pandemic continued to impact on the NHS and the financial regime that the Trust was working within. For the setting of budgets for 2021-22 the Integrated Care System were concentrating on having a H1 position of break even, The 2021-22 financial plan was submitted showing a break even position for H1, and also due to the uncertainty at the time to break even in H2.</p> <p>The break even plans included a Cost Improvement Plan (CIP) requirement of £3.028m at the start of the year. As at April 2021 the Trust had unidentified CIP requirement of £2.826m of the £3.028m, so there was a level of risk on delivery of the break even plan.</p> <p>The budget monitoring and control processes were able to manage this position during the year, and by month 10, budget reporting identified a £2.4m surplus. Management had been able to manage the financial position by using a non recurrent underspend of £3.9m offset by spending pressures on agency nursing costs, and having to commission out of area capacity, to meet demand. The year end position reported was £2.182m.</p> <p>We have found that the Trust has medium term plans in place to support the sustainable delivery of strategic and statutory priorities and maintain services. The Trust has identified for 2022-23 there is a need for future CIP's to be delivered recurrently to enable a more sustainable medium term, especially as financial regime reverts back to 'normal' arrangement. This work is ongoing and in line with national guidance on the financial regime currently in place.</p> <p>In February 2022 the Board agreed a medium term capital strategy which agreed a capital plan for 2022-23. This plan identified a significant investment in the medium term of £123m, with the majority of the funding being sought from the national New Hospital Programme. We note that expressions of interest have been submitted. The agreed disposal of the Fulwood house site will help to fund £12m of capital investment over the medium term.</p> <p>Conclusion</p> <p>Based on the procedures performed, we have not identified any significant weaknesses.</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>Following the inadequate rating by CQC in April 2020, the Trust has responded with a series of actions including developing a Well Led Development Plan and a Back to Good programme to address the issues raised by CQC. Each of the action plans are regularly reviewed by the Board to ensure that appropriate oversight of the progress and issues identified. These improved arrangements have now had time to embed into the organisation.</p> <p>CQC returned to the Trust and carried out a re-inspection between 5th to 28th May 2021, with their findings being the Trust has moved from inadequate to requires improvement. Given the timing of this inspection the improvement is indicative of the arrangements being in place for the whole of 2021-22, however we note there is still some improvement areas for the Trust to continue to develop as outlined by CQC. We note these areas are part of the Back to Good programme, given this we have concluded that this does not present a risk of significant weakness in relation to governance.</p> <p>We consider the Trust to have processes in place to monitor and assess risk. However we do recognise the improvement area CQC have identified that these arrangements become further embedded and provide effective management of the risks and improvement of the quality of services. Our review of the risk register found this was sufficiently detailed to effectively manage key risks.</p> <p>Our assessment indicates that the Trust has processes in place to enable appropriate scrutiny, challenge and transparency on decision making. Business cases are presented to the Board following internal review and approval. We reviewed a sample of business cases for 2021-22 and found there was evidence of scrutiny and challenge.</p> <p>The financial planning regime for 2021-22 continued to be heavily influenced by Covid 19. We have reviewed the approval of the 2021-22 financial plan by the Board and seen scrutiny and challenge within this approval process leading to actions to improve the plan before submission. Financial risks from the plan are also communicated within the risk framework and discussed with the Risk and Audit Committee and at Board meetings.</p> <p>In order to understand their financial performance against their budget, budget holders are provided with monthly budget report which is also reviewed by the finance manager. Discussions between finance managers and budget holders allows for challenge and response to variances. The introduction of the Integrated finance and performance report also helps provide the rounded judgements of both financial and operational performance to allow for fully understood decisions to be made.</p>

Value for money

Governance (continued)	
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>Reviews of compliance with Laws and Regulations, staff codes of conduct and the Trust's constitution is completed through Board Meeting, Risk and Audit Committee governance structures as understood from our testing.</p> <p>We have reviewed a sample of key decisions that have been made in 2021-22, and consider that the decisions that are taken are to ensure that they are scrutinised and challenged by the executive team through the Scheme of Delegation and SFI's with escalation and decision making at Board level where required. The Annual Planning process ensures strategic decisions follow the treasury Green Book five case model and in particular ensures links to the Trust Strategy and Impact on Trust risk profile.</p> <p>Conclusion</p> <p>Based on the procedures performed, we have not identified any significant weaknesses.</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>Historically, as reported in the Governance section of this report, in April 2020 the Trust received an overall inadequate rating by CQC. The report highlighted that the Trust had breaches of legal requirements in five core services and in relation to the overall governance of the Trust. In response to this the Trust took a series of actions including developing a Well-Led and Back to Good programme to address the issues.</p> <p>During the year the Trust has made significant progress due to the arrangements it had developed in response to the historic issues. Specifically:</p> <ul style="list-style-type: none"> - CQC returned to the Trust and carried out a re-inspection in May 2021, with their findings being the Trust has moved from inadequate to requires improvement. - Three of the core services that were previously rated inadequate (acute wards and psychiatric intensive care unit, mental health wards for older people, and crisis and health-based places of safety) were re-inspected and two moved to requires improvement in May 2021. - The service that continued to be rated inadequate (acute wards and psychiatric intensive care service) following the May 2021 inspection was rated requires improvement following a further inspection during December 2021. - In February 2022, CQC confirmed that the Trust had made significant improvements in the areas highlighted in the previous Section 29A enforcement notice and this enforcement notice was closed. These improvements led to a national and regional decision to move the Trust from SOF4 to SOF3. <p>However, we also note during 2021 -22 Trust management reported their concerns to CQC over the Assessment and Treatment Service, this led to a CQC visit in April 2021 which concluded that the service was inadequate and CQC placed a condition on the Trust that they must not admit any service user to this service without the written permission of CQC.</p> <p>Overall the above commentary provides evidence of significant progress at the Trust of addressing the most significant issues raised by CQC. However, in making our assessment of whether significant weaknesses exists, we need to consider the whole financial year. Given the:</p> <ul style="list-style-type: none"> - Section 29A enforcement notice was in place until February 2022; - Trust remained in SOF4 until March 2022; and - Issues at the Assessment and Treatment Service (mentioned above), <p>there is evidence the Trust did not achieve statutory/regulatory requirements throughout the year.</p>

