

George Eliot Hospital NHS Trust

Auditor's Annual Report for the year ended 31 March 2022

22 June 2022

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Key messages

Audit opinion on the financial statements

We issued an unqualified opinion on the Trust's financial statements for the year ended 31 March 2022.

The Trust's arrangements to secure Value for Money

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

The NHS has continued to operate an emergency funding framework in 2021/22 with block funding reducing the risk of income variability for providers like GEH. The Trust reported a £60k surplus in 2021/22, thereby achieving its break-even plan. Cash has remained strong at £49.2m compared to £34.8m in the prior year, whilst recurrent performance against Cost Improvement target (CIP) has continued to be a challenge. Going into 2022/23, the Trust has proposed a £3m deficit plan with an efficiency requirement of £8.4m. At this stage, plans to deliver this remain in development and it is anticipated that non-recurrent measures will again be relied upon in 22/23.

We concluded that there was no significant weakness in the Trust's arrangements. However, the Trust faces a challenging landscape going into 2022/23 with initial plans indicating deficits at both Trust and System level. The Trust has historically found delivery of recurrent CIPs challenging and this will continue going forward within a financially constrained environment where factors such as the robustness of processes in place and clinical engagement will be essential. We understand national funding to cover inflationary pressures may assist in setting break-even plans at both Trust and System level.

Governance

How the body ensures that it makes informed decisions and properly manages its risks

The Trust has a range of formal processes and systems (including policies and procedures, risk registers, Board Assurance Framework) to enable the effective management of both strategic and operational risk.

The "Well Led" element of the last CQC inspection in 2020 rated the Trust as "Good". A more recent independent review of Governance (March 2022) rated the overall strength of the Board as scoring 3.93 out of 5, which was slightly below the 3.98 average across sectors. The Trust's Head of Internal Audit opinion for the year provided 'adequate and effective' assurance. No significant internal control issues have been identified in the Annual Governance Statement.

We concluded that there was no significant weakness in the Trust's arrangements. However, the recently introduced System Oversight Framework (SOF) has rated the Trust at 3 due to performance, finance and quality challenges. Areas the Trust has recognised and continues to address.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

The Trust has a Performance Management Framework in place that is designed to support a culture of continuous improvement. An Integrated Performance Report is presented to each Board Meeting with more detailed performance packs being considered at FPE. This report provides assurance to the Trust Board on delivery against the Trust's key performance requirements aligned to its annual and strategic priorities along with information about our regulatory compliance.

We concluded that there was no significant weakness in the Trust's arrangements.

Purpose of this report

Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at George Eliot Hospital NHS Trust ("the Trust") for the year ended 31 March 2022.

This report is intended to bring together the results of our work over the year at the Trust, including commentary on the Trust's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). This report fulfils the requirements of the Accounts and Audit Regulations for an Annual Audit Letter.

In preparing this report, we have followed the National Audit Office's ("NAO") Code of Audit Practice and its Auditor Guidance Note ("AGN") 03, Value for Money, and AGN 07. These are available from the NAO website.

A key element of this report is our commentary on the Trust's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). Our work considering these arrangements is based on our assessment of the adequacy of the arrangements the Trust has put in place, based on our risk assessment. The commentary does not consider the adequacy of every arrangement the Trust has in place, nor does it provide positive assurance that the Trust is delivering or represents value for money. We have not identified any significant weaknesses in the Trust's VfM arrangements, and so have not reported any recommendations in respect of significant weaknesses.

Assurance sources for the Trust

The diagram below illustrates how the assurances provided by external audit around finance, quality, controls and systems and the future of the Trust (in the green rows) and how this fits with some of the other assurances available over the Trust's position and performance.



* The scope of external audit in this area is "negative assurance" of reporting by exception of issues identified.

Opinion on the financial statements

We provide an independent opinion whether the Trust's financial statements:

- Give a true and fair view of the financial position of the Trust at 31 March 2022 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of HM Treasury as relevant to the National Health Service in England.

The full opinion and certificate are included in the Trust's Annual Report and Accounts, which can be obtained from the Trust's website.

We conduct our audit in accordance with the NAO's Code of Audit Practice, International Standards on Auditing (UK) ("ISAs (UK)") and applicable law.

We are independent of the Trust in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements:

We issued an unqualified opinion on the Trust's financial statements.

Remuneration and Staff Report:

We report that the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the National Health Service Act 2006.

Annual Governance Statement:

We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by NHS Improvement.

