

# Auditor's Annual Report

United Lincolnshire Hospitals NHS Trust  
– year 31 March 2023

June 2023



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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for United Lincolnshire Hospitals NHS Trust ('the Trust') for the year ended 31 March 2023. Although this report is addressed to the Trust, it is designed to be read by a wider audience including members of the public and other external stakeholders.

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



### Opinion on the financial statements

We issued our audit report on 28 June 2023. Our opinion on the financial statements was unqualified.



### Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 28 June 2023 we reported that the Trust's consolidation schedules were consistent with the audited financial statements.



### Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued any new recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Trust's arrangements and a summary of our continuing recommendations against previously reported significant weaknesses.



### Other reporting powers

We have issued a referral under Section 30 of the 2014 Act as a result of the Trust's financial position for the year ended 31 March 2023 leading to a cumulative deficit position, which is contrary to its financial break-even duty

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# 02

Section 02:

**Audit of the financial statements**

## 2. Audit of the financial statements

### Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Trust and whether they give a true and fair view of the Trust's financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, issued on 28 June 2023 gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined on the following pages.

### Qualitative aspects of the Trust's accounting practices

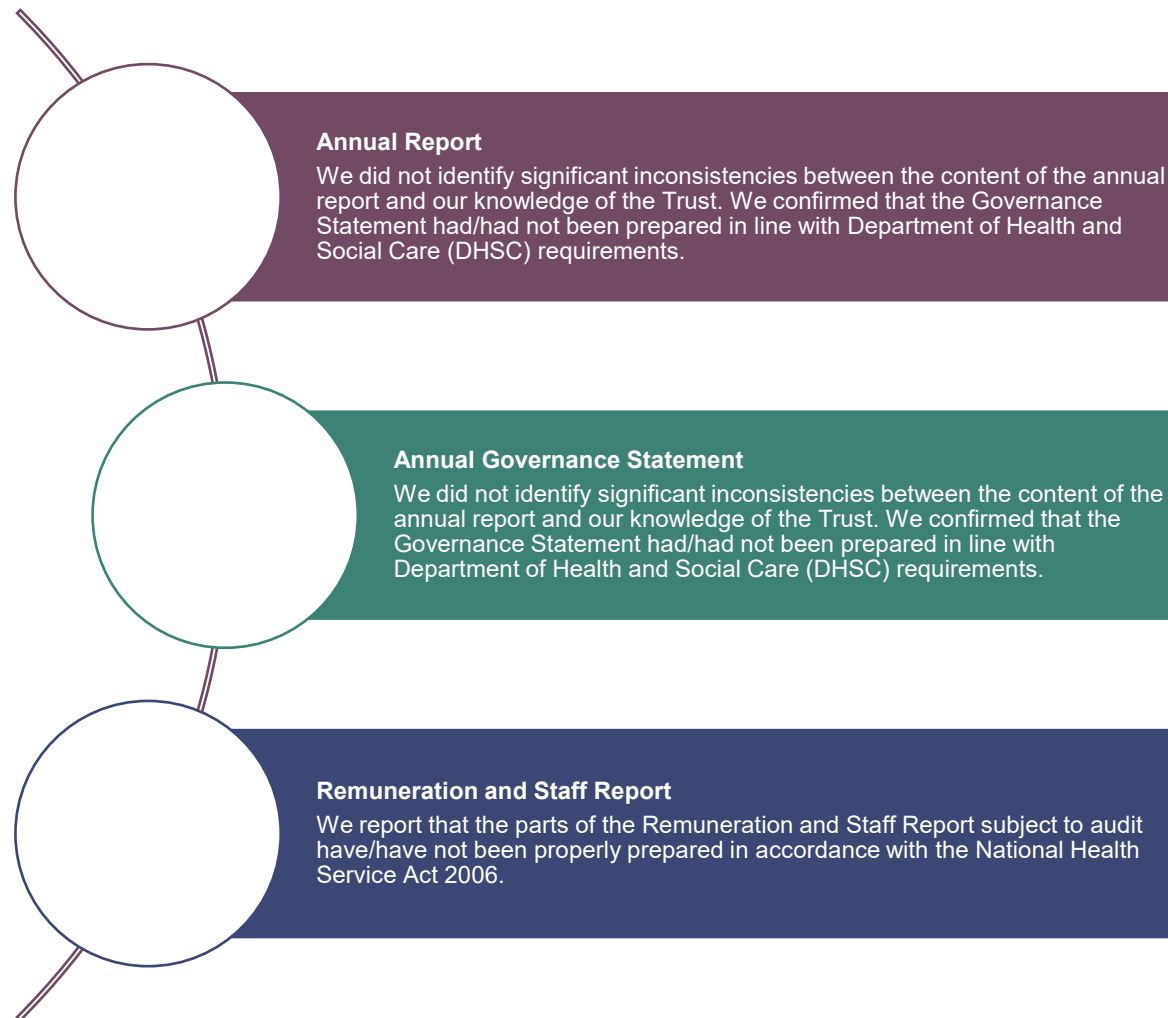
We reviewed the Trust's accounting policies and disclosures and concluded they complied with relevant accounting practice.

