



# Auditor's Annual Report 2020/21

Liverpool Women's NHS Foundation Trust

15 June 2021

## Key contacts

Your key contacts in connection with this report are:

### Tim Cutler

Partner

Tel: 07818 845252

Tim.cutler@kpmg.co.uk

### Emma Morgan

Senior Manager

Tel: 07468 365290

emma.morgan@kpmg.co.uk

### Emma Simpson

Assistant Manager

Tel: 07762 85906

Emma.simpson@kpmg.co.uk

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This report is addressed to Liverpool Women's NHS 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 2020-21 audit of Liverpool Women's 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:

<b>Accounts</b>	<p>We issued an unqualified opinion on the Trust's accounts on 14 June 2021. 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 the Trust does not have sufficient 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>

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 Buildings</b></p> <p>There is significant judgements involved in determining the appropriate valuation basis for each asset according to the degree of specialisation, as well as over the assumptions made in arriving at the valuation. There is therefore a risk that the value of land and buildings is materially misstated in the financial statements.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised a recommendation relating to enhancing the controls already in place to challenge the Valuer on the valuation report provided and the underlying assumptions.</p> <p>We considered the estimate to be balanced based on the procedures performed.</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 did not identify any material misstatements relating to this risk.</p>
<p><b>Fraudulent expenditure recognition</b></p> <p>In the 2020/21 financial year, systems are expected to breakeven but individual organisations can deliver surplus or deficit positions by mutual agreement within the system. The Trust had agreed a deficit position of £4.6m.</p> <p>There is a risk that given the achievable nature of the agreed breakeven, management judgements will be made to record expenditure and creditors within 2020/21 which actually relate to 2021/22 or, in the case of accruals and provisions, do not meet the recognition criteria such as representing a probable outflow of resources.</p> <p>As a result of this we consider the risk to be in relation to the existence and accuracy of non-pay/non NHS expenditure during quarter 4 of 2020/21 and material year end non-pay/non-NHS payables balances.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We identified a number of audit adjustments that were made by management relating to classification. Management reflected these changes in the financial statements.</p> <p>We have identified four unadjusted audit adjustments in this area. We identified four accruals that we believe do not meet the definition of an accrual and also do not meet the requirements of IAS37 to be recognised as a provision. The value of these (£0.859m) is below our materiality.</p> <p>We raised a control recommendation around formalising the controls over year end accruals.</p>
<p><b>Fraudulent revenue recognition</b></p> <p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p>	<p>We rebutted this risk as part of our audit planning procedures therefore we have no further matters to report.</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:

<b>Care Quality Commission rating</b>	Good (April 2020)
<b>Single Oversight Framework rating</b>	3
<b>Governance statement</b>	There were no significant control deficiencies identified in the governance statement.
<b>Head of Internal Audit opinion</b>	Substantial 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
<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 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"> <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 the CCG and the 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 of NHSE/I provided allocations for each provider to cover additional cost pressures due to Covid-19 and the provision of services.</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. Cost pressures at the planning process are reviewed by the Trust Management Group and the Executive team. There is a monthly review of budget statements by budget holders and the budget is monitored by the Finance, Performance and Business Development (FPBD) Committee.</p> <p>Following changes to the funding regime for months 7-12 the Trust presented a Financial Plan with a deficit of £4.6m in October 2020. For the first 6 months of the year the top-up payment equated to £1.4m per month whereas the Trust is allocated c600k per month for months 7-12. This reduction in top-up payments led to the Trust planning for the deficit noted above. At the time of our risk assessment the Trust is forecasting a deficit of £4.4m.</p> <p>The Trust had originally identified £3.7m of CIP scheme for the 2020/21 financial year. However CIP delivery was not required nationally for the first half of the year and was not reportable to NHSI. The Trust continued to monitor and deliver CIP schemes that were deemed safe throughout the first 6 months, delivering 953k to month 6. The Trust delivered £2m of CIP schemes across the full financial year with the majority of these being recurrent schemes.</p> <p>At the time of writing, the Trust has submitted the financial plan for the first six months of 2021-22 forecasting a balanced position. The plan is based on NHSE/I guidance that the current arrangements will remain in place for at least the first half of 2021-22; and there is uncertainty about the remainder of the year.</p> <p>(continued)</p>

