

# Auditor's Annual Report

The Rotherham NHS Foundation Trust  
– year ended 31 March 2022

August 2022



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This document is to be regarded as confidential to The Rotherham NHS Foundation Trust. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance by the Board. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for The Rotherham NHS Foundation Trust ('the Trust') for the year ended 31 March 2022. Although this report is addressed to the Trust, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on 20 June 2022. Our opinion on the financial statements was unqualified.



### Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 20 June 2022 we reported that the Trust's consolidation schedules were consistent with the audited financial statements.



### Value for Money arrangements

In our audit report issued on 20 June 2022 we reported that we had not completed our work on the Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources and had issued a recommendation in relation to an identified significant weakness in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Trust's arrangements and a summary of our recommendations, including details on this year's recommendation and how recommendations raised in the prior year have been addressed.

Following the completion of our work we have issued our audit certificate which formally closes the audit for the 2021/22 financial year.

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# 02

Section 02:

**Audit of the financial statements**

# 2. Audit of the financial statements

## The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit was to provide reasonable assurance to users that the financial statements were free from material error. We did this by expressing an opinion on whether the statements were prepared, in all material respects, in line with the financial reporting framework applicable to the Trust and whether they gave a true and fair view of the Trust's financial position as at 31 March 2022 and of its financial performance for the year then ended. Our audit report, issued on 20 June 2022 gave an unqualified opinion on the financial statements for the year ended 31 March 2022.

## Significant matters discussed with Management

Significant matters discussed with Management during the course of our audit included:

- IFRS 16 – we discussed the preparation work undertaken in respect of IFRS16 with Management and agreed the disclosure in the statement of accounts to the Trust's preparation work; and
- Carbon Energy Fund – we reviewed the Trust's approach for accounting for the Carbon Energy Fund including consideration of the timing of recognising and valuation of associated assets and liabilities. We found that the Carbon Energy Fund assets had been valued on the basis of the service concession agreement rather than being revalued on the same basis as other assets in the same class as required by accounting standards. We did however gain sufficient assurance that the asset values were not materially misstated.

## Qualitative aspects of the Trust's accounting practices

We reviewed the Trust's accounting policies and disclosures and concluded that they complied with the Department of Health and Social Care Group Accounting Manual 2021/22, appropriately tailored to the Trust's circumstances.

Draft accounts were received from the Trust on 26 April 2022 and were of a good quality.

## Significant difficulties during the audit

During the audit we did not encounter any significant difficulties and we had the full co-operation of Management.

We would like to thank the Finance Team for the quality of their supporting working papers and for being available throughout the audit to respond to our queries.

