



Imperial College Healthcare NHS Trust

Auditor's Annual Report 2020/21

Issued 09 September 2021

Contents

Auditor's Annual Report

Key messages	3
Purpose of the report	4
Assurance sources for the Trust	5
Opinion on the financial statements	6
Our financial statement audit approach	7
Financial statement audit significant risks	8
Our approach to VfM arrangements	12
VfM commentary:	
• Financial sustainability	14
• Governance	15
• Improving economy, efficiency and effectiveness	17
Purpose of our report and responsibility statement	18

Appendices

Trust's responsibilities	19
Auditor's responsibilities	20

Key Messages

Audit opinion on the financial statements We issued an unqualified opinion on the Trust's and group's financial statements on 28 June 2021.

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 deficit in 2020/21 of £10.6m, after receipt of £84.2m of Covid top-up and reimbursement funding.

At 31 March 2021, the Trust had net assets of £521.9m, net current liabilities of £24.8m and cash of £149.1m.

The latest CQC report published in July 2019 on how well the Trust uses its resources rates the Trust as "Good".

We concluded that there was no significant weakness in the Trust's arrangements and that these arrangements were in line with our expectation in the current operating environment.

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

The "Well Led" element of the last CQC report published in July 2019 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 that the Trust has a generally sound system of internal control and no significant internal control issues have been identified.

The Trust has adapted its governance arrangements to enable it to support an agile response to the pandemic.

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

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

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

The Trust has approved a plan to invest in a new-build hospital on the St Mary's site, significant refurbishment of the Charing Cross site and a mix of redevelopment and new build at Hammersmith Hospital. 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 work we have carried out at Imperial College Healthcare NHS Trust ("the Trust") for the year ended 31 March 2021.

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.

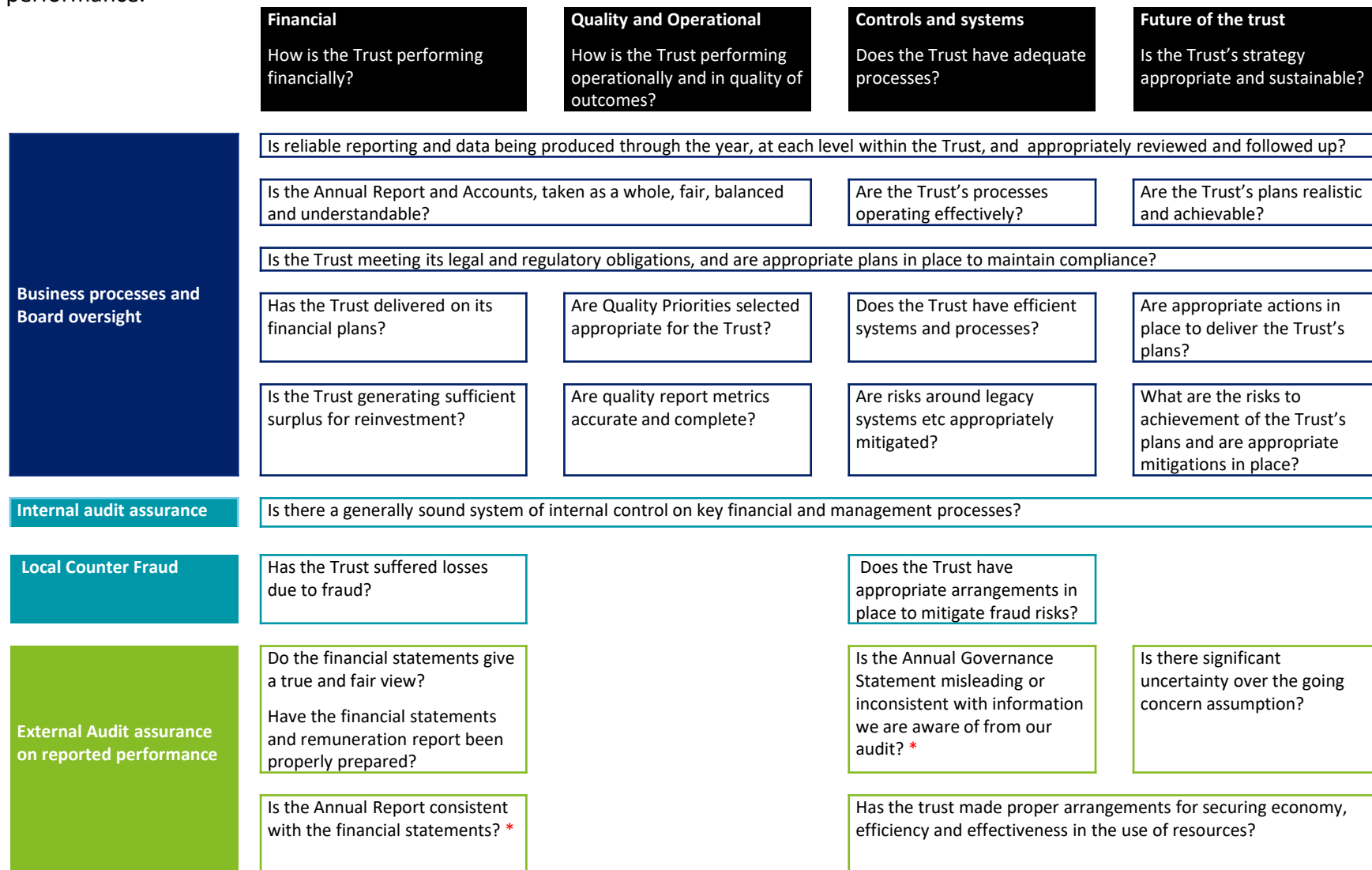
In preparing this report, we have followed the National Audit Office's ("NAO") Code of Audit Practice and its Auditor Guidance Note ("AGN") 03, Value for Money, and AGN 07, Auditor Reporting. These are available from the NAO website.