Annual Report:

We report that the information given in the Performance Report and Accountability Report for the year ended 31 March 2022 is consistent with the financial statements.

Reports in the public interest and reports to the Secretary of State and NHS Improvement:

We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2022. We have made a referral to the Secretary of State relating to the Trust's breach of the break-even duty, under the National Health Service Act 2006.

Reporting to the group auditor:

In line with the group audit instructions issued by the NAO, we will report that the Trust's consolidation schedules that feed into the Consolidated NHS Provider Account and Department of Health and Social Care's group accounts were consistent with the audited financial statements.

Financial statement audit - approach

An overview of the scope of the audit

Our audit was scoped by obtaining an understanding of the Trust and the environment it operates in, including internal control, and assessing the risks of material misstatement to the financial statements. Our risk assessment procedures include considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address identified risks of material misstatement.

Materiality

Our work was planned and performed to detect material misstatements. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Trust to be £4.3m, on the basis of 2% of total revenue.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £215k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Procedures for auditing the Trust's financial statements

Our audit of the Trust's financial statements included:

- developing an understanding of the Trust, including its systems, processes, risks, challenges and opportunities and then using this understanding to focus audit procedures on areas where we consider there to be a higher risk of misstatement in the Trust's financial statements;
- interviewing members of the Trust's management team and reviewing documentation to test the design and implementation of the Trust's internal controls in certain key areas relevant to the financial statements; and
- performing sample tests on balances in the Trust's financial statements to supporting documentary evidence, as well as analytical procedures, to test the validity, accuracy and completeness of those balances.

Data analytic techniques were used to identify items of audit interest and in journal testing.

Approach to audit risks

We focused our work on areas where we considered there to be a significant risk of misstatement. We refer to these areas as significant audit risks.

We provided a detailed audit plan to the Trust's Audit Committee setting out what we considered to be the significant audit risks for the Trust, together with our planned approach to addressing those risks. We have provided a summary of each of the significant audit risks on the next page.

We have made recommendations in our Audit Committee reporting for improvement in the Trust's policies, procedures and internal controls based on observations from our work. However, we do not consider these recommendations to reflect significant weaknesses in the Trust's VfM arrangements.

Financial statement audit - significant risks and other focus areas

Risk	Deloitte response
<p>Management override of controls</p> <p>In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Trust's controls for specific transactions.</p>	<p>We performed audit testing to address the risk of: manipulation of accounting estimates; manipulation of journal entries; and accounting for significant or unusual transactions.</p> <p>We did not identify any significant issues as a result of the testing performed.</p>
<p>Recognition of NHS clinical revenue</p> <p>The risk of fraud in revenue recognition is a presumed risk under International Standards on Auditing. We have identified as a key risk the risk of revenue not being recognised at fair value due to adjustments agreed in settling current year disputes and agreement of future period contracts.</p>	<p>We have reviewed the Trust's position with regard to the differences highlighted in the Agreement of Balances and whilst we are satisfied that the Trust is able to support the positions it has taken, there is a risk that future negotiations may result in the Trust not fully recovering the income balances recognised. The Trust has confirmed that it has taken its positions based on known disputed balances and we will be seeking further assurances from the Trust in the letter of management representations in this regard. Further audit procedures were performed in respect of these balances.</p> <p>We did not identify any significant issues as a result of the testing performed.</p>
<p>Property Valuation</p> <p>The Trust is required to hold property assets within Property, Plant and Equipment at valuation, which will usually be on a modern equivalent use basis. The Trust held £64.9m of property assets at 31 March 2021.</p>	<p>We obtained an understanding of relevant controls over property valuations, tested the accuracy and completeness of data provided by the foundation trust to the valuer and reviewed the accounting treatment and presentation of revaluations movements for a sample of assets.</p> <p>We worked with Deloitte valuation specialists to review and challenge the appropriateness of the key assumptions used in the valuation of the Trust's properties.</p> <p>We did not identify any significant issues as a result of the testing performed.</p>
<p>Validity of accruals, provisions and deferred income</p> <p>Capital expenditure</p> <p>Regulatory developments</p>	<p>Whilst not identified as significant audit risks, these areas were also identified as other areas of focus for our audit work.</p> <p>We did not identify any significant issues as a result of the testing performed.</p>

Auditor's work on Value for Money (VfM) arrangements

The Board are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The Accountable Officer reports on the Trust's arrangements, and the effectiveness with which the arrangements are operating as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Under the National Audit Office's Auditor Guidance Note 3, we are required to assess arrangements under three areas which are shown alongside our risk assessment and summary conclusion in the table below.

