



Imperial College Healthcare NHS Trust

Auditor's Annual Report 2021/22

Issued 26 August 2022

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Key Messages

Audit opinion on the financial statements

We issued an unqualified opinion on the Trust's financial statements on 13 July 2022. The NHS statutory reporting deadline was missed by 3 weeks due to a delays in the receipt of information as well as the number of findings (adjustments and control recommendations) identified during the audit.

The Trust's arrangements to secure Value for Money

Commentary on the Trust's arrangements

Financial Sustainability

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

The Trust recorded a surplus in 2021/22 of £30.6m (2020/21: £10.6m deficit), after receipt of £32.9m (2020/21: £nil) of Elective Recovery Funding.

At 31 March 2022, the Trust had net assets of £594.2m (2020/21: £521.9m), net current liabilities of £28.9m (2020/21: £24.8m) and cash of £237.5m (2020/21: £149.1m).

The Trust's NHS Oversight Framework rating was 2 during 2021/22.

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

Governance

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

Whilst the Trust's overall Care Quality Commission ("CQC") rating in its last report ((from July 2019) was "Requires improvement", the "Well Led" element of the report rated the Trust as "Good".

The Trust's Head of Internal Audit opinion for the year was 'Generally satisfactory with some improvements required' on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Accountable Officer concluded from his annual review of the effectiveness of internal control at the Trust that no significant internal control issues have been identified.

A high volume of audit misstatements and control recommendations were identified during the audit. No material matters were noted and an unqualified opinion was issued.

In November 2021, several floors of the Western Eye Hospital were shut due to concerns around fire safety issues. Whilst there was a weakness in that the issue was not previously identified, the Trust's arrangements in place during the year for evaluating the ongoing adequacy of fire safety arrangements identified and rectified this issue. We concluded that there was no significant weakness in the Trust's arrangements.

Key Messages

Improving economy, efficiency and effectiveness

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

As in 2020/21, the Trust has adapted its processes for assessing financial and performance information, including identifying areas for improvement, in response to the pandemic. We concluded that these changes were appropriate in the context of the prevailing operating environment and national priorities. The Trust will return to its pre-pandemic processes in 22/23 with a focus on longer term planning.

The Trust plays an active part in the local Integrated Care System (ICS).

Plans are underway for the redevelopment of the Trust's estate including a large programme for the Trust's three largest sites and supported by the government's new hospitals programme. The programme is at an early stage of the approval process and the business case for the St Mary's site development was submitted during 21/22. These large scale, long-term projects seeks to improve the economy, efficiency and effectiveness of the Trust and remove some of the long-standing financial and operational risks linked to the ageing estate.