### Internal Controls

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

Our detailed findings and recommendations were included in the Audit Completion Report to the Trust's Audit Committee, confirming there were no 'high' priority recommendations with potential for financial loss, damage to reputation or loss of information that may have implications for the achievement of business strategic objectives for immediate implementation.

### Other reporting responsibilities



## 2. Audit of the financial statements

### Main financial statement audit risks and findings

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment. Following the risk assessment, we identified risks relevant to the audit of financial statements and the significant audit risks and conclusions reached are set out below:

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p><b>Management override of controls</b></p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p>	<p><b>Significant risk:</b> an area that, in our judgment, requires special audit consideration.</p>	<p>We addressed the risk through performing work over accounting estimates, journal entries and considering whether there were any significant transactions outside the normal course of business or otherwise unusual. In addition, we made enquiries of management and used our data analytics and interrogation software to extract accounting journals for detailed testing on specific risk characteristics.</p>	<p>There are no significant matters to report in respect of management override of controls.</p>
<p><b>Valuation of land, buildings and dwellings</b></p> <p>The valuation of these properties is complex and is subject to a number of management assumptions, judgements and a high degree of estimation uncertainty covering:</p> <ul style="list-style-type: none"> <li>• Land (£11.8m – note 15)</li> <li>• Buildings (£181.0m - Note 15)</li> <li>• Dwellings (£37.1m – Note 15)</li> </ul>	<p><b>Significant risk</b></p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> <li>• liaising with management to update our understanding of the approach taken by the Trust in its valuation of land, buildings and dwellings. This included understanding how capital additions and backlog maintenance is considered;</li> <li>• reviewing the work of management’s valuation expert and how these have been incorporated into the financial statements;</li> <li>• testing a sample of valuations, reviewing the valuation methodology used and the underlying data and assumptions.</li> </ul>	<p>There are no significant matters to report in respect of valuation of land, building and dwelling assets.</p>
<p><b>Risk of fraud in revenue recognition</b></p> <p>Auditing standards include a presumption that there is to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues.</p> <p>We considered the specific risk in relation to revenue recognition to be in the recognition of income and receivables around the year-end.</p>	<p><b>Significant risk</b></p>	<p>We evaluated the design and implementation of the controls the Trust has in place which mitigate the risk of revenue being recognised in the wrong year. In addition we undertook a range of substantive procedures including:</p> <ul style="list-style-type: none"> <li>• testing of material revenue and material year end receivables;</li> <li>• testing receipts in the pre and post year end period to ensure they had been recognised in the right year; and</li> <li>• reviewing intra-NHS reconciliations and data matches provided by the Department of Health.</li> </ul>	<p>There are no significant matters to report in respect of the risk of fraud in revenue recognition.</p>

