



Auditor's Annual Report 2021/22

Bradford District Care NHS Foundation Trust

20 June 2022

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This report is addressed to Bradford District Care 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 2021-22 audit of Bradford District Care 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 20 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 4-5.</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>Specialised assets such as hospital buildings do not have a readily identifiable market value and as such are recognised at the depreciated replacement cost (DRC) of a modern equivalent asset that has the same service potential as the existing property. 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 risk that the value is misstated.</p>	<p>Our work assessed the competence of the independent valuer engaged by the Trust to value its properties. We also assessed the reasonableness of the key underlying assumptions to the valuation and performed some sensitivity analysis over these to ensure the recognised balance was not materially misstated.</p> <p>Additionally we considered whether there were any indicators of impairment for the land and buildings held by the Trust, with none identified. We reconciled the balances and valuation movements disclosed in the financial statements back to the valuation report provided to the Trust.</p> <p>We did not identify any material misstatements relating to this work. However we identified one presentational audit adjustment which had no net impact on the Statement of Financial Position or Statement of Comprehensive Income.</p> <p>We considered the estimate to be balanced based upon the procedures performed.</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 Trust's non-pay expenditure excluding depreciation as manipulated in order to report that the control total has been met.</p> <p>We consider this would be most likely to occur through overstating accruals, if performance against the control total allows, for example to bring forward expenditure from 2022-23 to mitigate financial pressures.</p>	<p>We tested the design and operation of controls over expenditure. We inspected a sample of expenditure transactions through to supporting documentation and also selected a sample of transactions posted around the year end to ensure they had been accounted for in the correct period. We also considered the outputs of the national Agreement of Balances (AoB) exercise with other NHS organisations to give us assurance with regards to the completeness and existence of expenditure recognised with NHS organisations.</p> <p>Further, to get comfort over existence and accuracy of year-end accruals, we inspected evidence of the actual amount paid after year end against sampled accruals. We also performed retrospective review of prior year accruals and considered the impact on our assessment of accruals at 31 March 2022. This include year on year comparison of period-end accrual population to assess appropriateness of the items accrued.</p> <p>We did not identify any material misstatements relating to this risk.</p>

Accounts audit (continued)

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><i>Fraudulent revenue recognition</i></p> <p>Auditing standards set a rebuttable assumption that there is a risk revenue is recognised inappropriately. We recognised this risk over the variable elements of the Trust's income, rather than those funded from the agreed 'block' basis of funding due to the limited opportunity for this 'block' element to be manipulated.</p>	<p>Our work considered outputs of the national Agreement of Balances (AoB) exercise with other NHS organisations to give us assurance with regards to the completeness and existence of income recognised from NHS organisations. Where significant variances were identified we obtained evidence with regards to the validity of the Trust's disclosed position. We agreed any significant accrued or deferred income balances to supporting documentation.</p> <p>We did not identify any material misstatements relating to this risk.</p>
<p><i>Management override of controls</i></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>Our work tested the operating effectiveness of controls in place with regards to the posting of journal entries to the accounting ledger. We identified higher risk journal transactions and agreed these back to supporting evidence/documentation to ensure they had been posted appropriately. We considered any significant transactions that were outside the course of the Trust's usual business.</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	Segment 2 – Target Support
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. 	<p>Summary of findings</p> <ul style="list-style-type: none"> 2021-22 was the second year that temporary funding arrangements were in place at Trust to support the NHS in responding to the global pandemic. Under these arrangements, Trusts are moved to block payment arrangements with additional funding provided through top up funding and Covid-19 allocations to support systems to deliver a breakeven position. Cost incurred for running the vaccinations centres was matched pound for pound and allocations were agreed at Integrated Care System (ICS) level for Half 1 and Half 2. We noticed that due to temporary funding regime in place during pandemic, normal business arrangements including Commissioning for Quality and Innovation (CQUINs) improvements were largely stood down and there are limited requirements to meet efficiency targets. The Cost Improvement Programmes (CIP) that the Trust has in place during 2021/22 are largely transactional and supportive of the Trust's requirement to deliver a breakeven position. We also found that the Trust has plans in place to support the sustainable delivery of strategic and statutory priorities and maintain services. This is evident from the launch of Together We Innovate Create and Sustain (TWICS) programme with aim of re-energising the efficiency in readiness for returning to normal finance and contracting arrangements for 2022-23. Under TWICS, Trust has identified an estimated £7m-£10m recurrent efficiency requirements for 2022-23. TWICS Board and supporting structure is in place and report to Finance, Business and Investment Committee (FBIC) on monthly basis. Notwithstanding the fact that 2021/22 was largely focused on ensuring sufficient resources for NHS to manage the pandemic, there was a clear commitment to continue with the investment needed to deliver the Mental Health (MH) long term plan ambitions. Secured investments including Mental Health Investment Standard (MHIS) were monitored on monthly basis through Senior Leadership Team's (SLT) finance dashboard review. We found that the budget monitoring and control processes are able to identify and incorporate significant pressures into the financial plan to ensure it was achievable and realistic. Emerging cost pressures are identified through monthly review of budget statements by the budget holders and review of any material variances to budget by the FBIC. We noted that the Trust ended the 2021/22 period with a reported operating surplus (prior to impairments and revaluation movements) of £1.36m. We have also seen that the Trust presented a break-even financial plan for 2022/23 with a total income of c.£185m. We note that the Trust continues to develop plans for efficiency savings as CIP of £14.4m are included in the budget. <p>Conclusion</p> <p>No significant weaknesses were identified as a result of our work.</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>Summary of findings</p> <ul style="list-style-type: none"> We consider the Trust to have effective processes and controls in place to identify, monitor and assess the risk. Strategic risks are recorded and identified using the Board Assurance Framework (BAF), and any identified risks are reported appropriately. Our review of the risk register found this was sufficiently detailed to effectively manage key risks. Based on our assessment, we understand that the Trust has processes in place to enable appropriate scrutiny, challenge and transparency on decision making. Business cases were presented to the Board or delegated committee following internal review and approval. Business cases with a value over £600k require Board approval and we reviewed three such cases from the 2021-22 period and found there was evidence of both scrutiny and challenge prior to approval. We have also reviewed the development and approval of the 2021-22 H1/H2 financial plans by the FBIC followed by the Board and seen scrutiny and challenge within this approval. The Trust set a breakeven plan for full year reflecting NHS baseline as key funding while local authority, Covid funding and top-up income contributing as other sources of income. Transformation funding of £6.3m and MHIS funding of £2.2m was also noted in the plan. While accumulated financial risks of £2.1m were identified, mitigating measures were also planned to address these risks. Our assessment indicated there to be appropriate scrutiny and challenge of the budgets and appropriate approval through the budget holders and FBIC. A number of methods are employed by the Trust to monitor the performance against budget. These include individual budget manager meetings with finance team, monthly QUOP meetings to monitor financial position of Care Groups at service line level, regular monitoring by SLT and financial position presentation to FBIC and Trust Board at each meeting. Reviews of compliance with laws & regulations, staff code of conduct and the Trust's constitution is completed through Board meetings, Audit Committee and other governance structures as identified through our testing. We noted that relevant financial risks highlighted by the plan were included in the Trust's risk register. Care Quality Commission's (CQC) latest inspection of Trust was conducted in September 2021 and an 'Overall Good' rating was awarded to the Trust. A 'Good' rating was given in all categories of Effective, Caring, Responsive and Well-led services while a 'Requires improvement' rating given in the category of Safety. This demonstrate significant improvement in quality of service achieved through the action plan developed following CQC's assessment in 2019. We have reviewed overall governance arrangements and found appropriate processes in place. We have not identified any significant weaknesses.