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

Purpose of this report

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

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

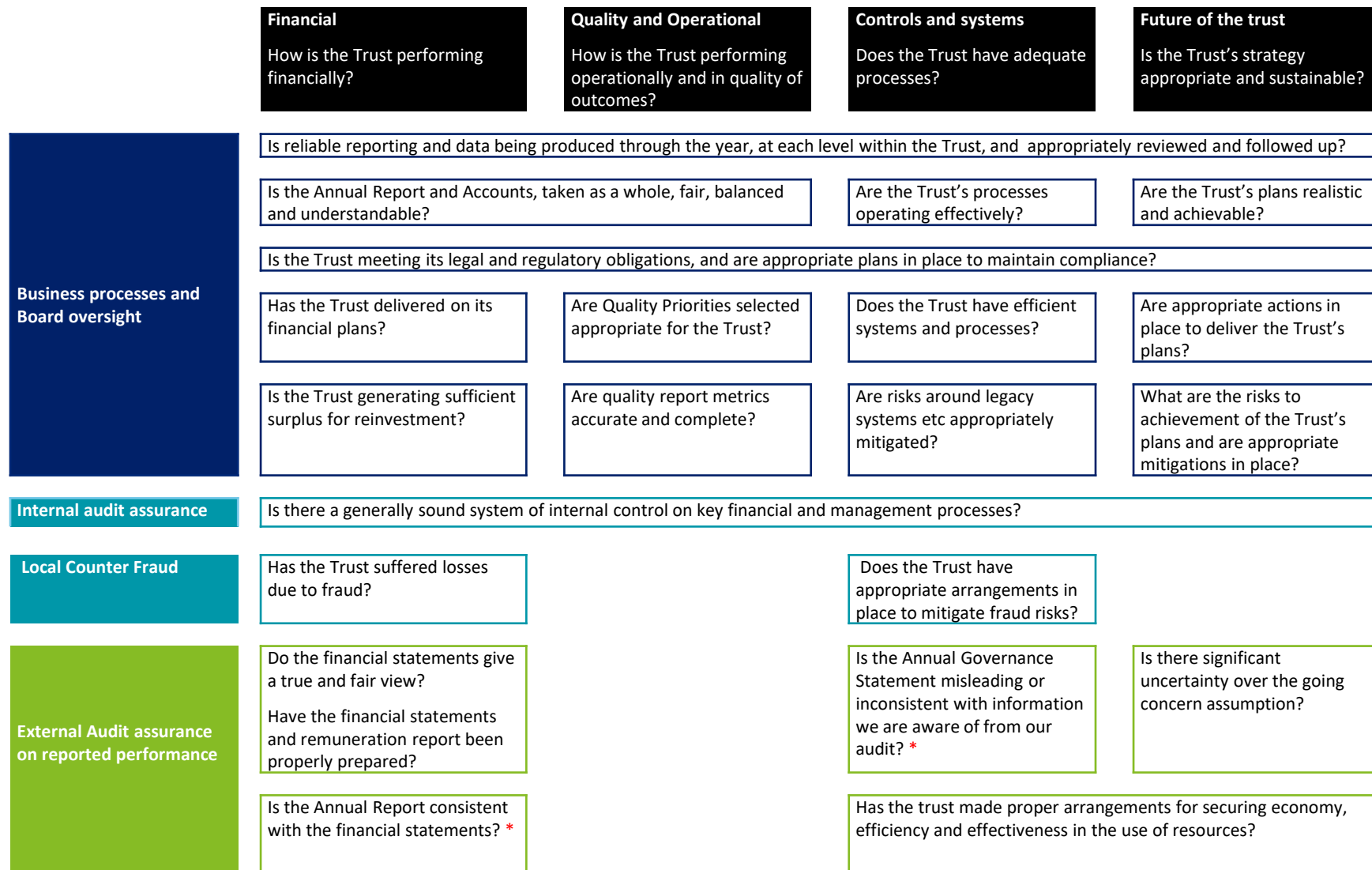
In preparing this report, we have followed the National Audit Office's ("NAO") Code of Audit Practice and its Auditor Guidance Note ("AGN") 03, Value for Money, and AGN 07, Auditor Reporting. These are available from the NAO website.

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

We have not identified any significant weaknesses in the Trust's VfM arrangements, and so have not reported any recommendations in respect of significant weaknesses.

Assurance sources for the Trust

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



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

Opinion on the financial statements

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

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

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

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

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

Audit opinion on the financial statements:

We issued an unqualified opinion on the Trust's financial statements on 13 July 2022.

Remuneration and Staff Report:

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

Annual Governance Statement:

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

Annual Report:

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

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

We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2022.

Reporting to the group auditor:

In line with the group audit instructions issued by the NAO, we reported on 13 July 2022 that the Trust's consolidation schedules that feed into the Consolidated NHS Provider Account and Department of Health and Social Care's group accounts were consistent with the audited financial statements.

Audit Certificate

We will certify completion of the audit responsibilities following the issuance of this report.

Our financial statement audit approach

An overview of the scope of the audit

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

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit partner, Jonathan Gooding. The audit team included integrated Deloitte specialists bringing specific skills and experience in property valuations and information technology systems. The Trust does not prepare group accounts.

Materiality

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

Based on our professional judgement, we determined materiality for the Trust to be £17.6m, on the basis of 1.25% of forecast expenditure, which is 2% of gross assets and 3% of taxpayers' equity.