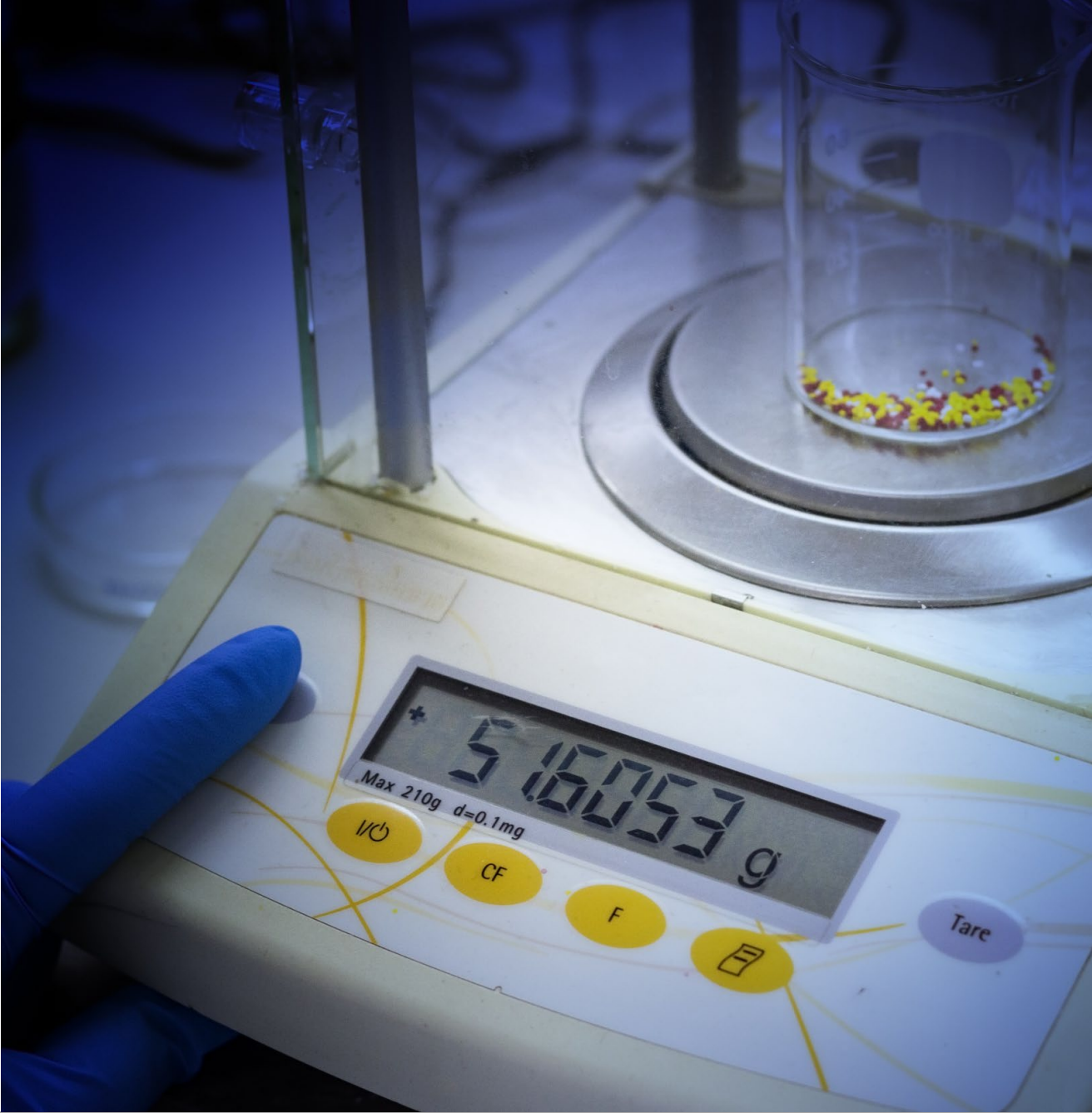
# 03

Section 03:

**Our work on Value for Money  
arrangements**

# 3. VFM arrangements

## Overall Summary





# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



**Financial sustainability** - How the Trust plans and manages its resources to ensure it can continue to deliver its services



**Governance** - How the Trust ensures that it makes informed decisions and properly manages its risks



**Improving economy, efficiency and effectiveness** - How the Trust uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Trust has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information;
- Information from internal and external sources including regulators;
- Knowledge from previous audits and other audit work undertaken in the year; and
- Interviews and discussions with staff and directors.

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on pages 12 to 14, page 18 and page 22.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Trust. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**  
We make these recommendations for improvement where we have identified a significant weakness in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations**  
We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

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


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# 3. VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	11	Yes (see Pages 12 to 14)	No	Yes (see Page 16)
 <b>Governance</b>	17	Yes (see Page 18)	Yes (see Page 26)	No
 <b>Improving economy, efficiency and effectiveness</b>	21	Yes (see Page 22)	Yes (see Page 26)	No

### 3. VFM arrangements

#### Financial Sustainability

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



### 3. VFM arrangements – Financial Sustainability

#### Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our initial and continuous audit planning procedures. We also highlight the work undertaken to respond to each of those risks and the results of our work.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>1</p> <p><b>Governance and financial management</b></p> <p>The Trust identified significant weaknesses in its arrangements through its own internal governance processes and these were detailed in its Annual Governance Statement for 2020/21. These included:</p> <ul style="list-style-type: none"> <li>• issues in relation to the inception and approval of the Carbon Energy Fund project;</li> <li>• financial monitoring and reporting issues relating to the 2019/20 financial year end which emerged in early 2020/21 and which also had implications in 2020/21; and</li> <li>• breaches in standing financial instructions in relation to the Greenoaks project.</li> </ul> <p>We have reviewed the weaknesses and the actions taken by the Trust.</p> <p><b>Carbon Energy Fund project</b></p> <p>This project (capital cost circa £10m) involves a third party providing capital investment in energy infrastructure, for which the Trust pays a lease rental and receives benefits in terms of reduced energy costs. Issues with the development of the business case and signing of the contract led the Trust to commission an external review, which reported in September 2020. This highlighted weaknesses in arrangements including that the Trust had entered into the contract without seeking the approval of NHSI, which was required in this case, that insufficient external guidance was sought and that the capital expenditure counted against CDEL (the Department of Health capital departmental expenditure limit) although the Board had entered into the contract on the basis that CDEL cover was not required.</p>	<p><b>Work undertaken</b></p> <p>In our Audit Strategy Memorandum, we anticipated that the issues identified would not recur in 2021/22.</p> <p>We followed up progress to ensure that these issues can be formally closed, and that arrangements are in place to prevent a recurrence.</p> <p><b>Results of our work</b></p> <p>We recognised, in the 2020/21 AAR, that the governance and financial management issues were identified and were in the process of being addressed by the Trust itself in 2020/21 and into 2021/22.</p> <p>Improvements in 2020/21 (and into 2021/22) included:</p> <ul style="list-style-type: none"> <li>• Updated / more focused / risk-based finance reports (including a new integrated finance and performance report for the Board);</li> <li>• a new Director of Finance and finance team structure;</li> <li>• establishment of a development programme for the finance team;</li> <li>• review of the accounting arrangements of other financial leases throughout the Trust; and</li> <li>• changes to Standing Financial Instructions / tender thresholds.</li> </ul> <p>The significant weaknesses identified in 2020/21 have been addressed, and they no longer need to be reported as significant weaknesses in relation to 2021/22.</p>

