



# Auditor's Annual Report 2020/21

Central London Community Healthcare NHS  
Trust

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This report is addressed to Central London Community Healthcare 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 2020-21 audit of Central London Community Healthcare 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

<b>Accounts</b>	<p>We issued an unqualified opinion on the Trust's accounts. 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>
<b>Annual report</b>	<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>
<b>Value for money</b>	<p>We are required to report if we identify any matters that indicate there are significant weaknesses in the Trust's arrangements to achieve value for money.</p> <p>We have nothing to report in this regard.</p>
<b>Other reporting</b>	<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><b>Valuation of land and building</b></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>This requires assumptions to be made about how assets would be reprovided, including their location and any changes that may be made to the assets from their existing state.</p> <p>Due to the value of properties and the complexity of estimating their valuation we identify a significant risk associated with this balance.</p>	<p>The Trust commissions external valuers to prepare their valuation of the estate. We assessed the expertise of the valuers utilised by the Trust as well as reviewing the information that was provided to them to enable an accurate valuation to be prepared.</p> <p>We confirmed that the valuation had been prepared in line with the requirements of accounting standards and that appropriate assumptions had been applied in determining the value assigned to the properties.</p> <p>We considered the estimate to be balanced based on the procedures performed.</p> <p>We identified one misstatement as part of our work which has been corrected within the final accounts.</p>
<p><b>Management override of controls</b></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 reviewed the controls in place for making manual adjustments to the accounts and used data and analytics in order to assess whether there were any transactions that displayed characteristics suggesting they may have been inappropriate. We tested all transactions identified as a result of this procedure and did not identify any exceptions.</p> <p>We assessed the key estimates included within the accounts to consider whether there were any indications of bias in their preparation. This primarily relates to the value of property, plant and equipment as set out above and we did not identify any indicators of bias in the preparation of these balances.</p>

# Accounts audit

Risk	Findings
<p><b><i>Fraudulent revenue recognition</i></b></p> <p>Auditing standards set a rebuttable assumption that there is a risk that revenue is recognised inappropriately. In particular we consider the risk that revenue may be recognised within the incorrect accounting period and that additional revenue made available to NHS providers as a result of the Covid-19 pandemic may have been claimed inappropriately.</p>	<p>We agreed additional income that had been received during the year as top ups for Covid-19 related costs to the claims that had been made and confirmed that they had been made in line with the requirements set out by the Department of Health and Social Care.</p> <p>Due to changes in the funding regime contracts were not agreed between providers and commissioners for 2020-21 and funding was allocated to trusts. We confirmed that the Trust had recognised revenue during the year in line with the funding entitlements available to it.</p> <p>We reviewed income entries made around the end of the financial year in order to confirm whether they had been included within the correct period.</p> <p>We did not identify any material misstatements relating to this risk.</p>
<p><b><i>Fraudulent expenditure recognition</i></b></p> <p>In line with guidance for auditors in the public sector we also consider the risk that expenditure may be manipulated in order to achieve the financial performance required for centrally set targets.</p> <p>We consider this would be most likely to occur through manipulating accruals at the end of the year to defer expenditure to the following year.</p>	<p>We inspected a sample of accruals made at 31 March 2021 for expenditure not yet invoiced to understand whether the valuation of the accrual was consistent with the value billed after year end. We also reviewed the accuracy of accruals made in previous periods to consider the risk that there are inaccuracies in the accruals and we compared the balances accrued year on year in order to assess whether there was a risk of missing accruals or accruals that were not required.</p> <p>We performed specific cut-off testing over expenditure transactions between March 2021 and the date of signing and identified no instances of transactions having been recorded incorrectly.</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 \(nao.org.uk\)](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:

<b>Care Quality Commission rating</b>	Good
<b>Single Oversight Framework rating</b>	1- Maximum autonomy: no support needs identified.
<b>Governance statement</b>	There were no significant control deficiencies identified in the governance statement.
<b>Head of Internal Audit opinion</b>	Unqualified Head of Internal Audit Opinion.

