



## Executive Summary

### Report to the Council of Governors

Being Held on 10 September 2024

<b>Subject</b>	Auditor's Annual Report 2023/24
<b>Supporting TEG Member</b>	Louisa Cowell, Chief Finance Officer
<b>Author</b>	Sofie Kockelbergh, Manager KPMG
<b>Status<sup>1</sup></b>	Note

### PURPOSE OF THE REPORT

To present the Auditor's Annual Report for 2023/24.

### KEY POINTS

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Sheffield 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.

### IMPLICATIONS<sup>2</sup>

Aim of the STHFT Corporate Strategy		✓ Tick as appropriate
1	Deliver the Best Clinical Outcomes	
2	Provide Patient Centred Services	
3	Employ Caring and Cared for Staff	
4	Spend Public Money Wisely	✓
5	Create a Sustainable Organisation	
6	Deliver Excellent Research, Education and Innovation	

### RECOMMENDATIONS

The Council of Governors is asked to **RECEIVE** and **NOTE** the update provided and respond to any specific points raised within the report.

### APPROVAL PROCESS

Meeting	Date	Approved Y/N
Council of Governors	10/09/2024	

<sup>1</sup> Status: A = Approval  
A\* = Approval & Requiring Board Approval  
D = Debate  
N = Note

<sup>2</sup> Against the six aims of the STHFT Corporate Strategy 'Making a Difference – The next Chapter 2022-27'



# Auditor's Annual Report 2023/24

Sheffield Teaching Hospitals NHS Foundation Trust

June 2024

# Contents

## KEY CONTACTS

### Tim Cutler

Partner

Tim.Cutler@kpmg.co.uk

### Sofie Kockelbergh

Senior Manager

Sofie.Kockelbergh@kpmg.co.uk

### Iram Hussain

Assistant Manager

Iram.Hussain2@kpmg.co.uk

	<b>Page</b>
<b>01 Executive Summary</b>	<b>3</b>
<b>02 Audit of the Financial Statements</b>	<b>5</b>
<b>03 Value of Money</b>	<b>10</b>
a) Financial Sustainability	
b) Governance	
c) Improving economy, efficiency and effectiveness	

This report is addressed to Sheffield Teaching Hospitals NHS Foundation Trust (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.



# 01 Executive Summary

# Executive Summary

## Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Sheffield 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 27 June. 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 5.</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 Department of Health and Social Care 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>

# 02 Audit of the Financial Statements

# Audit of the financial statements

## **KPMG provides an independent opinion on whether the Trust's financial statements:**

- Give a true and fair view of the state of the Trust's affairs as at 31 March 2024 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by NHS England with the consent of the Secretary of State as being relevant to NHS Foundation Trusts and included in the Department of Health and Social Care Group Accounting Manual 2023/24; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006 (as amended).

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **Audit opinion on the financial statements**

We have issued an unqualified opinion on the Trust's financial statements on 27 June 2024.

The full opinion is included in the Trust's Annual Report and Accounts for 2023/24 which can be obtained from the Trust's website.

Further information on our audit of the financial statements is set out overleaf.