# 3. VFM arrangements – Financial Sustainability

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>1 (continued) <b>Governance and financial management (Continued)</b></p> <p><b>Financial monitoring and reporting</b></p> <p>During 2019/20, the financial position was reported as being on track until significant overspends were revealed early in 2020. This called into question the quality of financial monitoring and reporting, and led to changes in senior personnel at the Trust. The issues arising led the Trust to commission an external review, which reported in September 2020. This highlighted a number of measures to address financial weaknesses including improved financial reporting, development of integrated financial and performance reporting, strengthening the finance team and enhancing the role of the Board.</p> <p><b>Greenoaks project</b></p> <p>This project was required urgently and was undertaken under a measured term contract designed for smaller packages of work. The outturn value of this project was £1.85m against an initial approval of £1m. An independent review was commissioned and this highlighted weaknesses in arrangements and concluded that the measured term contract had been misused for works well beyond reasonable value for money, and that the project should have been tendered for separately as required by standing financial instructions.</p> <p>Note – this is also recorded as a risk of significant weakness in Governance – see Page 18.</p>	<p>As recorded on the previous page.</p>

### 3. VFM arrangements – Financial Sustainability

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our initial and continuous audit planning procedures. We also highlight the work undertaken to respond to each of those risks and the results of our work.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>2     <b>NHS Improvement license conditions</b></p> <p>The Trust has outstanding license conditions in relation to financial planning breaches arising from enforcement action by Monitor (now NHS Improvement) between 2013 and 2015. The fact that Trust has failed to achieve sufficient progress for these conditions to be lifted, provides evidence of ongoing weaknesses in the Trust’s arrangements, impacting on its ability to plan finances to support the sustainable delivery of services in accordance with its, and the wider systems, strategic and statutory priorities.</p> <p>The Trust has engaged with NHSI and is working through the actions required by the regulator that are needed to enable the remaining conditions to be removed.</p>	<p><b>Work undertaken</b></p> <p>We followed up progress to ensure that these issues have been addressed and the position agreed with NHSI.</p> <p><b>Results of our work</b></p> <p>On the 13 August 2021, NHS Improvement issued letters confirming that the FT was no longer in breach of its provider licence. These letters formally acknowledged the significant progress made by the Trust in addressing key areas of quality and financial delivery and sustainability (integral to the original licence conditions).</p> <p>NHS Improvement specifically highlighted the following improvements in governance and financial management arrangements:</p> <ul style="list-style-type: none"> <li>• the strengthening of board and management capacity capability alongside making equivalent improvements to its governance systems and processes;</li> <li>• appointment of an interim Chief Executive Officer, a Deputy Chief Executive, a Chief Financial Officer and a new Company Secretary;</li> <li>• appointment of three new non-executive directors with experience in quality improvement and finance;</li> <li>• implementation of a new divisional structure to strengthen leadership; and</li> <li>• undertaking an extensive development programme including changes to its assurance committees with clearer escalation arrangements from committee chairs to the Board and increased focus on strategy, in line with good governance.</li> </ul> <p>NHSI noted, in relation to these improvements, that “these leadership changes have already demonstrated their impact through both the improved grip and control of organisational performance, as evidenced by improvements in the Licensee’s financial performance and UEC [Urgent and Emergency Care] delivery.”</p> <p>The significant weakness identified in 2020/21 has been addressed, and this no longer needs to be reported as a significant weaknesses in relation to 2021/22.</p>

# 3. VFM arrangements - Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### Background to the NHS financing regime in 2021/22

Following the onset of the Covid-19 pandemic in March 2020, the original NHS Planning Guidance 2020/21 was suspended and a new financial regime was implemented. For the second half of the 2020/21 year (October 2020 to March 2021) there was a move to “system envelopes”, with funding allocations covering most NHS activity made at the system level, including resources to meet the additional costs of the Covid-19 pandemic. The 2021/22 financial year was also split into two halves, with a different funding regime in each. However, the regimes were largely a continuation of those introduced in 2020/21 in response to COVID-19, where system envelopes and block payment arrangements remained in place.

