



# Auditor's Annual Report 2022/23

Wrightington, Wigan and Leigh Teaching Hospitals NHS Foundation Trust

28 June 2023

## Key contacts

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This report is addressed to Wrightington, Wigan and Leigh Teaching Hospitals 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 2022-23 audit of Wrightington, Wigan and Leigh Teaching Hospitals 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 28 June 2023. 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 significant weaknesses in the arrangements the Trust has in place 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 buildings</b>                      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'. There is a risk the assumptions used to determine the valuation are not accurate.</p>	<p>We identified a misstatement relating to reversing in year depreciation charged on assets revalued at the year end which has been corrected by management.</p> <p>We considered the estimate to be balanced based on the procedures performed.</p>
<p><b>Fraudulent expenditure recognition</b>                      Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk over year end manual accruals.</p>	<p>We did not identify any material misstatements relating to this risk.</p>
<p><b>Management override of controls</b>                      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>We raised 2 recommendations relating to the journals review process and the completeness of related party declarations.</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:

Source	Detail
Care Quality Commission rating	Good (February 2020)
Single Oversight Framework rating	Segment 2 (Targeted support: Support needs identified in Finance & use of resources and Operational performance)
Governance statement	There were no significant control deficiencies identified in the governance statement.
Head of Internal Audit opinion	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
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

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.

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

- 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.

### Commentary on arrangements

The national planning guidance issued on 24 December 2021 confirmed a continuation of system funding envelopes for 2022/23 based on block contract values in the second half (H2) of 2021/22. These H2 block contract values were doubled to account for the full year and adjusted for inflation of 2.8% and a national efficiency requirement of 1.1%.

The draft financial plan for 2022/23 submitted to NHSE/I in March 2022 included a significant planned deficit totalling £23.8m. This deficit required the Trust to deliver mandated cost reductions of 5% during the financial year in order to achieve a breakeven position. Given that the Trust was unlikely to achieve such significant cost savings, there was a risk identified to the delivery of the planned deficit. This was communicated within the financial plan, along with a number of other key risks associated with the 2022/23 plan.

The financial plan for 2022/23 was subsequently resubmitted in June 2022 at the request of NHSE/I as it had been recognised that there had been several changes since the planning guidance and associated financial envelope was released, primarily commissioner and inflationary pressures that were not funded in the original tariff and system envelopes. The plan was therefore revised to report a significantly reduced deficit of £8.4m. This reduction was a result of increased system funding and additional savings identified by the Trust. The Trust recognised a deficit for the year of £6.5m. When adjusted for I&E impairments and capital donations, this results in an overall adjusted financial performance deficit of £2.9m against the planned deficit of £8.4m.

Given the Greater Manchester Integrated Care System (GM ICS) at month 6 was significantly underperforming against their planned deficit of £18.8m with an actual deficit of £93.4m, the system was under considerable risk to deliver the balanced revenue plan for 2022/23. Each provider forecasting a deficit within the system was therefore required to prepare a Financial Recovery Plan. This was prepared in November 2022 and outlines the best, worst and most likely case financial forecasts and the mitigating actions. It includes a deep dive into efficiency and outlines other flexibilities that have been explored to support delivery of the financial position.

We found that through budget monitoring and control processes, the Trust were able to identify and incorporate significant pressures into the financial plan to ensure it was achievable and realistic. The budget for 2022/23 was constructed based on appropriate local and national planning assumptions and we saw evidence of appropriate review and sign off.

Emerging cost pressures are identified through monthly reviews of budget statements and the budget is monitored by the Finance and Performance Committee (F&P) and a summary of performance against budget is provided to the Board on a bi-monthly basis through Finance Reports and Balanced Scorecards.

# Value for money

## Financial sustainability

### Description

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.

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

- 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.

### Commentary on arrangements

The financial performance for the month is presented and discussed at each bi-monthly F&P meeting. The monthly Finance Reports include a RAG rated executive summary to provide an overview of Financial Performance, as well as a more detailed review of specific areas such as GM ICS Financial Position, Income, Cost Improvement Programmes (CIPs), Divisional Financial Performance and the newly implemented RAPID Triggers. A more concise version of this report is presented to the Board to provide an overview of current position, enabling the Board to have oversight of current performance and provide challenge where necessary.

In 2022/23, there was a GM system wide process whereby organisations were asked to contribute an efficiency target of at least 5% to ensure that the GM plan would be approved. This target was divided between a divisional recurrent target of £10.9m and a corporate non recurrent target of £13.0m. The Trust delivered efficiencies of £25.8m in year, with £3.5m being achieved recurrently. Although exceeding the targeted efficiencies for 2022/23, the lack of recurrent schemes identified will increase the pressure on identifying further efficiency schemes in 2023/24.

Additional recurrent efficiencies for 2023/24 are being identified in order to make these efficiencies more sustainable and meet the inevitably increasing CIP targets to be set in future years. A metric has been included in the RAPID (Recovery, Action, Planning, Implementation and Delivery) assurance meetings that focuses on 2023/24 CIP planning to ensure that schemes are identified earlier in the planning process. At the year end, the efficiency target for 2023/24 has been set at £24.4m. This is divided between a divisional target of £16.7m and a corporate target of £7.7m. Of the divisional target, £13.1m has already been identified in schemes, of which £9.2m are recurrent in nature. £6.7m of the corporate CIP has currently been identified.

We confirmed that CIP schemes were monitored through divisional finance meetings and F&P, with further escalation to the Trust Board where necessary. We have confirmed that the Trust carries out Quality Impact Assessments for all service charges, including cost improvement programmes, to ensure that schemes put forward do not have an impact elsewhere within the hospital.

