



Auditor's Annual Report 2021/22

**South West London & St George's Mental
Health NHS Trust**

24 June 2022

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This report is addressed to South West London & St George's Mental Health 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 South West London & St George's NHS 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 24 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>

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</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 relating to this risk</p> <p>We considered the estimate to be balanced.</p>
<p>Fraudulent income recognition</p> <p>Auditing standards require consideration of a rebuttable assumption that there is a risk income is recognised inappropriately.</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 in particular in relation to year end accruals.</p>	<p>We did not identify any material misstatements 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 \(nao.org.uk\)](http://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	Good
Single Oversight Framework rating	1 - Maximum autonomy: no support needs identified
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	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant risks 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>The financial planning regime that was introduced as a result of the Covid 19 pandemic continued into 2021/22, with most commissioning arrangements continuing to be on a block basis. Funding arrangements did change, however, to include less revenue based upon top-up funding for covid specific activity, and during the second half of the year, health systems being expected to manage within their financial envelope.</p> <p>The Trust achieved its breakeven position in 2021/22, which included the delivery of £10.6 million of efficiencies, though we note approximately 50% of these were through non-recurrent measures.</p> <p>We have observed the budget setting process to appropriately involve individual budget holders as well as the Finance team. Cost pressures are identified across the organisation and compiled into a report that is made to the Executive Leadership Team (ELT) and the Finance and Performance Committee. Our review of Committee and ELT papers demonstrated robust challenge and discussion of cost pressures and potential options for mitigation. We were also able to see evidence of the Trust involvement in wider system finance discussions and contribute to the outturn at a system level.</p> <p>We reviewed the monthly budget monitoring process. There is scrutiny of the financial run rate at a service level with monthly meetings between Heads of Service, Finance and the Chief Operating Officer. Variances from plan are identified and discussed along with potential mitigating actions. The Finance and Performance Committee and the Board receive a monthly finance update. We have appraised the monthly finance reports and found them to be comprehensive and sufficiently detailed to support the reader in their understanding and decision making. We also found the level of detail in relation to financial risk to the position, developments at a national and local level, and key areas for scrutiny, such as agency spend to be appropriate and to provide a comprehensive view of the factors impacting on financial performance.</p> <p>The Trust has a significant capital programme underway in the form of its Estate Modernisation Programme (EMP). We have observed the detailed level of project and programme management in respect of this EMP, the delivery of which spans several years. The fundings requirements for this and cost implications have been built into the full business case.</p> <p>Financial risks are monitored by the Finance and Performance Committee, as part of the wider risk management arrangements, and as required, feature appropriately on the Corporate risk register reporting and the Board Assurance Framework. Finance risk, and the influencing factors of this form an integral part of all financial reporting at ELT, Committee and Board level.</p> <p>Conclusion</p> <p>Overall, based upon the procedures we have undertaken, we have not identified any significant weaknesses in the arrangements that the Trust has in place in 2021/22 in relation to 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>The Trust has well established processes in place for the identification, monitoring and recording of risk, both at an operational and strategic level. We observed the strategic risks to be appropriately incorporated into the Board Assurance Framework (BAF). Through our attendance at Audit Committee, we were able confirm regular review and discussion of the 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.</p> <p>The BAF is used as a tool for recording how the Trust assures itself over the control environment which mitigates the strategic risks. The Trust has also appointed an external firm to provide Internal Audit and Local Counter Fraud services, and both of these provide updates to the Trust Audit Committee throughout the year. The overall Head of Internal Audit opinion concluded there to be reasonable and effective risk management, control and governance processes in place.</p> <p>A detailed scheme of delegation is in place and this has been updated to include decision making specifically relating to the EMP. We reviewed a sample of key decisions made in year including the redevelopment of a ward and a land sale and observed that the Trust had appropriately followed its governance process in terms of preparing a business case, and reporting to the appropriate committee/ELT and the Trust Board. We also reviewed the committee/Board papers to support a no-bid decision for a particular service, and found these to be appropriately comprehensive and balanced to support decision making.</p> <p>Changes to relevant laws and regulations are monitored through the Quality and Safety Assurance Committees and the Finance and Performance Committee and escalated to the Board as required. We observed through our review of committee minutes that the Trust assures itself over compliance with laws and regulations through programmes such as the Board site visits, which took place throughout the year.</p> <p>Conclusion</p> <p>Overall, based upon the procedures we have undertaken, we have not identified any significant weaknesses in the Trust's governance arrangements.</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>The formal requirement for delivering efficiency savings was re-introduced in the second half of the year, having been paused during the pandemic. However, as we noted in our prior year Annual Auditor’s Report, the Trust had continued to develop and monitor cost savings and efficiencies opportunities throughout the majority of the pandemic.</p> <p>For 2022/23, the special funding measures that have been put in place across the NHS to respond to Covid 19 will be replaced by something that more closely aligns to the processes in place prior to the pandemic. There is likely to be an increase in risk to financial performance as breakeven positions will no longer be funded centrally through covid top-ups, and NHS organisations will be expected to work closely with their local systems to find ways to achieve cost improvements and efficiencies to ensure financial balance across all organisations within the system.</p> <p>The Trust is planning a breakeven position for 2022/23, and underpinning this is the achievement of efficiency savings of £12.4 million. To date, approximately one third of the required schemes (by value) has been fully developed, one third is in progress and the remainder is still at the opportunity phase. Historically, we have observed the Trust to have a good track record in the delivery of its Cost Improvement Programmes and has maintained a breakeven position. However, we note that the increase in financial pressure across the NHS nationally, as well as locally, along with the increased demand for mental health services following the pandemic lock down periods will mean significant challenge in financial delivery for the Trust.</p> <p>We have reviewed the reporting and monitoring processes that the Trust has in place in respect of its cost improvement programmes and found these to be monitored appropriately and regularly throughout the year, and for comprehensive reporting to be produced by the Head of CIP Delivery, which includes a RAG rating for the individual schemes, achievement to date and trends. This is received weekly by the ELT, and a monthly report is made to the Finance and Performance Committee. 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.</p> <p>Conclusion</p> <p>Overall, based upon the procedures we have undertaken, we have not identified any weaknesses in the arrangements that the Trust has in place for improving economy, efficiency and effectiveness.</p>



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