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 assurances provided by external audit around finance, quality, controls and systems and the future of the Trust (in the green rows) and how this fits with some of the other assurances 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 whether the Trust's financial statements:

- Give a true and fair view of the financial position of the Trust at 31 March 2021 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 28 June 2021.

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 2021 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 2021.

Reporting to the group auditor:

In line with the group audit instructions issued by the NAO, we reported on 30 June 2021 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 certified completion of the audit on 9 September 2021, following completion of our responsibilities in respect of the audit for the year ended 31 March 2021.

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, Craig Wisdom. 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 £16.5m, on the basis of 1.25% of forecast expenditure, which is c. 2% of gross assets and c. 3.2% 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.

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 £440.2m 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 (including the floor areas for a Modern Equivalent Asset, the basis for calculating build costs, the level of allowances for professional fees and contingency, and the remaining life of the assets) and 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.

Financial statement audit significant risks

Accounting for capital expenditure

Risk identified The Trust has an extensive capital programme, with spend for the year of £85.9m, compared to £55.5m for 2019/20, as detailed in note 13 to the financial statements. Accounting for capital expenditure can involve significant judgement. Whether expenditure is capitalised and the period it is recognised in can significantly impact against the budgetary control totals the Trust is assessed against by NHS Improvement.

The increased level of expenditure in the current year and the higher level of capital budgets available in the current year increases the risk of amounts being incorrectly capitalised, or of incorrect recognition in the current period.

This has been identified as a new significant risk for 2020/21 given the increased level of expenditure in the year.

Deloitte response

Our testing procedures in this area included the following:

- We tested the design and implementation of controls around the capitalisation of costs.
 - We tested spending on a sample basis to a significant risk level to confirm that it complies with the relevant accounting requirements.
 - We challenged management's assessment of potential impairments including previously capitalised work.
 - We reviewed the projects ledger and the status of individual projects to evaluate whether they have been depreciated from the appropriate point.
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Key observations

We completed our work satisfactorily in relation to this risk.