## 2. Audit of the financial statements

### Main financial statement audit risks and findings (continued)

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p><b>Recognition of capital expenditure and incorrect capitalisation of revenue spend</b></p> <p>The Trust has a significant capital programme in place for 2022/23, with £38m initially planned. The level of work in progress (Assets Under Construction) brought forward from 2021/22 was high (£24.7m), and is likely to be significant again at the end of 2022/23.</p> <p>The Trust is responsible for ensuring it captures all directly identifiable costs, which can be capitalised, whilst ensuring expenses which are not eligible for being capitalised are identified and charged to revenue in the normal course of business.</p> <p>Capital expenditure is met from ring-fenced funding and with the Trust's large capital programme, we believe there is an enhanced audit risk relating to the need to ensure that expenditure that has been capitalised meets the definition of capital expenditure and is correctly accounted for.</p>	<p><b>Enhanced risk:</b> these require additional consideration but does not rise to the level of a significant risk and may include areas of management judgement</p>	<p>We considered the arrangements the Trust has in place to mitigate the risk of revenue expenditure being incorrectly classified. We substantively tested the appropriateness of a sample of capital additions and considered the Trust's approach to addressing the value added nature of the expenditure.</p> <p>We also considered the arrangements for ensuring Assets Under Construction (AUC) are correctly classified and substantively tested a sample schemes to confirm they are not complete and operational. We carried out further work to following our sample testing to confirm that the AUC was unlikely to be materially misstated.</p>	<p>There are no significant matters to report in respect of recognition of capital expenditure or capitalisation of revenue spend.</p>
<p><b>Implementation of IFRS 16 (Accounting for Leases)</b></p> <p>IFRS 16 is applicable from 1 April 2022 and is designed to report information that better shows lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The Trust is required to re-classify a number of lease arrangements in line with this new standard for the first time in the 2022/23 accounts.</p>	<p><b>Enhanced risk</b></p>	<p>Our work included testing lease and Right of Use Asset balances and supporting disclosures and obtaining evidence to support that they have been correctly classified and accurately measured under the new standard</p>	<p>There are no significant matters to report in respect of the implementation of IFRS16..</p>

# 03

Section 03:

**Our work on Value for Money  
arrangements**

### 3. Value for Money arrangements

Overall Summary



# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

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



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



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



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

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

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

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

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

Although we describe this work as planning work, we keep our understanding of arrangements under review

and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

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

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

We outline the risks that we have identified and the work we have done to address those risks on page [x].

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

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

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

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Trust arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