# Audit of the financial statements

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	Procedures undertaken	Findings
<p><b>Risk: The carrying amount of revalued Land &amp; Buildings differs materially from the fair value</b></p> <p>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'.</p> <p>The value of the Trust's land and buildings at 31 March 2023 was £374m, of which all are covered by the valuation method. We understand management are not anticipating engaging their valuer to perform a full valuation in year. Management intend to receive valuation reports for properties where the valuation could have been materially impacted due to change in use or significant spend. For the remainder of the portfolio, management intend to track the indices movement to identify whether a material change in the valuation of the portfolio exists.</p> <p>The risk is perceived to be over the estimation uncertainty of certain core assumptions which drive the valuer's assessment of indices movement. This includes Location Factor, Obsolescence Factor and BCIS Indices which drive the valuer's assessment.</p>	<p>We have performed the following procedures designed to specifically address the significant risk associated with the valuation:</p> <ul style="list-style-type: none"> <li>• We critically assessed the independence, objectivity and expertise of Cushman and Wakefield, the valuers used in developing the indices assessment as at 31 March 2024;</li> <li>• We inspected documents pertaining to the good housekeeping valuations and indices assessment between the Trust and the valuers;</li> <li>• We evaluated the design and implementation of controls in place for management to review the assessment and the appropriateness of assumptions used;</li> <li>• We challenged key assumptions within the assessment, including the BCIS indices as well as relevant location and obsolescence factors;</li> <li>• We performed inquiries of the valuers in order to verify the methodology that was used in preparing the assessment and whether it was consistent with the requirements of the RICS Red Book and the GAM; and</li> <li>• We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in preparing their assessment.</li> </ul>	<p>We have identified a misstatement relating to the valuation. We confirmed that the Trust did not process the indexation impact on the valuation on the grounds of materiality on the assets not valued by Cushman and Wakefield. This had a negative £2.2m impact on the valuation of fixed assets. We did not consider this material.</p> <p>We raised a recommendation relating to formal documentation of impairment considerations and the calculation of cumulative indexation movements.</p> <p>We note that Cushman and Wakefield performed a full valuation of five of the properties held by the Trust, three of these valuations did not occur at the year end. We confirmed that the Trust did not assess the impact of indexation movements of the assets valued by Cushman and Wakefield mid-year. We determined the impact of the indices movements for this population to be £0.8m</p> <p>We considered the estimate to be cautious based on the procedures performed due to management not performing an indexation uplift exercise on the assets valued mid-year by Cushman and Wakefield.</p>



# Audit of the financial statements

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	Procedures undertaken	Findings
<p><b>Risk: <i>Liabilities for purchases of goods or services are recorded inappropriately when they are not completely recorded.</i></b></p> <p>As the Trust and system is set a financial performance target by NHSE there is a risk that non-pay expenditure, excluding depreciation, may be manipulated in order to report that the control total has been met.</p> <p>The setting of a control total can create an incentive for management to understate the level of non-pay expenditure compared to that which has been incurred. We believe the Trust is most likely to understate expenditure through the manipulation of year end manual accruals.</p> <p>We consider this would be most likely to occur through the understatement of non-NHS expenditure, via understating manual non-NHS accruals, in order to push back expenditure to 2024-25 to mitigate financial pressures</p>	<p>We have performed the following procedures designed to specifically address the significant risk associated with the valuation:</p> <ul style="list-style-type: none"> <li>• We assessed the design and implementation of controls for developing and identifying manual non-NHS accruals, including those controls for ensuring the cut-off of non-NHS expenditure is correct, to ensure it was captured in the correct financial year.</li> <li>• We inspected a sample of non-NHS expenditure invoices and expenditure related bank transactions, which occurred in April 2024 onwards, in order to determine whether expenditure had been recognised in the correct accounting period;</li> <li>• We inspected journals posted as part of the year end closedown procedures that reduced expenditure via the non-NHS accruals General Ledger codes and critically assessed whether there was an appropriate basis for posting the journals and that the values could be agreed to supporting evidence; and</li> <li>• We compared the items that were accrued at 31 March 2023 to those accrued at 31 March 2024 in order to assess whether any items of expenditure accrued for in the 2022-23 financial year had been excluded from the 2023-24 financial statements</li> </ul>	<p>We have not identified any material misstatements relating to this risk.</p> <p>In the prior year we raised a recommendation regarding the design and implementation of controls associated with the preparation of year end accruals.</p> <p>We identified no accruals where the Trust did not have appropriate supporting evidence for the inclusion of the accrual in 23/24. However we note that the management review control in place with regards to the accruals transactions is undocumented.</p>

# Audit of the financial statements

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	Procedures undertaken	Findings
<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 performed the following procedures:</p> <ul style="list-style-type: none"> <li>• In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.</li> <li>• Assessed accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;</li> <li>• Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.</li> <li>• Assessed the business rationale and the appropriateness of the accounting for significant transactions that were outside the component’s normal course of business, or were otherwise unusual.</li> <li>• We analysed all journals through the year to identify journals displaying high risk characteristics. We performed testing over each of these journals in order to assess the appropriateness and accuracy of the transactions posted; and</li> <li>• We tested the completeness of the related parties identified and assess whether relevant transactions had been appropriately disclosed within the financial statements.</li> </ul>	<p>We have not identified any material misstatements relating to this risk.</p> <p>Our evaluation over the design and implementation of journals controls within Centros identified that specific journal users have the ability to post and approve their own journals. This was due to specific users being able to select any role within the hierarchy when posing a transaction. We did not identify any journals posted and approved by the same individual</p> <p>We recommended that management restrict the ability to select roles within Centros when posting journals.</p>