Financial statement audit significant risks

Other Provisions

Risk identified	<p>The Trust holds a number of provisions, in different areas of the balance sheet, which can have an impact on the financial position of the Trust, and achievement of its target results for the year.</p> <p>The key provisions that we have identified that are relevant to this significant risk are:</p> <ul style="list-style-type: none">• Provisions in relation to property (within “other provisions”). <p>The total provision disclosed in the “other category” in Note 21 as at 31 March 2021 was £36.4m and the majority of this related to the property related provisions. These have not moved materially from the prior year. This area of provisioning involves significant management estimates and judgements, and presents a significant risk of material misstatement. It involves the use of experts to evaluate the level of provision required.</p>
Deloitte response	<p>Our testing procedures in this area included the following:</p> <ul style="list-style-type: none">• We tested the design and implementation of key controls in place around management’s key estimates in relation to provisioning for property related matters.• We involved specialists in reviewing the property provisions.• We tested management’s key estimates and judgements in this area, both looking at the position as at 31 March 2021, and applying a “hindsight” test to the position as at 31 March 2020.• We reviewed correspondence with management’s legal advisers and experts in this area and we reviewed management’s paper on the accounting treatment which appraised developments in the year.• We assessed the reasonableness of the estimates used.
Key observations	<p>We completed our work satisfactorily in relation to this risk.</p>

Financial statement audit significant risks (continued)

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.

We considered that in the current year there was a risk across the NHS that management may override controls to fraudulently manipulate the financial statements or accounting judgements or estimates. In previous years, this has been to meet or exceed control totals – however, in light of the increased funding in the current year, we have also considered the potential incentives to recognise excess liabilities in the current year.

Note 1.2 to the financial statements details the Critical Accounting Judgements and Key Sources of Estimation Uncertainty identified by management.

Deloitte response

Manipulation of accounting estimates

- We tested the design and implementation of controls in relation to accounting estimates.
- We tested accounting estimates (including in respect of capital expenditure, property valuations and provisions as discussed above), focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.
- In testing each of the relevant accounting estimates, we considered their findings in the context of the identified fraud risk.
- Where relevant, the recognition and valuation criteria used were compared to the specific requirements of IFRS.

Manipulation of journal entries

- We tested the design and implementation of controls over journals.
- We used data analytic techniques to select journals for testing with characteristics indicative of potential manipulation of reporting.
- We traced the journals to supporting documentation and evaluated the accounting rationale for the posting. We evaluated individually and in aggregate whether the journals tested were indicative of fraud or bias.
- We tested the year-end adjustments made outside of the accounting system between the general ledger and the financial statements and consolidation adjustments and journals.

Accounting for significant or unusual transactions

- We considered whether any transactions identified in the year required specific consideration and did not identify any requiring additional procedures to address this key audit matter.
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Key observations

We completed our work satisfactorily in relation to this risk.

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>
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Governance	<i>How the body ensures that it makes informed decisions and properly manages its risks</i>
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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>
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In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we are required to make recommendations so that the Trust can consider them and set out how it plans to make improvements. 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 2020/21 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 and Finance 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. The Trust has achieved the highest score of '1' across many of the sub criteria but, in 2019/20, due to a low score of "4" on the liquidity rating as a result of having net current liabilities, the overall score was downgraded from '2' to '3'. A rating was not required to be reported in the current year.

	2020/21	2019/20	2018/19
Surplus / (Deficit)	(£10.6m)	23.4m	£30.4m
Adjusted Surplus/(Deficit) as reported on the face of the SOCIE	£0.1m	£8.7m	£28.2m
EBITDA margin	4.0%	4.7%	6.6%
CIP Actual/Target	£6.0m / £6.0m	£43.1m / £52.8m	£44.2m / £48m
Use of Resources	Not reported	3	2
Segmentation	2	2	3
Breaches of NHSI performance targets	None	None	None
Cash	£149.1m	£43.9m	£26.7m
CQC report conclusions (overall Trust rating)	Requires Improvement	Requires Improvement	Requires Improvement
Capital Expenditure	£85.9m	£55.5m	£55.1m

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 deficit in 2020/21 of £10.6m, after receipt of £84.2m of Covid top-up and reimbursement 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 £47k.