The draft financial plan for 2023/24 currently proposes a planned deficit of £6.5m. The current plan includes both divisional and corporate stretch targets totalling £12.4m to contribute towards system level support for 2023/24 to reduce the planned system deficit. Given that the Trust has already identified schemes totalling £11.4m to deliver these targets, although challenging, these are deemed to be achievable. Key risks within the plan are clearly documented to ensure F&P and Board are well informed of the challenges to be faced in achieving the 2023/24 financial plan.

### Conclusion

Based on the risk assessment procedures performed we have not identified a significant weakness in relation to financial sustainability arrangements in place to oversee and monitor value for money achievement.

# Value for money

## Governance

### Description

This relates to the arrangements in place for overseeing the Trust's performance, identifying risks to achievement of its objectives and taking key decisions.

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

- 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.

### Commentary on arrangements

There is an overarching committee structure in place which is part of the internal governance arrangements, in which policies and procedures are continually validated and ratified. All relevant policies and procedures are communicated and made available to staff via the intranet. The Trust has a Code of Conduct Policy for the Trust Board and staff, in addition to the Standing Financial Instructions and Scheme of Delegation.

Compliance with the Care Quality Commission (CQC) standards of Quality and Safety are monitored through the Quality and Safety Committee (Q&S). Q&S is responsible for monitoring all legal, regulatory and other obligations of the Trust. The Trust is currently rated as 'Good' across all categories by the CQC following the most recent report in February 2020.

Management have established financial controls to prevent and detect fraud – this includes segregation of duties across core systems and approval and authorisation limits linked to purchases and payments.

The Trust operates a risk monitoring and reporting system to ensure that there is clear ownership of risk at the appropriate hierarchical levels and robust scrutiny and oversight of how risks are managed. Reporting on the Board Assurance Framework (BAF) and Risk Register has continued throughout the year. Issues were escalated as necessary and appropriate detail included to outline the risk, allocation across one of the four strategic priorities (patients, people, performance or partnerships) and controls in place that mitigate the risks, as well as any identified gaps in control.

The BAF shows that the Trust has carefully considered the consequence and likelihood of each risk with sufficient and appropriate rationale and how the Trust intends to reduce each risk to an achievable target risk score. Our review has demonstrated that these documents included sufficient detail and display strong and robust arrangements in place to help identify, assess and monitor financial risk.

Balanced Scorecards are presented at each Board meeting. The scorecards incorporate Quality and Safety, People, Performance and Finance metrics into a single report. The Trust governance structure has each of these areas set up as a separate board sub-committee to ensure the consideration of value for money and key strategic decisions.

The Board and F&P have been kept informed of the funding arrangements in place for 2022/23 and the monthly finance reports provide commentary on risks and uncertainties that may exist.

The Trust manages and monitors cost performance through regular reporting to the Executive team and F&P. Costs are benchmarked against the Model Hospital data and internal service line reporting then reviewed through F&P. The Trust also makes use of NHS Benchmarking information and National Cost Collection information to assess cost performance during the year.

The Trust has an on-line application called Devolved Finance Management (DFM) that is used by budget holders to review and manage their budgets. The budget statement viewable by budget holders includes details of the annual budget allocated and the current month and year to date (YTD) budget compared to current month and YTD actuals for each subjective code to identify specific areas where cost improvement needs to be reviewed.



# 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>Where financial performance raises concerns, the division is escalated to the RAPID process for increased support. The five main divisions within the Trust are measured against a series of metrics each month which can trigger the RAPID intervention.</p> <p>The Trust has a comprehensive business case process to make informed decisions. All proposals begin with an Outline Business Case which is considered by the Business Case Oversight Group (BCOG). Business Cases are reviewed and approved at the Executive Team Meeting. Depending on the financial impact of the proposal decisions the business case would follow the Trust's committee structure ending with the Board.</p> <p><b>Conclusion</b></p> <p>Based on the risk assessment procedures performed we have not identified a significant weakness in relation to governance arrangements in place to oversee and monitor their value for money achievement.</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

Non-financial key performance indicators are monitored by the Trust through Performance Reports on a bi-monthly basis at F&P. These include, but are not limited to, the A&E 4 hour wait, 62 day cancer and 52 week referral to treatment (RTT) national performance metrics. Summary information is shared through Balanced Scorecards, Divisional and Directorate Reports and Committee Group reports for monitoring and scrutiny. The Trust are working alongside their partners, such as the Healthier Wigan Partnership, to put programmes in place to improve operational performance in 2023/24.

The Trust is currently rated as 'Good' across all categories by the CQC following the most recent report in February 2020.

There are a number of mechanisms whereby the activities of the ICS are reported to the Board and monitored at an organisational level. These include regular updates and briefing papers being presented to the Board and participation in workshops to support the development of the new operating model at ICS and locality level.

The Trust is an active participation in the GM planning group which convenes to oversee the development of the system operational plan. There is a partnership section of the Board Assurance Framework which specifically focuses on system changes. Trust Board workshops are arranged as required to explore these changes, including legislative and regulatory change, and what this means for WWL decision making.

The Trust has contracts in place with a number of other organisations. Sub-contractors are monitored through regular meetings and report against pre-determined key performance indicators written into the relevant contracts.

### Conclusion

Based on the risk assessment procedures performed we have not identified a significant weakness in relation to arrangements in place for improving economy, efficiency and effectiveness.



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