# 03 Value for Money

# Value for Money

## Introduction

We are required to consider whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Trust for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



**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

## Approach

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.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Trust and separately to Management and audit committee whether other issues to respond to non-significant weaknesses or process improvements.

## Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	13 - 14	15 - 17	18 - 19
Identified risks of significant weakness?	No	No	No
Actual significant weakness identified?	No	No	No
2022-23 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel			

# Value for Money

## NATIONAL CONTEXT

### *Financial performance*

The 2023-24 financial year saw a significant increase in the level of financial pressures facing the NHS sector. This followed the end of Covid-19 related financing arrangements. The sector has faced cost pressures from a range of factors, most significantly the impacts of inflation felt during the year and the costs of industrial action.

At the end of January 2024 NHS England forecast that the NHS would record an overspend of £1.1bn against its agreed budgets. This came after additional funding had been made available earlier in the year to support with the costs of industrial action.

### *Operational performance*

In January 2023 the Government announced five pledges for 2023, including reducing NHS waiting lists and the time people wait for procedures. Waiting lists had grown significantly during the Covid-19 pandemic as elective activity was postponed in order to prioritise the treatment of Covid patients and ensure safe working.

According to the Health Foundation the NHS waiting list had grown from 6.2 million patients at the beginning of 2022 to 7.2 million in January 2023. There had also been a significant increase in the number of patients with long waits. At the end of 2023 there remained 355,000 patients that had been waiting over a year for treatment. Income arrangements for the acute sector were revised in year to reimburse providers for elective activity based on the actual number of patients treated.

### *System working*

The Health and Care Act 2022 formally established integrated care systems (ICSs), 42 partnerships within local geographies to promote closer working between the organisations responsible for healthcare delivery. Integrated Care Boards were formed on 1 July 2022, taking over commissioning responsibility from Clinical Commissioning Groups.

In their first full year of operation ICSs have continued to work to develop and embed governance arrangements both within the ICBs themselves and as systems.

## LOCAL CONTEXT

### *Financial performance*

Significant financial pressures within the sector resulted in the Trust reporting year end a deficit of £10.5m. The Trust reported an adjusted year end financial performance of £0.2m surplus.

The deficit was part of a larger South Yorkshire system deficit of £5m.

Significant financial pressures are expected in 2024/25, which were reflected in the Trust's 24/25 plan, submitted to the ICS in May 2024. Despite the financial pressure, the plan shows a forecast provider surplus of £5m, subject to the receipt of an additional £2m from commissioners. To meet the planned surplus, the Trust has included £66.8m of efficiencies, representing 4.1% of the Trust's forecast income for the year.

For 2024/25, the South Yorkshire ICS is currently forecasting an overall deficit position of £49.1m.

### *Operational performance*

The Trust is one of the largest Trusts in the country comprising 5 adult hospitals in Sheffield. It has a budget in excess of £1.5bn, operating with over 18,500 members of staff.

### *System working*

The Trust is part of the South Yorkshire Integrated Care System (ICS). The Trust is a core member of the ICS which demonstrates that they are participating and contributing into integrated care system plans.

At a national level, the Trust is part of the Shelford Group, a collaborating between ten of the largest teaching and research NHS Trusts in England.

# Financial Sustainability

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

We have considered the following in our work:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year today against the financial plan.