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

### 3. VFM arrangements – Overall summary

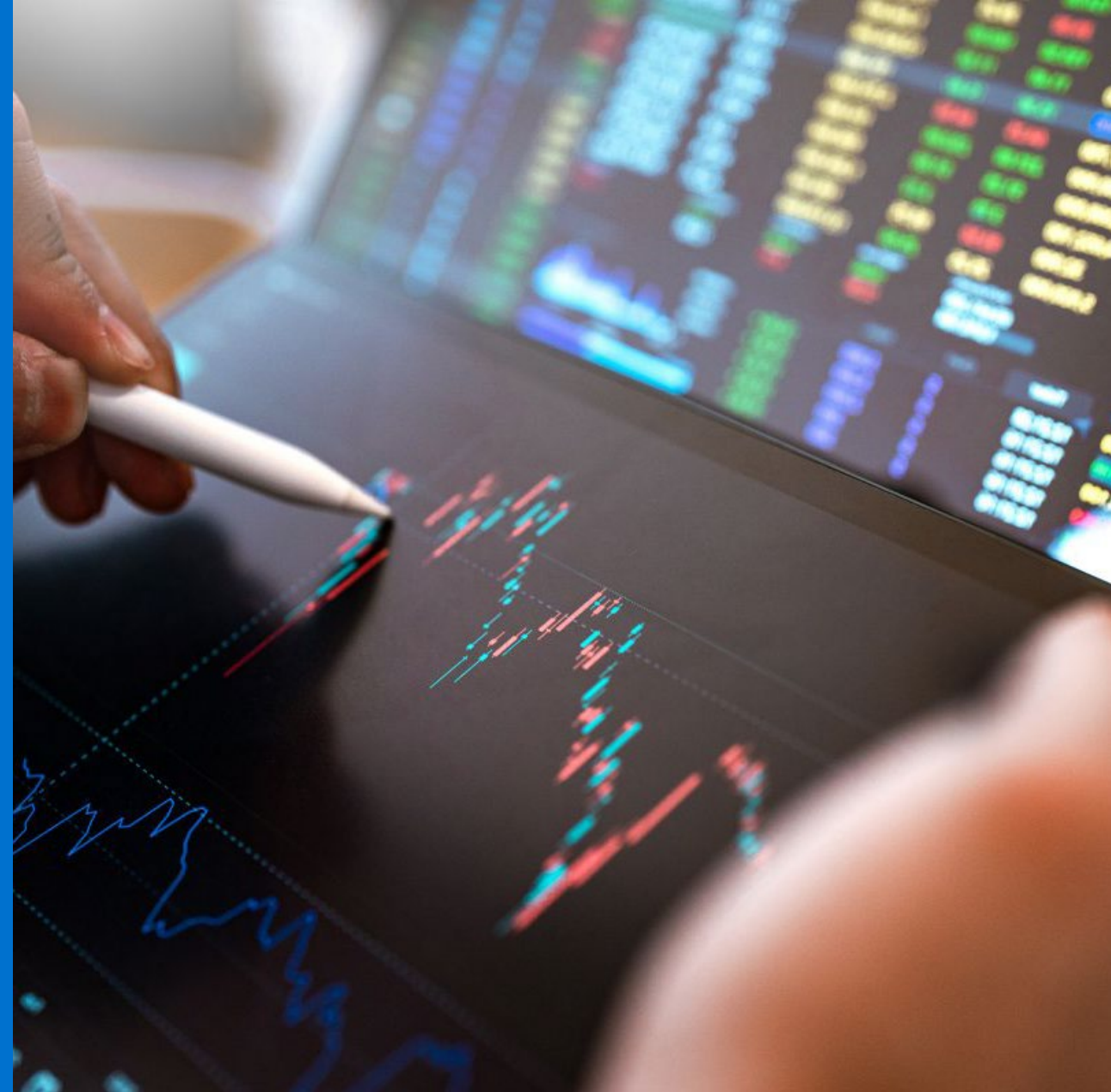
#### Overall summary by reporting criteria

Reporting criteria	2021/22 Actual significant weaknesses identified?	2022/23 Commentary page reference	2022/23 Identified risks of significant weakness?	2022/23 Actual significant weaknesses identified?	2022/23 Other recommendations made?
Financial sustainability	Yes	13	<p><b>No new matters arising in 2022/23</b></p> <p>However, the following matters from 2021/22 were brought forward for review in 2022/23:</p> <ul style="list-style-type: none"> <li>• Capital Backlog and Fire Safety Notices</li> <li>• Workforce: agency spend and staffing indicators (also under Improving Economy, Efficiency and Effectiveness reporting criteria)</li> <li>• The Trust's financial sustainability</li> </ul>	<p><b>No new matters arising in 2022/23.</b></p> <p>We have concluded that the following matters continue as an actual significant weakness in 2022/23:</p> <ul style="list-style-type: none"> <li>• Capital Backlog and Fire Safety Notices</li> <li>• The Trust's financial sustainability</li> </ul>	No
Governance	No	19	No	No matters arising in 2021/22.	No
Improving economy, efficiency and effectiveness	Yes	22	<p><b>No new matters arising in 2022/23.</b></p> <p>However, the following was brought forward from 2021/22: Workforce: agency spend &amp; staffing indicators (also reported under the financial sustainability criteria)</p>	<p><b>No new matters arising in 2022/23.</b></p> <p>Brought forward matters from 2021/22 are judged to have been addressed.</p>	No