Value for money

Improving economy, efficiency and effectiveness (continued)

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 note that 2021/22 CIP programmes were put on hold in line with national guidance, we found appropriate processes in place to ensure that the Trust used information about costs and performance to improve the way they manage and deliver services, including the use of monitoring costs through benchmarking groups.</p> <p>The development of the Integrated quality and performance report provides the Trust to monitor performance and quality of services throughout the year.</p> <p>Conclusion Based on the procedures performed, we have identified a significant weakness in relation to the Trust's failure to achieve statutory/regulatory requirements throughout the year.</p> <p>Significant weakness</p> <p>The Trust has been responding to historic issues following an inadequate rating of CQC in April 2020. Despite significant progress being made during the year, there is evidence that statutory/regularity requirements have not been met throughout the year. For instance, for the majority of the financial year the previous Section 29A enforcement notice was in place (closed in February 2022) and the Trust was in SOF4 until March 2022. We also note during 2021 -22 Trust management reported their concerns to CQC over the Assessment and Treatment Service, which led to a CQC visit in April 2021 that concluded the service was inadequate and CQC placed a condition on the Trust that they must not admit any service user to this service without the written permission of CQC.</p> <p>Consequently our judgement is that the Trust had significant weaknesses in its arrangements for improving economy, efficiency and effectiveness in respect of ensuring statutory and regulatory requirements were met throughout the year.</p> <p>Please note no recommendation has been issued as explained on page 12.</p>

Value for Money

Significant Weaknesses followed up from the prior year

In our annual auditor's report for the financial year 2020-21 we reported that the Trust had a significant weakness in arrangements. As required by the Code of Audit Practice we have revisited this issue and set out in the table below an update in regards to the arrangements in this area.

Weakness reported in 2020-21	Recommendation	Update
Based on the procedures performed we have identified a significant weakness in the Trust's governance arrangements. The significant weakness relates to the failure to implement or achieve progress on recommendations raised by CQC to the degree that statutory/regularity requirements are not met for the financial year 2020/21.	The Trust needs to continue to ensure: - the significant outstanding issues raised by the CQC are addressed; and - progress is monitored and scrutinised by the appropriate project groups and the Trust's Board to ensure the actions taken to address the issues raised are effective.	The commentary in relation to governance (pages 7-8) demonstrates that significant progress has been made during the year in respect of the governance arrangements of the Trust. Based on this we are satisfied the Trust has addressed the recommendation to the degree it related to governance arrangements. Note comments overleaf in respect of the Trust's progress in addressing this significant weakness from the prior year in respect of arrangements for improving economy, efficiency and effectiveness.

Value for Money

Significant Weaknesses followed up from the prior year

In our annual auditor's report for the financial year 2020-21 we reported that the Trust had a significant weakness in arrangements. As required by the Code of Audit Practice we have revisited this issue and set out in the table below an update in regards to the arrangements in this area.

Weakness reported in 2020-21	Recommendation	Update
Based on the procedures performed we have identified a significant weakness in the Trust's arrangements for improving economy, efficiency and effectiveness. The significant weakness relates to the failure to implement or achieve progress on recommendations raised by CQC to the degree that statutory/regularity requirements are not met for the financial year 2020/21.	The Trust needs to continue to ensure: - the significant outstanding issues raised by the CQC are addressed; and - progress is monitored and scrutinised by the appropriate project groups and the Trust's Board to ensure the actions taken to address the issues raised are effective.	The commentary in relation to improving economy, efficiency and effectiveness (pages 9-10) demonstrates that significant progress has been made during the year by the Trust. However, there is evidence the Trust did not achieve statutory/regulatory requirements throughout the year. The commentary on pages 9 - 10 makes clear that by the end of the year these requirements were met and therefore no recommendation has been issued in 2021-22.



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