The 2023/24 plan was underpinned by the NHSE planning guidance '2023/24 Priorities and Operational Planning Guidance', issued in January 2023, as well as the Trust's financial framework and long-term financial strategy, ensuring consistency with operational and workforce plans. A draft of the 2023/24 plan was presented to the Board on 28th March 2023 ensuring appropriate review and scrutiny prior to the plan's finalisation. The preparation of the final plan was supported by the Trust's Business Planning guidance. The plan was presented and approved by the Board on the 25th April 2023 and submitted to the South Yorkshire Integrated Care System (ICS) on the 4<sup>th</sup> of May 2023. The plan included the brought forward underlying deficit of £0.5m. The Trust original plan forecast to deliver a end breakeven position which assumed the Trust would deliver 103% of the elective activity it delivered in 2019/20 and efficiencies of £58.5m.

Directorate Budgets are an end point in the Annual Business/Financial Planning process, which is a bottom up process built on Directorate planning submissions. To ensure alignment between financial and operation plans, each Directorate budget is owned by the Triumvirate leads of Clinical Director, Operations Director and Nurse Director with support from their dedicated Finance Manager. Financial Planning assumptions (reflecting the agreed budget setting methodology set by the Chief Finance Officer and reviewed by the Trust Executive Group - TEG) are built into the Business Planning Guidance and inform the Directorate Plans.

We found service cost pressures and service developments are identified through the business planning process which are collated and considered for approval through the Trust Executive Group (TEG), subsequently those which are approved are presented to the Board. We note for 2023/24, a 1% efficiency target was set for most Directorates, with a 2% target for 3 Central Directorates (Estates, Facilities and Informatics). Performance against the efficiency target was monitored at the Performance Management Framework review meetings, Use of Resources Committee and the Board. In the prior year we raised a recommendation over the reporting of efficiency actions, we identified the reporting of actions to mitigate underperforming efficiency schemes could be stronger, we confirmed that this recommendation had been implemented in year.

Monthly budget and financial monitoring reports are produced for budget managers at both directorate and corporate level. Directorate finance reports are produced on a monthly basis and include analysis of the directorate financial position at a granular level. Directorate budgets are reported to the Trust Executive Group (TEG) on a monthly basis.

Our review of the Finance and Performance Committees identified communication of actions to mitigate underperformance against plan could be strengthened. We have raised a recommendation regarding the reporting of mitigations against adverse performance.

# Financial Sustainability

Financial risk is managed through the Board Assurance Framework, we have highlighted the Trust's risk management arrangements on page 21. The Trust has identified a strategic risk regarding financial sustainability within the Board Assurance Framework (BAF) 'failure to manage our finances effectively and deliver value for money to ensure the long-term sustainability of care provision'. The January 2024 BAF assessed the aggregated assurance rating of this risk to be adequate. Each strategic risk is subject to an annual deep drive. This was undertaken in November 2023 and supported the adequate assurance rating. We have highlighted the Trust's risk management arrangements on page 15.

The Trust's agreed financial plan for 2023/24 is a breakeven position, we note that during the year the Trust has reported adverse positions against its balanced plan. In response to this, the 2023/24 Financial Recovery Plan was presented to the Board in September 2023 to provide an overview of the financial position and describe actions planned by the Trust to enable the Trust to meet its breakeven position.

The Trust ended the year reporting a deficit of £10.5m. The Trust reported an adjusted year end financial performance of £0.2m surplus, demonstrating the effectiveness of the recovery plan.

The Trust submitted its 24/25 plan to NHS England in May 2024, this showed a surplus of £5m. The position was dependent on £66.8m of planned efficiencies, representing 4.1% of the Trust's forecast income for the year. The plan was subject to review on 30 April 2024 via the Board meeting. A review of the minutes identified that appropriate scrutiny and challenge of the plan was applied by Board members.

Additionally, throughout our review, we noted evidence that the Trust was working alongside partners to ensure the 24/25 plan was achievable and realistic.

## Conclusion

Based on the procedures performed we have not identified a significant risk or weakness associated with financial sustainability

Key financial and performance metrics:	2023-24	2022-23
Planned surplus/(deficit) under control total basis	(£0m)	(£0m)
Actual surplus/(deficit)	(£10.5m)	£14.0m
Actual control total basis surplus/(deficit)	£0.2m	£0.3m
Planned CIP as a % of spend	3.9%	4.2%
- Recurrent	64.2%	76.3%
- Non-recurrent	35.8%	23.7%
Actual CIP as a % of spend	3.6%	3.8%
- Recurrent	61.1%	75.7%
- Non-recurrent	38.9%	24.3%
Year-end cash position	£161.0m	£200.8m



# Governance

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

We have considered the following in our work:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 financial plan by the Board, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Board ensures decisions receive appropriate scrutiny.