### 3. Value for Money arrangements

#### Financial Sustainability

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



# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

<b>Significant weakness in 2021/22</b>	In 2021/22, we reported on three significant weakness in arrangements: <ul style="list-style-type: none"><li>• Capital backlog and fire safety notices</li><li>• Workforce: agency spend and staffing indicators (also under Improving Economy, Efficiency and Effectiveness reporting criteria)</li><li>• The Trust’s financial sustainability.</li></ul>
<b>Significant weaknesses identified in 2022/23</b>	Nil.

### Position brought forward from 2021/22

As set out in the table above, there were three significant weakness in the Trust’s arrangements for financial sustainability brought forward from 2021/22. Our follow up on the recommendations made are set out on pages 28 to 31.

### Risks of significant weakness identified in 2022/23

We did not identify any additional risks of significant weakness in arrangements nor any new identified weaknesses in 2022/23.

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### Context to NHS spending 2022/23 and 2023/24

The 2021 Spending Review set Government departmental budgets and spending plans for the three years from 2022/23 to 2024/25. The NHS's settlement provided additional funding for elective recovery, but also assumed inflation would be 2% and pay settlements of 2%.

However:

- 1) the Consumer Prices Index (CPI) rose by 10.1% in the 12 months to March 2023, down from 10.4% in February.
- 2) the Government announced pay awards for Agenda for Change staff in England covering 2022/23 and 2023/24 comprising:
  - a 2% non-consolidated award on top of the 2022/23 pay award, and a one-off NHS backlog bonus worth between £1,250 and £1,600; and
  - a 5% consolidated award for 2023/24.

The Trust is to receive £14.6m (Note 3.1 of the financial statements) to fund the estimated £14.9m 2022/23 pay award accrual, which we tested as part of our work on the financial statements with no issues arising.

The NHS is expected to plan and deliver further efficiency gains in local health systems of 2.9% and 2.2% in expenditure in 2023/24 and 2024/25.

### Overall responsibilities for financial governance

We have reviewed the Trust's overall governance framework, including Board and committee reports, the Annual Governance Statement and Annual Report and Accounts, to confirm the Trust Board has a responsibility to make the best use of financial resources and deliver the services people need, to standards of safety and quality which are agreed nationally. We have reviewed reports and minutes of the Board to confirm

there are financial governance arrangements in place, including the role of the Finance, Performance and Estates Committee to provide oversight on all aspects of financial management and operational performance on behalf of the Board.

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

Through our review of Board and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Trust's arrangements for budget monitoring remain appropriate, and these include:

- Standing Financial Instructions with relevant provisions for budgetary control and reporting, including arrangements for Finance Managers to provide reports and support to budget holders and teams to support effective financial management of those component parts of Trust financial performance.
- Oversight from the Trust Board and its committees receiving regular reports on financial performance and planning, through an Integrated Performance Report and detailed reports on finance.
- Established arrangements for year-end financial reporting, where we have seen improvement each year, despite increasing challenges placed on the finance team concurrent financial reporting and 2023/24 financial planning deadlines.

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### 2022/23 financial outturn

The Trust's final plan for 2022/23 was to achieve break-even after delivering £29m in savings. Throughout the year, the Finance, Performance and Estates Committee and the Trust Board, through an Integrated Performance Report, has received regular reports on financial performance and planning. We reviewed the Integrated Performance Report prepared for the February 2023 Board, confirming that:

- The Lincolnshire Integrated Care System enacted the NHSE protocol in month 9 to deviate from the planned breakeven position
- The Trust's financial control total had been revised to a £13.6m deficit
- the Trust delivered savings of £18.9m, which is £10.1m below the plan of £29m.