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>Summary of findings</p> <ul style="list-style-type: none"> Our assessment indicates that the Trust ensures key decisions are appropriately challenged and scrutinised by the Executive Team with escalation to Board as required. The Trust has an annual planning process along with FBIC, which scrutinises the contents of business cases before they are presented to the Board which ensures that all aspects of major decisions or investments are taken into consideration. <p>Conclusion</p> <p>No significant weaknesses were identified as a result of our work.</p>

Value for money

Improving economy, efficiency and effectiveness

Description

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.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- 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.

Commentary on arrangements

Summary of findings

- We noted that although the temporary financial framework for the NHS relaxed the need for efficiency requirements, the Trust continued to ensure efficiencies remained in focus. Trust agreed a CIP which would deliver savings of approx. £2.8m in 2021-22. Additionally, the Trust established the TWICS Board (as highlighted in Financial Sustainability section) to re-energise the efficiency requirement as it exits from the pandemic.
- Our assessment has found appropriate processes in place to ensure Trust's use of information about costs and performance to improve the way they manage and deliver services.
- Cost improvement schemes are monitored on a monthly basis through SLT, FBIC and TWICS Board. SLT receive CIP dashboard with key highlights and financial analysis of plan, actual and forecasts year to date variance. Similar analysis is presented to FBIC as part of monthly Financial Position report. This also includes review in terms of risk to delivery of CIP schemes with details of value for non-recurrent schemes. Management also maintain and monitor costs by reviewing the information received from benchmarking through review partnerships and NHS Corporate Benchmarking Exercises. Further, cost improvement schemes that impact on service delivery are required to have an equality and quality impact assessment. Such analysis allows the Trust to assess the level of value for money being achieved.
- The Trust has a number of engagements and involvements with local and national partnerships including the West Yorkshire ICS. The Trust Chair and Executive provide regular reports to the Board with regards to partnership initiatives as well as ICS activity being considered in finance reports, including summaries of ICS wide financial positions.
- We noted that the Trust has sought to align its activities and strategic priorities with those of the ICS and local Bradford place, with evidence of reports on this progress having gone to the Board.
- The Trust has only one significant (over £1m in annual value) subcontract in place, which is for the provision of clinical agency staffing. We have seen evidence of regular monthly contract performance meetings being held for this service. These meetings considered KPIs, including both costs and volume of activity for each month.

Conclusion

No significant weaknesses were identified as a result of our work.



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