Business and corporate risks are initially identified at department level, at which point they are entered into Datix, the Trust’s risk management software. Each risk has a current and target risk score with controls and mitigations in place designed to enable the trust to monitor each specific risk. Risks with a risk score of 8 or above are escalated to the Trust’s Risk Management Group (RMG) formally known as the Risk Validation Group (RVG) to validate the risk. Risks cannot be validated by RMG until the risk owner has provided sufficient information to support the risk. During periods of time where risks have not been validated, they are reported to RMG via the ‘Risk Management Group Highlights report’, this report includes the section ‘Extreme risks not validated’. This report ensures those charged with governance are sighted on emerging risks whilst they are in the process of being validated.

All new risks with a score of 8 or above are reported to the Risk Management Group following validation where consideration will be given to cross-cutting issues and the implications for risk aggregation. All validated risks with a score of 15 or above are reported to the Trust Executive Group (TEG) via a Corporate Risk Register Report. All extreme risks (a risk with a score of 15 or more) are aligned to strategic risks within the Trust Board Assurance Framework (BAF). The BAF is a mechanism for proactively assessing risks and controls at strategic level. Additionally, the BAF details controls to mitigate and manage the Trust’s strategic risks. All risks are subject to review to ensure that risk scores remain appropriate.

In the prior year we raised a recommendation regarding the Trust’s risk management arrangements, we confirmed that management has implemented this recommendation, strengthen its risk management reporting processes in year. The Trust has a Risk Management Executive Committee which takes place on a bi-monthly basis. In addition the Trust has risk clinics with Care Groups to manage the number of risks captured on risk registers.

The Trust has specific policies in place with regards to fraud and the Freedom to Speak Up. The Trust also engaged a Local Counter Fraud Specialist who produces regular reports that are reported to the Audit Committee. Additionally, the Trust has a designated Counter Fraud Champion.

We have highlighted the process for the approval of the financial plan on page 13.

Monthly budget and financial monitoring reports are produced for budget managers at both directorate and corporate level. Directorate finance reports are produced on a monthly basis and include analysis of the directorate financial position at a granular level. Directorate budgets are reported to the Trust Executive Group (TEG) on a monthly basis. We found these reports contained sufficient detail to enable informed decision making.



# Governance

Compliance with laws and regulation is underpinned by the Trust's various policies and procedures, such as the Counter Fraud, Corruption and Bribery Policy. It is the role of the Audit Committee to review the adequacy of policies to ensure compliance with relevant regulatory, legal and code of conduct requirements and related self certification. The Committee will oversee the referral any suspicions of fraud, bribery and corruption to the NHS Counter Fraud Authority.

Additionally, compliance with laws and regulations, staff code of conduct and the Trust's constitution is completed through Board meetings, the Audit Committee and other governance arrangements as identified through our testing. We noted that the Trust has up to date policies on the recording of interests, gifts and hospitality, embedded into the Standard Business Conduct Policy.

Decision making is underpinned by the Trust Scheme of Delegation (SoD) and the Standing Financial Instructions(SFIs). The SoD and SFIs provide an appropriate escalation framework for making significant decisions based on financial limits and allows for decisions that are significant for non-financial purposes to be escalated to the Board as necessary.

As part of our 2023 Value for Money assessment we reported that the CQC report of December 2022 demonstrated an improved rating from inadequate to requires improvement, noting that "the Trust has complied with the requirements of the Section 29A Warning Notice by making significant improvements in the quality of healthcare provided to people who used services within the timeframe specified by the notice". Whilst the CQC indicates that further work is required to embed the improvements made to obtain an improved rating it demonstrated that the Trust has put procedures in place to improve its services.