We agreed with the Audit, Risk & Governance Committee that we would report to the Committee all audit differences in excess of £300k as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit, Risk & Governance Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Procedures for auditing the Trust's financial statements

Our audit of the Trust's financial statements included:

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

Data analytic techniques were used as part of audit testing, in particular to support profiling of populations to identify items of audit interest and in journal testing, using our Spotlight data analytics platform.

Our financial statement audit approach

Approach to audit risks

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

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

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

Financial statement audit significant risks

Property valuations

Risk identified The Trust held £494.4m of property assets within Property, Plant and Equipment, which it is required to hold at a current valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions which can be subject to material changes in value.

Deloitte response Our testing procedures in this area included the following:

- Carried out tests of the design and implementation of key controls in place around the property valuation.
- Evaluated the qualifications, experience and objectivity of the valuer.
- Included valuation specialists within our team to review and challenge the valuation completed by management's expert, including assessing the reasonableness of the assumptions used and the reasonableness of the outcome.
- Considered the impact of uncertainties relating to the Covid-19 pandemic upon property valuations in evaluating the property valuations and related disclosures.

Key observations We concluded that the Trust's valuer's work was satisfactory, that the key valuation assumptions were within the acceptable range and that the property valuation had been accounted for correctly. We identified control weaknesses in this area and made recommendations to the Trust to improve those controls.

Financial statement audit significant risks

Capital Expenditure

Risk identified The Trust has a significant capital programme, and spent £94.9m on capital works during 2021/22 (2020/21: £85.9m), the majority of which (£93.6m) is included as part of assets under construction.

Where the Trust develops properties as part of its capital programme, determining whether or not expenditure should be capitalised can involve judgement under International Financial Reporting Standards. In addition, under the budgetary framework, trusts have an incentive to recognise expenditure in line with capital budgets and in the same financial year as related Public Dividend Capital funding.

We have therefore identified a risk of additions to assets under construction being incorrectly capitalised in the period (either the expense is not capital in nature, or should not be recognised in the period). Specific issues we have considered include:

- Business case costs, and feasibility studies (especially early stage business cases).
- The use of “Vesting certificates”, where the control of an asset may have transferred to the Trust without the asset physically being delivered.

Deloitte response Our testing procedures in this area included the following:

- Carried out tests of the design and implementation of key controls in place around the appropriate capitalisation of costs.
- Substantive testing of a sample of assets capitalised during the year to ensure they had been appropriately capitalised in according with the accounting requirements.

Key observations We concluded that the Trust had appropriately capitalised assets in line with the accounting requirements. We identified control weaknesses in this area and made recommendations to the Trust to improve those controls. We also made recommendations as to how management could improve the disclosures in relation to fixed asset additions in future periods.

Financial statement audit significant risks

Existence of Plant and Machinery, Information Technology and Fixtures and Fittings

Risk identified The Trust holds significant assets in relation to Plant and Machinery, Information Technology and Fixtures and Fittings with a gross cost of £303.6m and a net book value of £104.8m. The Trust's financial statements initially presented for audit included no disposals of assets and we identified a control weakness that the Trust was not recording and recognising disposals appropriately during the year. There is a risk that assets with a nil net book value which are no longer in use by the Trust have not been removed from the Trust's asset register.

Deloitte response Our testing procedures in this area included the following:

- Carried out tests of the design and implementation of key controls in place around the disposal of Plant and Machinery, Information Technology and Fixture and Fittings.
- Substantive testing of a sample of Plant and Machinery, Information Technology and Fixture and Fittings to ensure these were still in use by the Trust.

Key observations We concluded that the Trust's disclosures in respect of Plant and Machinery, Information Technology and Fixture and Fittings are materially correct, although identified assets with a nil net book value that should be removed from the Trust's asset register.
We identified control weaknesses in this area and made recommendations to the Trust to improve those controls.

Financial statement audit significant risks

Management Override of Controls

Risk identified In accordance with ISA 240 (UK), management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Trust's controls for specific transactions.