Area	Risk assessment	Findings
Financial Sustainability	Significant risk identified	No significant weaknesses identified
Governance	Significant risk identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we are required to make recommendations so that the Trust can consider them and set out how it plans to make improvements. We have not identified any significant weaknesses in arrangements.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. As a result of the COVID-19 pandemic, there have been changes in nationally led processes, changes in expectations around Trust's arrangements, and events occurring outside of the Trust's control, which affect the relevance of some of these indicators. We have still considered whether these indicators are present, but have considered them in the context of the circumstances of 2021/22 in assessing whether they are indicative of a risk of significant weakness.

In addition to our financial statement audit, we performed a range of procedures to inform our VfM commentary, including:

-  Interviews with Board members and management.
-  Review of Board and committee reports and attendance at Audit Committee meetings.
-  Reviewing reports from third parties including Care Quality Commission, Internal audit, and correspondence with NHSE/I.
-  Considering the findings from our audit work on the financial statements.
-  Review of the Trust's annual governance statement and annual report.

Auditor's work on VfM arrangements (continued)

Trust performance

The table on the right provides a summary of Trust performance across a range of measures and where appropriate (including highlighted areas) additional commentary is provided on this and the following pages with comparison against peers across our client base.

The System Oversight Framework (SOF) - The SOF was published in July 2021 and replaced the previous NHS oversight frameworks. It is built around five national themes:

- quality of care, access and outcomes;
- preventing ill health and reducing inequalities;
- people;
- finance and use of resources; and
- leadership and capability.

The SOF gives a rating from between 1-4 (with 1 - maximum autonomy, 2 - targeted support, 3 - mandated support and 4 – special measures).

As can be seen on the right, the Trust is currently rated 3 – which indicates 'Significant support needs against one or more of the five national oversight themes and in actual or suspected breach of its licence.

The Trust rating is due to concerns across a number of areas which are noted on page 15.

We comment on the CIP and CQC report on pages 11 and 14 respectively.

	2021/22	2020/21	2019/20
Surplus / (Deficit)	(£0.1m)	(£0.5m)	£0.2m
Adjusted Surplus/(Deficit)	£0.1m	£0.1m	Break-even
EBITDA as % of related income	4.1%	4.0%	4.2%
CIP Actual (Recurrent))/Target	£7.1m/£7.1m	-	£3.8m/ £8.3m
Cash	£49.2m	£34.8m	£1.0m
Capital Expenditure	£12.7m	£18.0m	£7.7m
SOF rating/Segmentation	3	3	3
CQC report conclusions (last inspection December 2018)	Requires Improvement (May 20)	Requires Improvement (May 20)	Requires Improvement
Annual Governance Statement (Control deficiencies)	None	None	None
Head of Internal Audit Opinion 1 (Inadequate) – 4 (Adequate & Effective)	3	3	3

VfM arrangements: Financial Sustainability

Approach and considerations

We have considered how the Trust plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Trust ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Trust plans to bridge its funding gaps and identifies achievable savings;
- How the Trust plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Trust ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
- How the Trust identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

Commentary

- The NHS financial planning framework has been severely disrupted by the pandemic response, with 2021/22 seeing a continued focus on short term planning as organisations have been required to produce H1 and H2 plans with an overall break-even objective. A predominantly block funding based arrangement has remained in place during the year.
- Whilst the Trust has continued to apply usual operational and strategic planning processes to produce H1 and H2 plans, these have been modified to recognise the short-term focus and framework in place.
- Against the break-even target for 2021/22, the Trust reported an adjusted surplus for the year of £60k (or £96k deficit prior to adjustments) (2020/21 - £82k surplus or £503k prior to adjustments). At 31 March 2022, the Trust had net assets of £100.8m (31 March 2021:£93.1m), net current assets of £14.9m (31 March 2021:£10.4m), and a strong cash position of £49.2m (31 March 2021:£34.8m) which has improved from circa £1m in 2019/20.
- The Trust continues to be in breach of its statutory duty to achieve a cumulative break-even position, despite achieving a break-even position in the last three years, with the £0.1m surplus achieved in 21/22 resulting in a cumulative deficit of £71.6m at 31 March 2022. **We will therefore, as required under the NHS Act, issue a S30 referral to the Secretary of State in this regard.**
- Going into 2022/23, which sees the return to annual planning and system based funding allocations. Initial plans indicate a £3.0m deficit for the Trust within a £38m system deficit. This includes an efficiency requirement of £8.4m for the Trust.
- **The Trust faces a challenging landscape going into 2022/23 with initial plans indicating deficits at both Trust and System level. The Trust has historically found delivery of recurrent CIPs challenging and this will become increasingly challenging going forward within a financially constrained environment where factors such as the robustness of processes in place and clinical engagement will be essential.**
- **Given the return to more normal CIP requirements in 2022/23, it will be important to ensure there is sufficient capacity and capability across its arrangements to support delivery.**