A best practice developmental review of governance and leadership against the well-led framework was commissioned to identify continuous improvement actions. To ensure delivery of improvement actions that is sustainable, an exercise was undertaken to align the 62 recommendations identified across the external governance review and agree priority recommendations for immediate focus. As at the year end 93% of actions were completed. We deem this as good progress against the improvement actions identified.

## Conclusion

Based on the procedures performed we have not identified a significant risk or weakness associated with governance.

# Governance

	2024	2023
Control deficiencies reported in the Annual Governance Statement	None	None
Head of Internal Audit Opinion	Significant	Significant
Oversight Framework segmentation	3	3
Care Quality Commission rating	Required improvement	Requires improvement

# 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***

We have considered the following in our work:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Trust has engaged with ICS partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Directorates and budget holders are required to complete business cases for any major decisions, using the business planning proforma. All business cases must align to the Trust's six strategic objectives and must include a strategic, commercial, finance and management case. Business cases are initially scrutinised by the Business Planning Team, before being presented to TEG and the Board. It was evident from our review of the South Yorkshire and Bassetlaw Pathology business case that appropriate oversight and scrutiny was applied by the Business Planning Team and TEG prior to submission to and approval by the Board.

Additionally, we note that in 2023/24 the Trust began the process of implementing a new Electronic Patient Record (EPR) system. We saw evidence of ongoing scrutiny and review of the project through the financial year via the 'Electronic Patient Records Quarterly Update' at the Board as well as inclusion of a corporate risk regarding the implementation which aligned to the digital strategic risk within the BAF. This ensured appropriate oversight from those charged with governance.

The monthly Corporate Financial Reporting pack incorporates efficiency monitoring which is appropriately shared across Trust management and Board. Finance managers also work with Directorates and budget holders to ensure that budget variances are explained and identify where corrective action might be needed. The Trust utilises benchmarking information from across the NHS to inform its position, in particular we note that regular comparison is made against other bodies within the other similar large teaching hospital Trusts.

We note that the 2023/24 financial plan incorporated efficiency targets of between 1% and 2% into directorate budgets, this was supposed by the Use of Resources Group. Performance against the efficiency target was monitored at the Trust's Performance Management Framework review meetings, Use of Resources Committee and the Board.

Monthly budget and financial monitoring reports are produced for budget managers at both directorate and corporate level. Directorate finance reports are produced on a monthly basis and include analysis of the directorate financial position at a granular level. Directorate budgets are reported to the Trust Executive Group (TEG) on a monthly basis.

# Improving economy, efficiency and effectiveness

Our review of the Finance and Performance Committees identified communication of actions to mitigate underperformance against plan could be strengthened. We have raised a recommendation regarding the reporting of mitigations against adverse performance, we have concluded that this recommendation had been implemented in year.

We have seen that papers from key ICS meetings are made available to Board members and regular updates from ICS meetings attended by the Trust are given to the Board, committees and the Executive Group by relevant members of management.

An 'Activity Report' is produced each month for the Executive Group and this is also presented to the Finance and Performance Committee. The Trust also produces an Integrated Performance Report (IPR) every other month, which is considered by the Trust Executive Group, Board committees and Board. Both of these reports highlight performance against key performance indicators.

The Sheffield Place Health and Care Partnership Board introduced a five year strategy 'Shaping Sheffield'. From 2019-2024 with the aim to transform the population's health, care and well-being. We note that the minutes of Sheffield Place Health and Partnership Board demonstrated joint working to improve economy, efficiency and effectiveness.

On an individual basis, performance of clinical sub-contractors are monitored through the independent sector activity reports and meetings are held with the main independent sector providers. These reports detail performance against key performance indicators. Consolidated independent sector reporting is also performed on a monthly basis, this covers key performance indicators of each main outsourced provider. The activity reporting aligns with the Trust's planning assumptions which underpin the aims of the Trust's activity plan. The Trust outsource very few non-clinical services, the most notable being the outsourced sterile services contract. Performance of this contract is managed through contract oversight meetings held with the provider and senior Trust management.

## Conclusion

Based on the procedures performed we have not identified a significant risk or weakness associated with improving economy, efficiency and effectiveness.



[kpmg.com/uk](https://kpmg.com/uk)

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

**Document Classification: KPMG Public**