Deloitte response In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

- Carried out tests of the design and implementation of key controls in place around management override and journal approvals.
- We have risk assessed journals and selected items for detailed follow up testing using our proprietary analytical tool to profile journals based on areas which we consider to be of increased interest.
- We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting.
- We have reviewed accounting estimates for biases that could result in material misstatements due to fraud. In particular in the current year, noting the ongoing impact of the coronavirus pandemic, and the general increases in funding available to the NHS, we have looked at the overall position of the balance sheet, for example in relation to accruals and provisions.
- We have not identified any significant transactions that we became aware of that were outside of the normal course of business for the entity, or that otherwise appeared to be unusual, given our understanding of the entity and its environment.

Key observations We completed our work satisfactorily in relation to this risk.
We identified control weaknesses in this area and made recommendations to the Trust to improve those controls.

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

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

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

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

Financial Sustainability	<i>How the body plans and manages its resources to ensure it can continue to deliver its services</i>
Governance	<i>How the body ensures that it makes informed decisions and properly manages its risks</i>
Improving economy, efficiency and effectiveness	<i>How the body uses information about its costs and performance to improve the way it manages and delivers its services</i>

In this report, we set out the findings from the work we have undertaken. We have not identified any significant weaknesses in arrangements.

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

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



Meeting with management.



Review of Board and Committee reports and attendance at Audit, Risk and Governance Committee meetings.



Reviewing reports from third parties including Care Quality Commission.



Considering the findings from our audit work on the financial statements.



Review of the Trust's annual governance statement and annual report.

Auditor's work on VfM arrangements (continued)

Trust performance

The table on the right provides a summary of Trust performance across a range of measures and where appropriate additional commentary is provided on this and the following pages.

NHS Oversight Framework - NHS England and Improvement's NHS Oversight Framework provides the framework for overseeing providers and identifying potential support needs.

The framework looks at five themes:

- Quality of care
- Finance and use of resources
- Operational performance
- Strategic change
- Leadership and improvement capability (well-led).

Based on information from these themes, providers are segmented from 1 to 4, where '4' reflects providers receiving the most support, and '1' reflects providers with maximum autonomy. The Trust continues to be categorised as 'Segment 2'.

Finance and Use of Resources - The finance and use of resources theme is based on the scoring of five measures (relating to Financial Sustainability, Financial Efficiency and Financial Controls) from '1' to '4', where '1' reflects the strongest performance. These scores are then weighted to give an overall score. A rating was not required to be reported in the current year.

	2021/22	2020/21	2019/20
Surplus / (Deficit)	£30.6m	(£10.6m)	£23.4m
Adjusted Surplus/(Deficit) as reported on the face of the SOCIE	£0.1m	£0.1m	£8.7m
EBITDA margin	4.3%	4.0%	4.7%
CIP Actual/Target	£24.7m / £31.6m	£6.0m / £6.0m	£43.1m/ £52.8m
Use of Resources	Not reported	Not reported	3
Segmentation	2	2	2
Breaches of NHSI performance targets	None	None	None
Cash	£237.5m	£149.1m	£43.9m
CQC report conclusions (overall Trust rating)	Requires Improvement	Requires Improvement	Requires Improvement
Capital Expenditure	£94.9m	£85.9m	£55.5m