VfM arrangements: Financial Sustainability (continued)

Approach and considerations

We have considered how the Trust plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Trust ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Trust plans to bridge its funding gaps and identifies achievable savings;
- How the Trust plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Trust ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
- How the Trust identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

Commentary

- The Trust has an appropriate reporting framework in place. The financial performance of the Trust is reported each month on a divisional basis in integrated performance packs to the Finance and Performance Executive, with a summary IPR being taken to the Trust Board. This years financial regime has once again been impacted by Covid-19 which the Board has received regular updates on.
- The Finance and Performance Committee was replaced by a Finance and Performance Executive chaired by the CFO, during 2020/21 and following a year of operation senior management interviewed believed this was providing an effective forum for more detailed scrutiny and challenge in these areas. Given time constraints at Trust Board the Trust should continue to monitor whether the current arrangements provide sufficient opportunity for NED led challenge and scrutiny.
- Financial risks are included within the Board Assurance Framework (BAF) along with controls and assurance to mitigate the risks, gaps in controls and assurance and actions to address gaps. Through review of Board minutes and attendance at Audit Committees , we have confirmed that these risks are regularly monitored, updated and challenged.
- Whilst the Trust has continued to meet financial performance targets in recent years, there is a recognition that the underlying position remains a significant deficit which is being progressed through the development of a medium to long term system wide planning process during 2022/23.
- **NHS planning has had a short-term focus over the last two years, with bi-annual plans being required. Whilst this has now transitioned to the more usual annual planning cycle, it will be important for the Trust, in conjunction with the ICS to focus on the development of a medium-term financial and service transformation strategy that delivers the Trust and System objectives.**
- **We have concluded that there is not a significant weakness linked to the identified risk at planning stage.**

VfM arrangements: Governance

Approach and considerations

We have considered how the Trust ensures that it makes informed decisions and properly manages its risks, including:

- how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the body approaches and carries out its annual budget setting process;
- how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

Commentary

- The Trust has established Risk Management arrangements in place which are supported by the Trust's Risk Management Strategy. Internal audit have reviewed the Board Assurance Framework and Risk Management and provided significant assurance with minor improvements opinion.
- The Trust has an anti fraud and bribery policy in place approved by Board. It has an accredited Local Counter Fraud Specialist (LCFS) who delivers a programme of proactive counter fraud and corruption work which is risk based. The effectiveness of the Trust's internal control environment including counter fraud is overseen by the Audit Committee, through an annual internal audit and annual counter fraud plan.
- The Trust's Head of Internal Audit opinion for the year was "Adequate and Effective" framework for risk management, governance and internal control with further enhancements identified. All financial areas of the 2021/22 internal audit plan received a rating of Substantial assurance. A review of Governance Below Board Level during the year provide a 'reasonable assurance' conclusion. Two reviews (EBME Preventative planned maintenance and Data Quality – 18 weeks RTT) received partial assurance.
- The Trust revised its Business Case Development and Approval Process in Jan 2022 to ensure consistency and in turn that Executives and Committees can consider appropriately constructed business cases. The revised process ensures consistency and rigour so that Executives and Committees can consider appropriately constructed business cases, whilst reducing the bureaucratic burden upon clinicians and operational managers. Furthermore, it will ensure that business cases have been through the appropriate checks prior to final approval. The revised guidance provides clarity around evaluating the projects using a benefit realisation toolkit. This will also support the project close down process and transition to business as usual. There is a Business Case Pipeline and Tracker presented to each of the monthly F&P Exec meetings.
- The Chief Executive, as the Accountable Officer, concluded that no significant internal control issues have been identified from the annual review .