## 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
<b>Financial sustainability</b>	No significant risks identified	No significant weaknesses identified
<b>Governance</b>	No significant risks identified	No significant weaknesses identified
<b>Improving economy, efficiency and effectiveness</b>	No significant risks identified	No significant weaknesses identified

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"> <li>How the Trust sets its financial plans to ensure services can continue to be delivered;</li> <li>How financial performance is monitored and actions identified where it is behind plan; and</li> <li>How financial risks are identified and actions to manage risks implemented.</li> </ul>	<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 providers were suspended and the NHS moved to block contract payments on account. The value of these was determined centrally, rather than being agreed between commissioners and providers. 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, the Trust received block funding from CCGs, with further funding made available to cover additional cost pressures due to Covid-19 and the provision of services.</p> <p>The Trust reported a deficit of £1.1m for 2020-21. This was primarily driven by the financing regime in place for the first half of the year, which led to all NHS providers reporting a break-even position, and in the second half of the year funding was allocated in order to meet the cost of delivery. The deficit of £1.1m was considered allowable due to an increase in the level of annual leave accrued at the end of the year, which was considered allowable when assessing performance against the control total set for the Trust.</p> <p>We found that the budget monitoring and control processes were able to identify and incorporate significant pressures into the financial plan to ensure it was achievable and realistic. The initial draft budgets were constructed based on appropriate local and national planning assumptions and we saw evidence of appropriate review and sign off by the relevant budget holders. Emerging cost pressures such as increased pay awards, uplift for employer pension contributions and existing delivery on contracts with CCGs are identified through monthly review of budget statements by the Executive Leadership Team and review of any material overspends by the Finance Risk and Investment Committee. These are in line with our expectations</p> <p>The Trust had identified the key risks to financial resilience and these were appropriately managed. Within the risk register, individual risks are marked and described. Each risk is marked with a score per category, and any ways to mitigate the risk are noted. Our review of the financial plan has confirmed risks have been appropriately considered. This is broadly consistent with other providers.</p> <p>While there remains uncertainty associated with the funding available for 2021-22 we have not identified any indications that the Trust will not have sufficient funding available. Initial planning has been undertaken for the year. In the first half of 2021-22 the revised financial arrangements associated with Covid-19 will continue, with block funding available to the Trust to support it in meeting the cost of delivery during the pandemic.</p> <p>Based on the procedures performed we have not identified any issues that the Trust do not have sufficient arrangements in place to ensure financial sustainability.</p>

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"> <li>Processes for the identification and management of strategic risks;</li> <li>Decision making framework for assessing strategic decisions;</li> <li>Processes for ensuring compliance with laws and regulations;</li> <li>How controls in key areas are monitored to ensure they are working effectively.</li> </ul>	<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 Committee. Our review of the risk register found this was sufficiently detailed to effectively manage key risks. We were able to identify appropriate identification and escalation of financial risks through the Trust's governance structure in order to ensure that appropriate mitigations were in place.</p> <p>The Trust has ensured appropriate scrutiny, challenge and transparency on decision making. This is achieved through submission of a business case template to the Executive Leadership Team (ELT) and Finance Risk and Investment Committee and Trust Board for approval.</p> <p>The Trust monitors laws and regulations through maintaining a list of regulations and guidance which is shared with the relevant Board committees and ELT. However, responsibility for compliance sits with teams with direct oversight over those areas. The Counter Fraud team is responsible for monitoring fraud related issues in the Trust. Internal audit also reports any regulatory breaches they may identify as part of their reviews.</p> <p>Revised guidance was issued by the Department of Health and Social Care for managing procurement as a result of the Covid-19. This acknowledged that there may be increased requirements to waive tendering requirements in order to ensure that appropriate supplies are able to be maintained. We noted at the end of the year that there was an increase in the level of waived tender requirements. While we did not identify any inappropriate waivers it is important that the Trust ensures it has appropriate procurement plans in place to enable services to be tendered in advance of the end of contracts.</p> <p>We found there to be appropriate scrutiny and challenge of the budgets and appropriate approval through the budget holders and the Finance Risk and Investment Committee. Managers receive budget statements and Divisional Reports in order to maintain and monitor costs and identify areas for improvement. An analysis of cost against spend is done monthly through Finance and Risk Investment Committee reports which gives management any short falls and any areas for improvement. Further, there is additional review and challenge and approval of cost improvement identification schemes.</p> <p>Discussions between Finance Managers and budget holders allowed for appropriate challenge and response to adverse variances. We also found appropriate processes in place to ensure accurate recording and monitoring of the additional costs associated with Covid-19.</p>