VfM arrangements: Financial Sustainability

Approach and considerations

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

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

Commentary

- The Trust recorded a surplus in 2021/22 of £30.6m, after receipt of £32.9m of Elective Recovery Funding.
- As disclosed beneath the Statement of Comprehensive income in the financial statements, on a control total basis (adjusting for impairments and the impact of donations and donated assets) the Trust achieved a small surplus of £83k.
- At 31 March 2022, the Trust had net assets of £594.2m, net current liabilities of £28.9m and cash of £237.5m.
- The Trust has a monthly financial reporting cycle with monthly divisional/corporate reviews conducted with Executive oversight. Monthly Finance reports are produced for the Executive Management Board and bi-monthly for Finance, Investment and Operations Committee. In normal circumstances, the Trust's planning process is completed via a bottom up approach which allows each division to identify pressures which are then reflected into CIP requirements and mitigations approved by the Board.
- The timing and extent of the Trust's annual planning process and process around identification of significant pressures was significantly impacted by the Covid-19 pandemic and, as a result of the timing of national planning cycles, financial planning for 2021/22 was delayed with the financial regime emerging late in March 2021. This continued to be governed by block contracts and the Trust was able to access additional income via Elective Recovery Funding. The planning focussed on reaching operational targets within block funding set nationally. Divisions reviewed their operational capacity at the Executive level and agreed plans. For 2022/23, the trust has returned to an annual planning cycle and expects to develop a 5 year plan to support identification of medium term financial pressures.
- The Trust has a target of £37.0m of savings under the Cost Improvement Programme (CIP) in 22/23. At P2 22/23, we understand that the Trust has identified savings of £19.9m which leaves the Trust's unidentified gap at £17.1m. We understand that further savings of £5m have since been identified and are currently in the process of being quality approved before formal inclusion in the plan. In respect of the remaining £12m a number of potential opportunities have been identified and efforts are underway to quantify and approve these opportunities.
- These arrangements were in line with our expectation in the current operating environment. The Trust's financial performance and financial planning does not have the same level of regulator focus in 2021/22 due to the priority given to the pandemic response in the year and suspension of some of the usual aspects of the financial framework for trusts. The outcome of the arrangements in place in 2021/22 for financial performance were satisfactory.
- We concluded that there was no significant weaknesses in the Trust's arrangements.

VfM arrangements: Governance

Approach and considerations

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

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

- The Trust is currently in Segment 2 of the NHS England and Improvement's oversight framework.
 - The "Well Led" element of the last Care Quality Commission ("CQC") report published in July 2019 rated the Trust as Good.
 - The Trust looks for balance in the structure of those charged with governance between technical and sector experience. The Trust is able to show depth of experience on the Board and sub committees.
 - The Chief Executive, as the Accountable Officer, concluded from his annual review of the effectiveness of internal control that the Trust has a generally sound system of internal control and no significant internal control issues have been identified.
 - The Trust's Audit, Risk and Governance Committee approves the annual Internal Audit Plan and the Local Counter Fraud Plan and receives updates at committee meetings through the year. The Trust's Head of Internal Audit opinion for the year was 'Generally satisfactory with some improvements required' on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
 - The key areas evaluated by Internal Audit where high level recommendations were identified were in "IT Management of Subject Access Reports" and "Contract Management Follow Up". The internal auditor identified findings involving non-compliance with General Data Protection Regulation (GDPR) requirements, complaints from data subjects resulting in a site visit from the Information Commissioner's Office (ICO) and ineffective management of contracts which required improvements in governance, controls and training. In the case of both areas, the Trust has an action plan in place including mandatory training to those involved in processing Data Subject Access Requests (DSARs), review of records processing such as digital preservation to ensure accessibility of records. We note that there have been no material breaches or fines as a result of the findings from these reviews. The follow up review was rated as high as some of the actions within the action plan have not been completed and remain in progress. Despite this, improvements have been made in respect of the completed actions. The formal training has not yet been implemented due to operational pressures however there are some contracts which have formal processes in place which mitigates the risk and 50% of the contracts have been migrated to the central contract management system during the year and the Trust continues to work on this. We are satisfied that sufficient progress is being made against the Trust's action plan.
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VfM arrangements: Governance (continued)

Commentary (continued)