# Value for money

Financial sustainability (continued)	
Description	Commentary on arrangements
	<p>(continued)</p> <p>Therefore the continued impact of the pandemic, as well as the long term demand changes it will cause, means it is difficult to quantify the impact on the finances within the sector.</p> <p>The Trust continues to work on the Future Generations Strategy (discussed further on page 11) which will require capital funding in the long-term.</p> <p><b>Conclusion</b></p> <p>Based on the procedures performed we have not identified any significant weaknesses in the Trust's financial sustainability arrangements in place to oversee and monitor their value for money achievement.</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"> <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 appropriate governing body. Our review of the risk register found this was sufficiently detailed to effectively manage key risks. The Trust has a detailed Risk Management Strategy in place updated in March 2019 and reviewed in the year.</p> <p>The Trust has adequate controls in place to prevent and detect fraud.</p> <p>The financial planning regime significantly changed for 2020-21. A financial plan had already been approved by the Finance, Performance and Business Development (FPBD) committee and Board before the suspension. The plan advised to the Trust was that its commissioners were to distribute income in block contract payments. Changes to income were made accordingly in the plan. Expenditure budgets were not changed. This was approved by FPBD at their meeting in May 2020 and Board in early July 2020.</p> <p>We found there to be appropriate scrutiny and challenge of the budgets and appropriate approval through the budget holders and the FPBD Committee. We also found appropriate processes in place to ensure accurate recording and monitoring of the additional costs associated with Covid-19.</p> <p>Reviews of compliance with laws &amp; regulations, staff code of conduct and the Trust's constitution is completed through Board meetings, the Trust's Effectiveness Senate, Audit Committee and other governance structures as identified through our testing.</p> <p>The Trust has ensured appropriate scrutiny, challenge and transparency on decision making. The Trust guarantees key decisions are appropriately challenged and scrutinised by the executive team through a refreshed business case process which is considered alongside the Trust's SFIs and Corporate Governance Manual. Business cases are presented to the Board where required due to their size. For example the EPR Business Case which was approved by the Board following an extensive review process through the Trust's committee structure.</p> <p>The Trust also had a CQC review rating of Good at the last review in December 2019 with some improvement required within well-led. This was specifically relating to Gynaecology services. The Trust increased Executive oversight within the service until issues were addressed satisfactorily. The Trust has commissioned an external Well-led review in 2020/21 which has not identified any significant issues. The Trust was subject to a warning notice from the CQC in relation to medicine management. This notice was stood down in September 2020. The Trust included a medicine management review as part of MIAA, the Internal Auditor, internal audit plan for the year.</p> <p>(continued)</p>



# Value for money

Governance (continued)	
Description	Commentary on arrangements
	<p>(continued)</p> <p>In the 2020/21 financial year there have been no breaches of legislation or regulatory standards that has led to an investigation by any legal or regulatory body.</p> <p>We have reviewed overall governance arrangements in place and found appropriate processes are in place and we have not identified any significant weaknesses.</p> <p><b>Conclusion</b></p> <p>Based on the procedures performed we have not identified any significant weaknesses in the Trust's governance arrangements in place to oversee and monitor their 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 the 17 March 2020 QIPP/CIP programmes were put on hold in accordance with national guidance. This was to allow CCGs and providers to respond to the pandemic. For months 7 to 12 any service redesign, service extension and/or transformation are to be based on provider capacity, Infection Prevention and Control guidelines and estates.</p> <p>Despite this the Trust internally reports CIP achievements against the original plan and against the revised plan submitted to NHSI (reportable from month 7 onwards). For months 7 to 12 the Trust set a target of £1.1m which it delivered. It is recognised that going forward CIP targets will be very challenging.</p> <p>A paper is presented to each meeting of the Trust's FPBD Committee and Trust Board in order to report on financial performance, allowing the Trust to assess the level of value for money being achieved. Management also maintains and monitors costs by reviewing the information received from benchmarking through review partnerships and the NHS Corporate Benchmarking Exercise. This is used during the CIP planning process.</p> <p>Where issues with performance are identified, for example as part of the CQC inspection, the Trust is able to respond to this by increasing Executive oversight in these areas.</p> <p>The Trust's FPBD and Board also receive a monthly operational report which covers workforce, continuity of care, maternity and access standards. The report show key data and progress throughout the year and provide narrative to explain the metrics where there is challenge to achievement and the steps taken to address improvement. This is in addition to the full board performance report. This allows the Board to monitor the performance of services and focus attention on areas of underperformance.</p> <p>The Trust engages in a number of partnerships including the Cheshire and Merseyside Health &amp; Care Partnership, Liverpool Provider Alliance, Alder Hey to implement the Liverpool Neonatal Partnership on two sites and Liverpool University Hospitals Foundation Trust. Throughout the pandemic the Trust has supported other providers by delivering mutual aid.</p> <p>The Chief Executive Report provided to each Board meeting contains a section on news and developments within the immediate health and social care economy. This provides an opportunity for the Board to be updated on the work done through the partnerships the Trust is involved in. This is considered an appropriate and adequate arrangement.</p> <p>(continued)</p>

Improving economy, efficiency and effectiveness (continued)

Description	Commentary on arrangements
	<p>(continued)</p> <p>The Trust continues to work to deliver the Future Generations Strategy. The long-term preferred option remains a new build located alongside other adult hospital services in Liverpool. This is a long-term plan and will require NHS England approval and the required funding. The Trust continues to seek to demonstrate the clinical need for change in the long term. It does so while increasingly working in partnership with partners across Cheshire and Merseyside to provide the best care in the short and medium term. This includes investing in short to medium term developments in partnership such as the recently completed neonatal unit.</p> <p><b>Conclusion</b></p> <p>Based on the procedures performed, we have not identified a significant weakness in the Trust's arrangements in place for improving economy, efficiency and effectiveness to secure its value for money achievement.</p>



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