At 31 March 2021, the Trust had net assets of £521.9m, net current liabilities of £24.8m and cash of £149.1m.

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 at a very early stage at 31 March 2021 when it was paused in response to the pandemic. Additional arrangements put in place during the pandemic included regular meeting of the executive to review hospital status and any funding requirements with Covid related spend governed by a specific approval process. The regular financial monitoring processes were maintained throughout the pandemic. These arrangements were in line with our expectation in the current operating environment.

We note that our VfM conclusion in the 2019/20 audit report, reported under the old AGN 03, included an exception in relation to financial sustainability predominantly linked to the estate. We observed that whilst financial targets had been delivered the Trust was not in a position to generate the funds needed to maintain the estate given its condition and that there was a material risk of an estate failure that might negatively impact the ability of the Trust to deliver its strategic priorities.

We note that critical decisions were made in the year to invest, with central government support, in the estate. The Trust has approved a plan to invest in a new-build hospital on the St Mary's site, significant refurbishment of the Charing Cross site and a mix of redevelopment and new build at Hammersmith Hospital. 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 weakness 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.

Commentary

The Trust continued to manage risk under its risk management policy and identified new risks relating to Covid-19 and the recovery of services.

The Trust needed to adapt its annual budget setting process for 2020/21 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 at a very early stage at 31 March 2021.

The Trust maintained a focus on budgetary control during 2020/21, including tracking progress on pressures and mitigations to bridge the gap between its original forecast for the second half of the year and its final outturn deficit. The Trust adapted its business planning and investment process for Covid-19. Key decisions taken or implemented in 2020/21 included insourcing Hotel Services (cleaning, portering and catering).

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 area evaluated by Internal Audit where high level recommendations were identified was "Contract Management". Internal audit commented that contracts are not managed effectively and that improvements were needed in governance, controls and training. Internal audit recommend that the Trust needs to introduce a stronger training programme and a robust framework of internal control to govern the contract management process. The Trust has commenced the response to these findings including appointment of a new interim head of procurement who has prepared a roadmap for improvement across the procurement function at the Trust including explicit response to the internal audit recommendations.

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.

Commentary

The Trust has a significant capital programme and spent £85.9m (31 March 2020 £55.5m) 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.

The Trust is currently in Segment 2 of the NHS England and Improvement's oversight framework.

The "Well Led" element of the last CQC report published in July 2019 rated the Trust as Good.

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 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.

We concluded that there were no significant weakness 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 CEO chairs the Acute Programme Board and several other Imperial executives hold prominent roles in the senior management of the North West London ICS. 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.

Deloitte insight: *As the Trust moves forwards with ever closer partnership working within the ICS and the increasing focus on system wide objectives, it is important that the Trust adapts its arrangements appropriately to incorporate new duties and responsibilities whilst maintaining the existing rigour over the its current arrangements.*

A critical decision was made in the year to invest, with central government support, in the estate. This large scale project is expected to address the key risks previously identified in relation to the ageing estate and seeks, in the long term, to improve the economy, efficiency and effectiveness of the Trust.

The Trust has obtained Level 1 of the NHS Procurement & Commercial Standards and has an agreed plan to achieve Level 2 in the 2021/22 year. Level 1 indicates the Trust is “building” best practice in this area, Level 2 is “achieving” and Level 3 (highest) is “excelling” which would be world-class procurement practice across the organisation.

We concluded that there was no significant weakness 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 | 9 September 2021

Appendix 2: 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 3: 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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