- The Trust continued to adapt its annual budget setting process for 2021/22 in response to changes in contractual and funding arrangements as a result of the pandemic and, as explained on the previous page, financial planning for 2021/22 was delayed.
- The Trust maintained a focus on budgetary control during 2021/22, including tracking progress on pressures and mitigations to achieve its breakeven plan. The Trust adapted its business planning and investment process for Covid-19.
- The NHS statutory reporting deadline for the audit was missed by 3 weeks. There were weaknesses in management's preparation of the accounts and working papers. We raised a number of adjustments to the accounts, and a number of control recommendations during the financial statement audit. Whilst there were a number of findings from the audit, we note that no material audit misstatements were identified. We also understand that a number of Trusts missed the reporting deadline in 2022. On balance, given the absence of material errors, we have not concluded that this represents a risk of significant weakness in the Trust's overall value for money arrangements. However, the adequacy of the Trust's response to these recommendations will form part of the assessment of arrangements in 2022/23.
- The Trust has a significant capital programme and spent £94.9m (31 March 2021 £85.9m) in the current year. There are established arrangements in place for major capital projects. These include having a Capital Steering Group and a Capital Expenditure Assurance Group along with Individual Project Boards for major schemes.
- In November 2021, several floors of the Western Eye Hospital were shut due to concerns around fire safety issues arising from the adjacent Samaritan Hospital building. The Trust received a Notification of Fire Safety Deficiencies from the London Fire Brigade which carried no statutory force but may result in formal action being considered if the agreed improvements do not take place. There was a weakness in that the fire safety issues were not previously identified and it is apparent that this situation has been the case for several years as the Samaritan Hospital has not been occupied since the 1990s. The Samaritan hospital is non-operational and outside the scope of the trust's usual fire safety processes. This is the only non-operational building at the Trust, with routine inspections performed for the operational buildings and the matter does not present a wider issue for the Trust. The Trust's arrangements in place during the year for evaluating the ongoing adequacy of fire safety arrangements identified and rectified this issue. The Trust took immediate action and closed the floors of the hospital in November 2021 following identification of the issue in October 2021 in order to mitigate the risk.
- Given the size of the Western Eye Hospital compared with the rest of the Trust's estate, and the fact that the Trust was able to find alternative arrangements for service users which mitigated major disruptions to services, the impact of the closure of the floors is not considered to be indicative of a risk of significant weakness in the overall value for money arrangements of the Trust.
- We concluded that there were no significant weaknesses in the Trust's arrangements.

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

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

Commentary

- The Trust has adapted its processes for assessing financial and performance information, including identifying areas for improvement, to take account of the impact of the pandemic on expected performance and to introduce additional measures of particular pertinence during the pandemic, such as in relation to infection prevention and control and adapting the frequency of reporting – whilst maintaining the structure of performance reporting and action planning for improvements. We concluded that these changes were appropriate in the context of the prevailing operating environment and national priorities.
- The Trust plays an active part in the local Integrated Care System (ICS) with updates discussed at Board meetings through the year. The Trust is a key partner in the North West London system. The Trust has many collaborative working arrangements, for example North West London Pathology and Imperial College Health Partners. These partnerships are monitored with regular reporting at board level.
- Plans are underway for an overhaul of the Trust's estate including the Trust's redevelopment programme which aims to expand the three main sites (St Mary's, Charing Cross and Hammersmith) at an expected cost of £1.2-£1.7bn net, once receipts from the sale of surplus land are taken into account. All three trust hospital sites are on the national New Hospitals Programme list of 40 new hospitals which the government has committed to support. The Trust has received over £8.5m of Public Dividend Capital (PDC) funding over the last two years with at least a further £1m awarded for 2022/23. The Trust announced that it submitted its strategic outline business case for the redevelopment of St Mary's Hospital in September 2021. These large scale, long-term projects supported by external funding seek to improve the economy, efficiency and effectiveness of the Trust and remove some of the long-standing financial and operational risks linked to the ageing estate.
- We concluded that there was no significant weaknesses in the Trust's arrangements.

Purpose of our report and responsibility statement

What we report

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

What we don't report

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

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

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

The scope of our work

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

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

Use of this report

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



Deloitte LLP

St Albans | 26 August 2022

Appendix 1: Trust's responsibilities

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

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

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

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

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

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

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

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

Appendix 2: Auditor's responsibilities

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Trust a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. Other findings from our work, including our commentary on the Trust's arrangements, are reported in our Auditor's Annual Report.

Auditor's other responsibilities

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

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



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