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<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"> <li>▪ Processes for the identification and management of strategic risks;</li> <li>▪ Decision making framework for assessing strategic decisions;</li> <li>▪ Processes for ensuring compliance with laws and regulations;</li> <li>▪ How controls in key areas are monitored to ensure they are working effectively.</li> </ul>	<p>As a result of the Covid-19 pandemic the expectation for efficiencies to be delivered by NHS providers was removed and funding made available in order to support the provision of services. In line with the guidance issued the Trust paused the delivery of its efficiency plans. We have seen a range of responses across the sector to continuing to develop and monitor efficiencies, with some providers continuing to develop their efficiency programmes so that they are ready to deploy as services begin to return to business as usual. As the financial regime is anticipated to resume from the second half of 2021-22 the Trust will need to begin ensuring efficiency planning recommences to enable schemes to be delivered from the beginning of that time.</p> <p>The Trust is set a cap on the level of expenditure that can be incurred with agencies for the provision of staff on an annual basis. We noted that the cap had been breached during the year, however the Trust has undertaken significant work in order to reduce its levels of reliance on agency staffing and ensure that agency shifts are only booked where there is a requirement, therefore we have not considered that this constitutes a significant weakness in its arrangements.</p> <p>Based on the procedures performed our overall conclusion is that we have not identified any significant risks that the Trust does not have sufficient governance arrangements in place to oversee and monitor value for money achievement.</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"> <li>▪ The planning and delivery of efficiency plans to achieve savings in how services are delivered;</li> <li>▪ The use of benchmarking information to identify areas where services could be delivered more effectively;</li> <li>▪ Monitoring of non-financial performance to assess whether objectives are being achieved; and</li> <li>▪ Management of partners and subcontractors.</li> </ul>	<p>We note that from 17 March 2020 Quality, Innovation, Productivity and Prevention programme (QIPP) programmes were put on hold in accordance with national guidance. This was to allow NHS providers to respond to the Covid-19 pandemic. For months 7 -12 any service redesign, service extension and/or transformation were to be based on provider capacity, infection prevention and control and estates guidelines.</p> <p>There are appropriate arrangements in place for the monitoring of both financial and non-financial performance. The Trust maintains a finance and performance report which provides details on the non-financial metrics that the Trust monitors. This information is evaluated against internally set targets and where applicable peer benchmarks and national targets. NHS benchmarking for community services and for corporate services has not been active this financial year due to Covid-19. However, the Trust has continued to make sure of internal data for benchmarking and have conducted external one off benchmarking reviews e.g. for costs of the Business Intelligence Performance Analytics (BIPA) function vs similar functions at other community Trusts. The Trust has also continued to make use of the model hospital data set where applicable. For Covid-19 work the Trust has actively compared their data with other organisations at a system level to help ensure they are using it to improve performance.</p> <p>A monthly paper is presented to the Trust’s Finance and Risk Committee in order to report on financial performance, allowing the Trust to assess the level of value for money being achieved.</p> <p>Management also maintains and monitors costs by reviewing relevant Key Performance Indicators (KPIs) aligned to strategic objectives. The Trust continues to follow national procurement guidelines around value for money. Any annual spend over £5,000 requires a minimum of 3 quotes evidenced or a full competitive tender process, depending on the value.</p> <p>There is appropriate scrutiny and challenge of outsourced services, including the delivery of outsourced corporate support services, in weekly Executive Leadership Team (ELT) meetings and monthly Finance Risk and Investment Committee. Any identified gaps are noted for action and resolution.</p> <p>Through Integrated Care Systems (ICS) Partnership Executive Local Care deep dive sessions top deliverables and risks are identified through a consultative process and next steps for mitigation are defined. The broad programme areas covered include community, long Covid, flu and specialist palliative care. Any items outside normal delegated executive decision-making powers are brought to the Board for decision/approval in public board. The Board is engaged in developing the Trust’s response to NHSE/’s legislative proposals in Integrating Care –Next steps to building strong and effective integrated care systems across England. The Trust board receives update on the progress of the ICS partnership on a period basis.</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"> <li>▪ The planning and delivery of efficiency plans to achieve savings in how services are delivered;</li> <li>▪ The use of benchmarking information to identify areas where services could be delivered more effectively;</li> <li>▪ Monitoring of non-financial performance to assess whether objectives are being achieved; and</li> <li>▪ Management of partners and subcontractors.</li> </ul>	<p>The Trust is a member of the North West London Health and Care Partnership, Herts and West Essex ICS, North Central London Sustainability Transformation Programme (STP) –North London Partners in Health and Care and South West London ICS -South West London Health and Care Partnership.</p> <p>Based on the procedures performed we have not identified issues that the Trust do not have sufficient governance arrangements in place to oversee and monitor value for money achievement.</p>



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