VfM arrangements: Governance (continued)

Approach and considerations

We have considered how the Trust ensures that it makes informed decisions and properly manages its risks, including:

- how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the body approaches and carries out its annual budget setting process;
- how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

Commentary

- We identified a risk of significant weakness noting that NHSI has assessed the Trust as rated 3 against the System Oversight Framework (SOF) – which indicates ‘significant support needs against one or more of the five national oversight themes and in actual or suspected breach of the licence’. The Trust rating is due to concerns across operational performance waits, CQC rating and financial performance.
- The Trust Board receives regular assurances surrounding these issues and is focused on ensuring improvement actions are in place. We understand that this has not come with any sort of intervention or regulatory requirements from NHSE&I. Ongoing oversight and assurance on performance is being achieved through quarterly system review meetings undertaken at an ICS level as opposed to anything specific for GEH. **We have concluded that for the year 21/22 this is not deemed to be a significant weakness. However, the Trust should ensure it engages in discussions to develop enablers that will help the Trust and the ICS move from a rating of 3 to 2 and then 1.**
- The Trust’s most recent CQC inspection was published on 19 May 2020 providing a ‘requires improvement’ overall and also for Well Led. The Trust developed an action plan in response to the above inspection which has been monitored via the Quality Assurance Committee (QAC) and by the Board. A formal report was taken to Board in September 2021. The overall position against the original 70 actions within the improvement tracker is that there were 2 outstanding actions and the remaining 68 actions had been completed.
- An independent review of Governance which reported in March 2022 rated the overall strength of the Board as scoring 3.93 out 5, which was slightly below the 3.98 average score across sectors and the report stated ‘it is worthwhile to spend some time and reflect on how the Board can make even better use of the strength of its individual members’.
- Board members are asked to make an annual declaration of being fit & proper. In addition there is a register of interest, including gifts and hospitality for members to declare any interests of relevance. These practises ensure that the Board is regulated and responsible. We also note that the Board must adhere to the Code of Conduct and Accountability which sets out appropriate behaviour for the NHS Boards.

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations

Commentary

We have considered how the body uses information

about its costs and performance to improve the way it manages and delivers its services, including:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Trust evaluates the services it provides to assess performance and identify areas for improvement;
- How the Trust ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the Trust commissions or procures services, how the Trust ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Trust assesses whether it is realising the expected benefits.

- The Trust has a Performance Management Framework in place that is designed to support a culture of continuous improvement. An Integrated Performance Report is presented to each Board meeting and more detailed performance are considered at monthly FPE meetings. This report provides assurance to the Trust Board on delivery against the Trusts key performance requirements aligned to its annual and strategic priorities along with information about our regulatory compliance.
- NHSE/I issued a Letter of Undertakings (LoU) to the Trust in December 2019 with specific points made for improvement. The Trust was able to make significant progress against the actions raised during 2020/21 and applied to NHSE/I in February 2021 to have the LoU revised and lifted. NHSE/I confirmed to the Trust in May 2021 that they were satisfied that the Trust was compliant in respect to Urgent and Emergency Care issues and the remaining matters relating to cancer performance, 2019/20 financial performance, programme management, access and meetings and reports were to be discontinued.
- As the Trust moves forwards with ever closer partnership working within the ICS and the increasing focus on system wide objectives, it is important that the Trust adapts its arrangements appropriately to incorporate new duties and responsibilities whilst maintaining the existing rigour over its current arrangements.
- The Trust is a key partner in the Coventry and Warwickshire Health and Care Partnership - Integrated Care System (ICS) and has been working closely with system partners to establish the governance structures being put in place. The Trust is developing its own approach to governance and assurance around transformation programmes and ICS development to ensure a joined up system wide approach. A System Strategy/Planning Group has recently been convened and refocused across Coventry and Warwickshire with the proposal and agreement of the following key workstreams: System Strategy; Transformation; Commissioning; and, Operational Planning & Performance.
- The use of vesting certificates can raise issues in terms of compliance with the requirements of Managing Public Money. The Trust has utilised £1.3m in vesting certificates to recognise capital expenditure during the year. It is important in such instances that there is specific documentation and approval processes for assessing each instance of use of vesting certificates against Managing Public Money requirements, in particular for any use around the year-end.