The 2021/22 H1 (April 2021 to September 2021) envelopes comprised of adjusted Clinical Commissioning Group (CCG) allocations, system top-up and COVID-19 fixed allocation, based on the H2 2020/21 envelopes, adjusted for known pressures and policy priorities. The 2021/22 H1 NHS guidance also confirmed that block payment arrangements would remain in place for relationships between NHS commissioners and NHS providers. The guidance for H2 (October 2021 to March 2022) confirmed that the arrangements would stay broadly consistent with a continuation of the H1 framework. The 2021/22 H2 “system envelopes” contained adjusted CCG allocations, system top-up and COVID-19 fixed allocation, based on the H1 2021/22 envelopes adjusted for additional known pressures, such as the impact of pay awards, and increased efficiency requirements.

Over the course of the year and into 2022/23, the focus of the funding regime has shifted from responding to the immediate challenges caused by COVID-19 to supporting recovery in the healthcare system. This has facilitated the need for collaborative working between commissioners and providers, as local systems were expected to work together to deliver a balanced position in 2021/22, with additional funding available for those systems exceeding target activity levels through the Elective Recovery Fund. The planning guidance for 2022/23 supports the transition back to local agreement of contracts, and requires systems to achieve a break even position each year. This will necessitate further collaboration through the planning process, as individual organisations work together to achieve system-level outcomes.

### Overall responsibility for financial governance

We have reviewed the Trust’s overall governance framework, including Trust Board and Committee Reports, the Annual Governance Statement, and Annual Report and Accounts to confirm the Trust Board has arrangements to meet its responsibility to make the best use of financial resources and deliver the services people need, to standards of safety and quality which are agreed nationally.

The Finance and Performance Committee are responsible for providing assurance to the Trust Board on the management of key performance issues. The Committee does this by:

- Providing assurance on matters of financial performance, including reviewing performance against operation and financial plans, including reviewing delivery against efficiency and productivity plans;
- Overseeing delivery of the Financial Governance Action Plan;
- Reviewing Board Assurance Framework (BAF) risks delegated to the Committee and any risk register risks with a score of 15+.

Our review of the minutes of the Committee and its reporting to the Board have not identified any significant weaknesses in the arrangements in place during the year.

### The Trust’s financial planning and monitoring arrangements

Through our review of Board and Committee reports, discussions with Management, review of key documents and relevant work performed on the financial statements we are satisfied that the Trust has adequate arrangements in place in relation to financial planning and budget monitoring. Financial planning and monitoring arrangements were strengthened in 2020/21 following the identification of gaps in monitoring arrangements. These strengthened procedures have become embedded in 2021/22. Arrangements include:

- Standing financial instructions with relevant provision for budgetary control and reporting – standing financial instructions were updated in 2020/21 and clearly set out responsibilities in relation to budget setting and budget monitoring for the Chief Executive, Director of Finance and budget holders, including setting out responsibilities for ensuring that adequate training is delivered on an ongoing basis to budget holders.
- Business planning framework – The Trust have a business planning framework in place which divisions must follow, this clearly sets out the processes that must be followed and considerations that are required when setting budgets. This includes activity planning, workforce planning, capital projects and agreed investment. The framework includes a ‘confirm and challenge’ process to provide assurance that plans are reasonable and in line with internal, place and wider system priorities. As part of the planning process the Trust works closely with Rotherham Place leads to ensure that plans are consistent with those at the Rotherham Place level and the wider South Yorkshire and Bassetlaw Integrated Care System (ICS).

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# 3. VFM arrangements - Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria (continued)

### The Trust's financial planning and monitoring arrangements (continued)

- Oversight from Finance and Performance Committee – monitoring arrangements were strengthened in 2020/21 and this has continued into 2021/22. Financial performance monitoring follows a monthly cycle and is set out in the Performance Management Framework. There are Monthly divisional Financial Oversight and Performance meetings with reporting to the Executive Team. An Integrated Performance Report (IPR) is presented to the Finance and Performance Committee (FPC) and Trust Board for assurance and includes detailed explanations for any variances against plan. We have observed this oversight in practice throughout the year from our review of reports and supporting papers. In addition, the Board Assurance Framework (BAF) includes a specific risk in relation to the delivery of the financial plan.
- Established arrangements for effective year-end reporting statutory deadlines have been met for 2021/22. We have not highlighted any significant concerns which adversely impact on this commentary in our Audit Completion Report and the final financial outturn was consistent with the forecast position during the year.