As set out in the financial statements, the Trust's operating deficit was £13.4m, compared to £0.5m in the previous year. Whilst an initial break-even plan was set for 2022/23, the deficit position is consistent with the adjusted financial performance control total. The ICS delivered a £16.8m deficit.

### Breakeven duty of the Trust to 2022/23

Paragraph 2(1) of Schedule 5 of the National Health Service Act 2006 provides that each NHS trust must ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to revenue account. This duty is known as the 'breakeven duty'. The phrase 'taking one year with another' has been interpreted by the Department of Health and Social Care and HM Treasury as meaning that the duty is met if income equals or exceeds expenditure over a three year rolling period.

Note 39 of the financial statements subject to our audit sets out the Trust's performance against the statutory break-even duty, which we have re-produced in the table below. Figures in brackets represent a deficit position:

	2020/21 (£'000)	2021/22 (£;000)	2022/23 (£'000)
Breakeven duty in-year financial performance	3,149	2,665	(13,037)
Breakeven duty cumulative position	(369,201)	(366,536)	(379,573)

The Trust's expenditure has exceeded its income for the three-year period ending 31 March 2023 by £7,223k (being +£3,149k +£2,665k -£13,037k) and this has resulted in a cumulative deficit at 31 March 2023 of £379,573k. As United Lincolnshire Hospitals NHS Trust's expenditure has exceeded its income for the three-year period ending 31 March 2023, we have a duty to make a referral under Section 30(1)(b) of the 2014 Act.

### Financial planning and breakeven duty to 2023/24

The Trust continues to work collaboratively with the Integrated Care System through the development of the financial plan for 2022/23 and 2023/24. Planning negotiations with NHS England for 2023/24 are continuing across the country.

We reviewed minutes of the Trust Board Meeting held on 4 April 2023 and reviewed the trust's Going Concern paper presented to the April 2023 Audit & Risk Committee, which confirmed the 2023/24 plan was in final draft form and set the financial position for the 2023/24 as a £20.8m deficit. The 2023/24 plan is based on the delivery of £28m cost improvements, £3m higher than the original 2022/23 plan, against which the Trust delivery £19m (and £12m in 2021/22). The step-up in delivery of cost improvements is challenging and although there has been a focus on strengthening the underlying arrangements the level of savings required contains a degree of uncertainty that, in our view, is a contributing factor to why the significant weakness in arrangements from 2020/21 regarding financial sustainability arrangements remains in place.

This is in the context of the initial system plan having been submitted with a £52m deficit, subsequently reduced to around £39m and in June 2023 further reduced to £15.4m. With contracting discussions continuing throughout 2023/24 the full extent of the Trust's financial performance remains uncertain, but is clearly challenging.

The planned 2023/24 £20.8m deficit budget indicates that the Trust expects its expenditure to exceed its income for the three-year period ending 31 March 2024, and we would have cause to consider a referral under Section 30 (1) (b) of the 2014 Act. See page 32 for further commentary on these continuing significant weaknesses in the Trust's arrangements for securing financial sustainability.

Draft plans	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)
Breakeven duty in-year financial performance	2,665	(13,037)	(20,800)
Breakeven duty cumulative position	(366,536)	(379,573)	(400,373)

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### Capital

Whilst there has been an increase in the settlement and commitment for further investment in the NHS estate, the construction sector continues to experience the effects of inflation and availability of materials, increasing the cost of delivering capital projects and increasing the challenge of staying within Capital expenditure limits.

The Trust regularly monitor’s progress against capital expenditure through its Finance, Performance and Estates Committee (FPEC). The Trust’s Capital Delivery Group will continue to monitor the delivery of key capital programmes and ensure robust programme governance.

The Trust delivered its £47m capital plan for 2022/23, with £25m incurred in March 2023 alone. As set out in Note 37 of the financial statements, the Trust was £8k under the limit spending £47,119k vs the Capital Resource Limit of £47,127k. Our testing of capital additions and capital accruals in the financial statement audit did not identify any issues.