VfM arrangements: Improving economy, efficiency and effectiveness (continued)

Approach and considerations	Commentary
<p>We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:</p> <ul style="list-style-type: none"> • How financial and performance information has been used to assess performance to identify areas for improvement; • How the Trust evaluates the services it provides to assess performance and identify areas for improvement; • How the Trust ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and • Where the Trust commissions or procures services, how the Trust ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Trust assesses whether it is realising the expected benefits. 	<ul style="list-style-type: none"> • The Trust has moved to a procurement shared service across the Foundation Group. This went live during 21-22 (July 2021). There is a Group Procurement Board, with Wye Valley CFO as Exec Lead, which provides appropriate governance and is leading a systematic review of product/service proposals before they purchased by the Foundation Group member Trust/s. • Tender Waiver Request Forms are in place for any exceptional circumstances and any waivers of SFIs must be authorised by the budget manager and CEO and any waivers and SFI breaches are reported to and scrutinised by Audit Committee During Covid-19 the SFIs and SOs were updated to enable permission to waiver tenders to be approved by two Executives (one of which must include the Chief Executive or Deputy Chief Executive) and reported to the Audit Committee at its next meeting. • Major contracts are managed and monitored through contract meetings and the use of supplier KPI reports. • Innovate Healthcare Services (IHS) is wholly owned subsidiary of the Trust and is jointly controlled by the Trust and South Warwickshire NHS FT (SWFT). The company became operational in December 2021 and provides ICT, Information Governance and Access to Health Records services to both the Trust and SWFT, as well as primary care in Warwickshire.

Purpose of our report and responsibility statement

What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that brings together all of our work over the year, including our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Trust's arrangements.

What we don't report

Our audit was not designed to identify all matters that may be relevant to the Trust.

Also, there will be further information the Board of Directors and Board of Governors need to discharge their governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

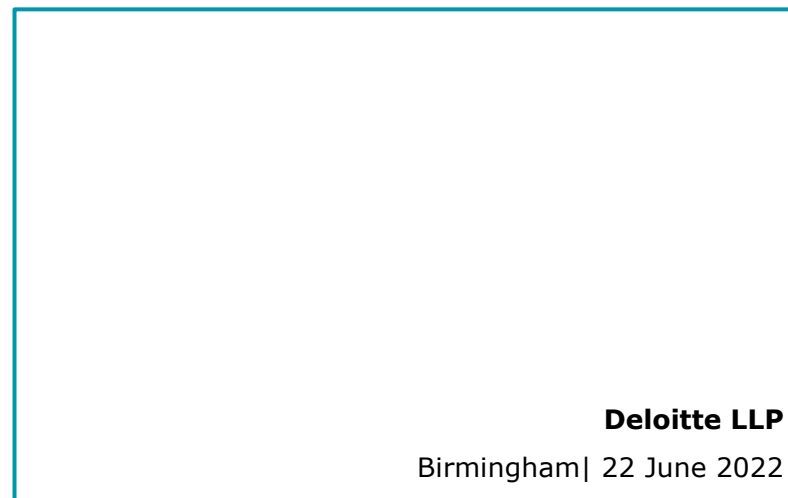
The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report is made solely to the Board of Directors of George Eliot Hospital NHS Trust in accordance with the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the trust those matters we are required to state to them in our Auditor's Annual Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trust, as a body, for our audit work, for this report, or for the opinions we have formed.



Deloitte LLP

Birmingham | 22 June 2022

Appendix 1: Trust's responsibilities

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Executive as Accountable Officer and the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are required to comply with the Department of Health & Social Care Group Accounting Manual and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the directors have applied the 'continuing provision of services' approach set out in the Group Accounting Manual, as it is anticipated that the services the Trust provides will continue into the future.

The directors are required to confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for patients, regulators and stakeholders to assess the Trust's performance, business model and strategy.

The Accountable Officer is responsible for ensuring that there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance, for ensuring that value for money is achieved from the resources available to the Trust, for ensuring that expenditure and income of the Trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them, and for ensuring that effective and sound financial management systems are in place.

The directors are responsible for safeguarding the assets of the Trust, for taking reasonable steps for the prevention and detection of fraud and other irregularities, for ensuring proper stewardship and governance, and for reviewing regularly the adequacy and effectiveness of these arrangements.

Appendix 2: Auditor's responsibilities

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Auditor's responsibilities relating to the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the foundation trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in April 2021, as to whether the Trust has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Trust a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022. Other findings from our work, including our commentary on the Trust's arrangements, are reported in our Auditor's Annual Report.

Auditor's other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Trust, copied to the Secretary of State
- make a referral to the Secretary of State and NHS Improvement if we believe that the Trust or an officer of the Trust is
 - about to make, or has made, a decision which involves or would involve the Trust incurring unlawful expenditure;;
 - about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency
- consider whether to issue a report in the public interest.



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