### The Trust's arrangements for the identification, management and monitoring of funding gaps and savings

The Trust is aware that it has an underlying recurring deficit that needs to be addressed, so that the Trust's underlying financial position is sustainable when we return to more normal funding arrangements from 2022/23.

One key way in which the Trust is tackling this position is through the Cost Improvement Programme (CIP), which was reintroduced as a key measure for 2021/22. Delivery of the CIP target will be critical to addressing the structural deficit. As set out in the following section, this is challenging and is an important area of focus for the Trust.

### The Trust's arrangements and approach to 2022/23 financial planning

We have reviewed the Trust's 2022/23 financial plan submitted to NHSE/I in April 2022 and supporting Board paper. For 2022/23 the NHS will revert to contracting arrangements instead of the current block payments systems introduced to simplify arrangements during the pandemic. The financial plan submitted in April showed an I&E deficit position of £9m and included targeted efficiency improvements of £9.1m, this being within an overall ICS deficit of £76.7m.

NHSE/I required that all 2022/23 plans be resubmitted by 20 June 2022 and offered ICS's additional funding to help broker breakeven positions in local plans. The Trust will receive additional funding of £4.7m, and this has resulted in the Trust's resubmitted plan forecasting a revised deficit of £2.7m. The revised plan includes an increased cost improvement target with an increase of £2m in non-recurrent cost improvements.

Management have highlighted that this target is challenging and at the end of June 2022 were forecasting an underperformance against plans in addition to unidentified efficiencies of £4.1m. Whilst we have not identified a significant weakness in arrangements, in recognition of the significant challenge associated with the delivery of the challenging efficiency targets, we have raised the following recommendation:

Other recommendation		
	Issue	Recommendation
1	Achievement of the 2022/23 efficiency target will be a significant challenge for the Trust, with a significant level of unidentified efficiencies reported as at 30 June 2022.	<p>The Trust should ensure it continues its arrangements to identify how it will deliver unidentified efficiency savings included in the financial plan.</p> <p>It should also ensure that its scrutiny arrangements, to monitor and deliver its efficiency savings plans are maintained throughout 2022/23.</p>

**Based on the above considerations, we are satisfied there is not a significant weakness in the Trust's arrangements in relation to financial sustainability.**



### 3. VFM arrangements

#### Governance

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



# 3. VFM arrangements – Governance

## Risks of significant weaknesses in arrangements in relation to Governance

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk 1 identified in the financial sustainability section (pages 12 and 13) relating to Governance and financial management, also applied to the Governance criterion. We have not repeated those findings here. See pages 12 and 13 to show how this risk was addressed.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p><b>3</b>      <b>Care Quality Commission inspections</b></p> <p>The Care Quality Commission (CQC) took enforcement action against the Trust during 2020/21. In July 2020, a notice of intent was issued in relation to safeguarding children, warning of possible enforcement action under Section 31 of the Health and Social Care Act 2008. In November a warning notice (under Section 29A of the Health and Social Care Act) was issued and raised additional issues around the quality of care in the Acute Medical Unit and specifically about patient harm incidents and the management of risks to prevent patient harm, and in learning throughout the organisation. In addition, there are CQC registration conditions relating to paediatric services which date from issues identified in 2018.</p> <p>The Trust recognises that a failure to address the weaknesses identified in the CQC reports would adversely impact upon the safety of services provided to users and has developed an action plan to address each area for improvement.</p> <p>Note – this is also recorded as a risk of significant weakness in Improving Economy, Efficiency and Effectiveness – see Page 22.</p>	<p><b>Work undertaken</b></p> <p>We followed up progress to see whether these issues had been resolved with CQC and to identify whether there were any additional issues arising.</p> <p><b>Results of our work</b></p> <p>Whilst the Section 29A warning notice (issued in November 2020) expired in 2021/22 with no further enforcement action taken by the CQC, the Section 31 Conditions on the Trust’s Registration remained in place throughout 2021/22.</p> <p>The CQC Conditions on the Trust’s Registration have subsequently been lifted from 9 May 2022 during 2022/23.</p> <p>Although action was taken to address CQC concerns, this remained a significant weakness during 2021/22, and consequently <b>we have reported a significant weakness and recommendation in relation to 2021/22</b> on page 26.</p>

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### The Trust’s risk management and monitoring arrangements

The Board Assurance Framework (BAF) is subject to annual review:

- to ensure that risks held on the Board Assurance Framework/Corporate Risk Register are still relevant and reflect the key strategic risks to delivering the Trust’s Strategic Ambitions;
- to identify and agree any new risks to the delivery of the Trust’s Strategic ambitions; and.
- to review the risk appetite framework and ensure the level of risk taken by the organisation for each key risk appetite category is still appropriate.