We reviewed the Trust’s Estate Strategy from June 2022, which set out £68m in backlog maintenance costs as per published Trust “Estates Returns Information Collection” (ERIC) 2020/21 data (being defined in the ‘Best Practice Guidance – A risk-based methodology for establishing and managing backlog’ as the cost to bring estate assets that are below standards (called Condition B) in terms of their physical condition and/or compliance with mandatory fire safety requirements and statutory safety legislation up to Condition B).

We also obtained the most up-to-date dataset regarding NHS backlog maintenance, published by NHS Digital in October 2022, which uses “ERIC” provided by all NHS trusts.

The estimated total cost to eradicate backlog maintenance across the NHS for the year ending 31 March 2022 was **£10.2 billion**, an 11% increase over 2020/21. For ULHT, the comparable backlog maintenance figure has increased from £68.2m to £71.6m.

<i>Figures in £m</i>	Cost to eradicate high & significant risk backlog	Cost to eradicate moderate risk backlog	Cost to eradicate low risk backlog	Total
Large Acute Trusts	799.4	526.7	155.7	<b>1,481.8</b>
United Lincolnshire Hospitals 2021/22	32.7	16.1	22.8	<b>71.6</b>
ULHT: 2020/21	31.1	15.4	21.7	<b>68.2</b>

See page 30 for further commentary on this continuing significant weakness in the Trust’s arrangements for securing financial sustainability.

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### Agency / Workforce

From our review of May 2023 Integrated Performance Report to the Board and the Annual Report, we observed that the Trust has recruited 600 additional staff over 2021/22 and 2022/23 and Staff Turnover continues to see downward trend with March 2023 turnover being 12.82% against a Target of 12% and vacancy rates including all staff groups being 6.91% vs target of 9%.

Our testing of pay costs, including agency, did not identify any significant issues. Our review of the financial statements confirms that agency costs continue to rise and are were £51m for 2022/23 (up from £46m in 2021/22 and £42m in 2020/21), but the average number of non-permanent working time equivalents as remained static over the last few year, illustrating rising costs, but not volume.

	2021/22 £'000	2022/23 £'000
Salaries and wages	326,082	372,285
Social security costs	30,953	35,797
Employer's contributions to NHS pensions	50,694	55,030
	<b>407,729</b>	<b>382,807</b>
Temporary staff (including agency)	46,385	51,069
<b>Agency as %</b>	<b>11 %</b>	<b>13 %</b>

Average Working Time Equivalents	Permanent	Other
2020/21	6,944	1,035
2021/22	7,316	1,048
2022/23	7,642	1,057

We note that the monthly average cost of Agency was falling in the second half of the financial year and has continued to fall in 2023/24 with expenditure of £37m forecast for the year. Although this is an improving trend, we note the broader ongoing significant weakness relating to financial sustainability, which reflects the need to manage costs, including agency, effectively.

### HFMA checklist

The HFMA issued a checklist during the year which looked at improving NHS financial sustainability and required the Trust to answer questions around whether “they are getting the basics right”. This checklist has been completed by the Lincolnshire system and reviewed by the Trust’s Internal auditors. We have reviewed the outcome of the assessment, and our review highlighted no additional concerns.

#### Significant weakness in arrangements in financial sustainability

The Trust's financial sustainability, is dependent on the resolution of long-standing issues requiring collaborative support across the health system and national funding structures that remain under review. These long-standing issues, have prevented the Trust from improving arrangements. **As a result, in our view, whilst there is evidence of improvement regarding the Trust’s financial sustainability, there is not yet enough to demonstrate sustainable improvement to address the previously reported significant weakness in arrangements regarding:**

- Capital backlog and fire safety notices
- The Trust’s financial sustainability.

### 3. Value for Money arrangements

#### Governance

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



# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

### Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Trust’s arrangements brought forward from 2021/22.