As well as this overall review each year, the BAF is subject to quarterly review by the Board. This follows consideration by individual committees of the risks they are responsible for and review of all risks by the Audit Committee. These processes are confirmed by our review of minutes and attendance at Audit Committee.

The Trust has a comprehensive risk management system in place which is embedded into the governance structure of the organisation. The processes are supported by the Trust-wide Risk Management Framework and the Trust leadership plays a key role in implementing and monitoring the risk management process.

All risks, externally and internally generated including financial, are managed and monitored through the Trust’s risk management process. The Audit Committee and the Board are among those that receive a quarterly integrated Risk Management Report and Risk Register showing all risks rated above level 15. This allows for scrutiny and challenge by the Trust leadership.

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Trust has appointed internal auditors who also provide a local counter fraud specialist role. Work plans are agreed with Management at the start of the financial year and reviewed by Audit Committee prior to final approval.

An internal audit review of strategic risk management (relating to use of the risk register) received a limited assurance opinion during the year. Internal audit reported that “our review identified that processes have been variable throughout the year. There is now an action plan in place to improve the effectiveness and efficiency of systems, however it is in the early stages of its implementation.”

We have reviewed the Internal Audit Plans for 2021/22 and 2022/23. Progress reports are presented to each Audit Committee meeting including follow up reporting of recommendations not fully implemented by agreed due dates. This allows the Committee to effectively hold Management to account on behalf of the Board. Our attendance at Audit Committees throughout the period confirms the significance placed on internal audit findings.

In June 2022, the Audit Committee received the Head of Internal Audit Opinion for the 2021/22 financial year. The opinion, which clarified that it only related to work that was in scope during the year, stated:

*“I am providing an opinion of significant assurance that there is a generally sound framework of governance, risk management and control designed to meet the organisation’s objectives, and that controls are generally being applied consistently.”*

This was a considerable improvement on the opinion for 2020/21 which had stated that: “I am providing an opinion of moderate assurance that there is a generally sound framework of governance, risk management and control, however, inconsistent application of controls puts the achievement of the organisation’s objectives at risk.

The Internal Auditor highlighted areas of limited assurance including findings from the review of strategic risk management and learning from deaths.

### The Trust’s arrangements for budget setting and budgetary control

The budget process is developed through a consultative process with divisions and corporate services, along with centrally calculated factors. Financial planning assumptions (reflecting the agreed budget setting methodology) are built into the financial plans that are produced.

The Financial Plan is developed to reflect the best available information and assumptions including funding growth, inflation costs, cost pressures, activity levels, efficiency plans and service priorities. Budgets are flexed in-year if new issues are identified or if activity levels are not as planned.

Monthly budget and financial monitoring reports are produced both at divisional and corporate level.

Finance managers work with divisions and budget holders to ensure that budget variances are explained and appropriate corrective action taken.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria (continued)

Reporting on financial performance is generated from the Agresso financial ledger, and is reported consistently through to budget holders, Executive Team, Finance and Performance Committee and the Board.

An Integrated Performance Report is produced each month and includes financial performance alongside a range of operational and quality indicators. This is designed to support informed decision making.

### The Trust’s decision making arrangements and control framework

The Trust has an established governance structure and has a full suite of governance arrangements in place. These are set out in the Trust’s Annual Report and Annual Governance Statement. We reviewed these documents as part of our audit and confirmed they were consistent with our understanding of the Trust’s arrangements, in place and operating. This includes arrangements such as registers of interests being maintained and published and the Board completing an annual review and self certification of its compliance with the conditions of the NHS provider licence.

It is important to recognise that the governance framework is not just about financial arrangements and controls relating to the finances. Governance is also concerned with the primary objectives of the Trust to provide care to its patients, and this is reflected in a range of operational management arrangements and risks, not least of which over the last year has been concerned with the ongoing management in the context of the global pandemic and the wide ranging challenges this has presented to the Trust.

The Care Quality Commission (CQC) independently assesses the quality of patient care provided by the Trust. As identified on page 18, we identified a risk of a significant weakness in the Trust’s arrangements relating to previous CQC findings, which have been addressed in 2022/23, but were still outstanding in 2021/22.

The CQC carried out a full inspection of the Trust in May and June 2021, and reported the outcomes in September 2021. This is considered further in the next section of our report on page 24.

***Based on the above considerations, we have concluded that there is a significant weakness in the Trust’s arrangements in relation to governance arising from the CQC Conditions on the Trust’s Registration which remained outstanding in 2021/22. See page 26 for further details.***

***We have not identified any significant weaknesses in relation to any other aspects of the Trust’s governance arrangements.***

### 3. VFM arrangements

#### Improving Economy, Efficiency and Effectiveness

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



# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Risks of significant weaknesses in arrangements in relation to Improving Economy, Efficiency and Effectiveness

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk 3 identified in the Governance section (page 18) relating to Care Quality Commission inspections, also applied to the Improving Economy, Efficiency and Effectiveness criterion. We have not repeated those findings here. See page 18 to show how this risk was considered.

# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### The Trust’s arrangements for assessing performance and evaluating service delivery

COVID-19 continued to affect service delivery in 2021/22 and has made it difficult to consider current year activity against previous years and determine potential improvements. The Trust is also uncertain in some areas what the post COVID world will mean for service delivery as the Trust looks to model unknown future demand and deal with the long-term impact of the pandemic.

There has been regular reporting on the Trust’s financial and operational performance throughout the year providing an opportunity for the Trust to identify and investigate any areas of under delivery. There are a wide range of performance metrics and monitoring within the reports. During the year the Trust developed further its approach to integrated financial and performance reporting. The reports address the four domains of Quality, Operational Delivery, Finance and workforce.

We have read and reviewed the Trust’s Annual Report and Accounts, which set out its performance against key indicators and how it evaluates and assesses performance and improvement opportunities.

The Care Quality Commission (CQC) independently assesses the quality of patient care provided by the Trust, which is a key element of performance and service delivery.

As identified on page 18, we identified a risk of a significant weaknesses in the Trust’s arrangements relating to previous CQC findings relating to 2020/21, which have been addressed in 2022/23, but were still outstanding in 2021/22.

**Based on the above considerations, we have concluded that there is a significant weakness in the Trust’s arrangements in relation to improving economy, efficiency and effectiveness arising from the CQC Conditions on the Trust’s Registration which remained outstanding in 2021/22. See page 26 for further details.**

The CQC carried out a full inspection of the Trust in May and June 2021, and reported the outcomes in September 2021. We highlight the key findings from the full inspection on page 24.

### The Trust’s arrangements for effective partnership working

The Trust is a member of the South Yorkshire and Bassetlaw Integrated Care System (ICS). The Interim Chief Executive provides regular updates on ICS activity to the Trust Board. The Trust has worked with its partners in the ICS in developing a financial plan within the funding allocated. This included agreement on how to manage any financial risks associated with the financial plans.

Due to the revised arrangements in place in 2021/22, the Trust has increasingly had to work with partner organisations across the ICS to deliver a sustainable financial position for the wider area in addition to overseeing the Trust’s financial sustainability.

### The Trust’s arrangements for commissioning and procurement

The Trust has a professionally qualified procurement team with appropriate and up to date procurement policies and processes overseen by these professionals, including standing financial instructions.

The procurement team manage a tendering and contract management portal to identify contract renewals and advertise new opportunities. There are reports to Audit Committee on any tender waivers and / or any breaches in financial regulations.

**We have not identified any significant weaknesses in relation to any other aspects of the Trust’s arrangements for improving economy, efficiency and effectiveness.**

# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria (continued)

### The Trust's arrangements for assessing performance and evaluating service delivery

#### Care Quality Commission (CQC), full inspection report, September 2021

We note the publication by the Care Quality Commission of its full inspection report based on its fieldwork between 11 May and 24 June 2021 (report published 29 September 2021).

We highlighted issues identified by the Care Quality Commission (CQC) during 2020/21 as a significant weakness for the Trust to address in our Auditor's Annual Report for 2020/21, and noted the importance of the Trust delivering its action plans to address the issues identified. The latest CQC report is helpful in highlighting the progress that the Trust has made, although the Overall Assessment remains as Requires Improvement.

The summarised inspection findings included in the report and also published on the CQC website are helpful in highlighting the steps that the Trust has taken to date, the positive direction of travel, but also the reality that the Trust still has more work to do to deliver and embed sustained improvement.

We reproduce below the overall summary of CQC's findings from the detailed report:

Extract from CQC reporting

*“Overall inspection summary*

- The leadership of the trust had significantly improved since our last inspection in 2018 but this was not yet enough to make an impact on the rating. Staff including the trust chair, who we interviewed at the last inspection, were overall very positive about the changes in leadership. Members of the board articulated they felt much more enabled, supported, listened to and empowered to undertake their roles than previously.*
- The leadership team led by the new CEO and chair had identified that the trust needed to develop their own plans to improve the people of Rotherham's experience of services and this was a message we heard consistently throughout our inspection.*
- The trust had recognised that there was a need, because of the changes within the healthcare system, the impact of COVID-19 and the changes in the trust itself over recent years, to update and refresh the vision and strategy and hoped to take this to board in September 2021. The CEO articulated a clear vision of what the trust wanted to achieve. A new strategy was being developed with input from the wider system and local staff about how this was going to be achieved.*

- It was recognised by the board there had been challenges regarding the trust's organisational culture over the last few years. To address this, targeted and focused work had been undertaken with the board and executive team, including input from facilitators to identify issues to establish open and honest strong working relationships.*
- The trust had made good progress in strengthening its operational financial management and governance arrangements but there was further work needed to understand the scale of any underlying deficit supported by a credible analysis of the key drivers.*
- Whilst the improvements in leadership and culture were evident since our previous inspection, the trust recognised more work needed to be done to embed service improvements and for these changes to be reflected in positive patient outcomes.*
- When inspecting the core services at the trust we saw that some of the changes that had happened at a senior level in the organisation had not yet become embedded at ward/department level. There continued to be a slow progress in some areas against our previous inspection findings particularly in urgent and emergency care and medicine. All divisions had a triumvirate management team in place, however, not all posts were fully recruited to support this. Additional posts had only very recently been recruited to, such as quality improvement matrons and the deputy director of quality assurance.*
- Leaders and staff actively and openly engaged with patients', staff, the public and local organisations to plan and manage services. They collaborated with partner organisations and operated a system approach to help improve services for patients'.*
- The trust provided evidence of continued engagement with patient groups despite the pandemic and acted on their feedback.*
- The trust were committed to continually learning and improving services. Quality improvement methods had been introduced and staff understood the skills needed to use them, but these improvements were not fully embedded in all areas at the time of the inspection.”*

Source: Care Quality Commission full inspection report on The Rotherham NHS Foundation Trust (report published 29 September 2021), pages 2 to 4.

Link to CQC report: <https://www.cqc.org.uk/provider/RFR>



### 3. VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



### 3. VFM arrangements - Identified significant weaknesses and our recommendations

#### Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified one ongoing significant weakness in the Trust’s arrangements to secure economy, efficiency and effectiveness in its use of resources. The identified weakness was reported in the Auditor’s Annual Report for 2020/21, and, although action was taken during 2021/22, CQC only confirmed the position in May 2022. This is summarised below.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
<p>1 <b>Care Quality Commission (CQC)</b></p> <p>The Care Quality Commission (CQC) took enforcement action against the Trust during 2020/21. The issues raised by CQC included the safeguarding of children, the quality of care in the Acute Medical Unit, and concerns about patient harm.</p> <p>The Trust has developed an action plan to address each area for improvement.</p> <p>In our view, the matters identified by CQC during 2020/21 represent a significant weakness in arrangements in relation to:</p> <ul style="list-style-type: none"> <li>Governance: how the Trust ensures that it makes informed decisions and properly manages its risks; and</li> <li>Improving economy, efficiency and effectiveness: how the Trust uses information about its costs and performance to improve the way it manages and delivers its services.</li> </ul>		●	●	<p>In order to ensure systems, processes and training are in place to manage the risks relating to the health, safety, and welfare of service users we recommend that the Trust ensures that it embeds and sustains the action plans that it has put in place Trust-wide to address the patient care issues identified by the CQC. In particular, it needs to ensure that robust monitoring and reporting processes are maintained, and that challenge, scrutiny and escalation arrangements drive the required improvements for patients and sustain the progress made to-date in implementing the actions to address the issues raised by the CQC.</p>	<p>Whilst the Section 29A warning notice (issued in November 2020) expired in 2021/22 with no further enforcement action taken by the CQC, the Section 31 Conditions on the Trust’s Registration remained in place throughout 2021/22.</p> <p>We acknowledge that the CQC removed the conditions of registration on 9 May 2022.</p>

# 04

Section 04:

**Other reporting responsibilities and  
our fees**

# 4. Other reporting responsibilities and our fees

## Matters we report by exception

The NHS Act 2006 provide auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest; and
- make a referral to the regulator.

We have not exercised any of these statutory reporting powers.

We are also required to report if, in our opinion, the governance statement does not comply with relevant guidance or is inconsistent with our knowledge and understanding of the Trust. We did not identify any matters to report in this regard.

## Reporting to the NAO in respect of consolidation data

The NAO, as group auditor, requires us to report to them whether consolidation data that the Trust has submitted is consistent with the audited financial statements. We have concluded and reported that the consolidation data is consistent with the audited financial statements.

# 4. Other reporting responsibilities and our fees

## Fees for work as the Trust's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee on 29 February 2022. Having completed our work for the 2021/22 financial year, we can confirm that our fees are as follows:

Area of work	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice	£90,000
Additional fees	£0
<b>Total fees</b>	<b>£90,000</b>

All fees are subject to VAT

## Fees for other work

We confirm that we have not undertaken any non-audit services for the Trust in the year.

# Mark Dalton, Director – Public Services

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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