### Risks of significant weakness identified in 2022/23

We did not identify any additional risks of significant weakness in arrangements nor any new identified weaknesses in 2022/23.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

Based on our work, we are satisfied that the Trust has established governance arrangements, consistent with previous years, in place. These are set out in the Trust's Annual Report and Annual Governance Statement. We reviewed these documents as part of our audit and confirmed they were consistent with our understanding of the Trust's arrangements.

Our review of the Trust's governance framework confirms arrangements are in place, with the Trust Board being accountable for the Trust's strategies, policies and performance. The Trust has established committees with responsibility for specific areas, such as finance and performance, clinical risk and patient safety, including:

- Audit and Risk Committee
- Quality Governance Committee
- Remuneration Committee
- Finance, Performance and Estates Committee
- People and Organisational Development Committee.

We consider the committee structure of the Trust is sufficient to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

Our review of Board and committee papers confirms that a template covering report is used for all Board reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed by the Board to evidence the matters discussed, challenge and decisions made.

The Trust records strategic risks in the Board Assurance Framework and our review confirms it is sufficiently detailed to manage the Trust's key risks, identify controls, gaps in controls and obtain the assurance required to work towards a targeted risk score. Our review of reports as well as attendance at Audit and Risk Committee meetings confirms the Board Assurance Framework is regularly updated and in sufficient detail to allow for adequate review including primary risk controls, gaps, plans to improve controls and any additional actions required.

No significant weakness in internal control have been identified from our work and Internal Audit have not

identified any significant weaknesses in the governance, risk and the control environment in the 2022/23 Head of Internal Audit annual opinion. The Trust is changing internal audit provider from 2023/24, with the plan under development.

The Audit and Risk Committee considers the Board Assurance Framework, Annual Report and Accounts, and Annual Governance Statement and monitors progress against internal and external audit plans. We have attended Audit and Risk Committee meetings and reviewed supporting documents and are satisfied that the programme of work is appropriate for the Trust's requirements. Our attendance at Audit and Risk Committee has confirmed there continues to be an appropriate level of effective challenge.

### E-Financials outage

The Trust experienced an IT outage which affected E-Financials system in August 2022, this was due to a cyber-attack on the One Advanced network, and it was deemed necessary to disconnect the network connection between the Trusts and One Advanced. This resulting in loss of access to E-Financials and the Business Objects reporting tools.

We reviewed work performed by internal audit on the finance system, plus reviewed supporting board committee reports on the issues which confirmed that actions were undertaken by escalating the situation to NHS Digital and the National Cyber Security Centre were informed and took an active role in the investigation into the incident. One Advanced confirmed that E-Financials was not directly impacted by the cyber attack and that it was taken offline as a precautionary measure. As part of our audit work, we also undertook additional testing over journals with no issues arising. In addition, the Trust has also undertaken a learning exercise to improve on response if such an outage were to occur again. We have therefore not noted any risks of significant weaknesses due to this item.

**Overall, we have not identified any indicators of a significant weakness in the Trust's arrangements relating to the Governance criteria.**

### 3. Value for Money 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



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

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

<b>Significant weakness in 2021/22</b>	In 2021/22, we reported on two significant weakness in arrangements: <ul style="list-style-type: none"><li>• Workforce: agency spend &amp; staffing indicators (also reported under the financial sustainability criteria).</li></ul>
<b>Significant weaknesses identified in 2022/23</b>	Nil.

### Position brought forward from 2021/22

As set out in the table above, there was a significant weakness in the Trust’s arrangements for financial sustainability brought forward from 2021/22. Our follow up on the recommendations made are set out on pages 28 to 31, where we have concluded that actions taken since 2020/21 have demonstrated sufficient improvement in key outcomes to demonstrate that the arrangements have improved.

### Risks of significant weakness identified in 2022/23

We did not identify any additional risks of significant weakness in arrangements nor any new identified weaknesses in 2022/23.

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

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

We have reviewed key reports issued by the Board and confirmed the Trust reports its performance in several different ways:

- an Integrated Performance Report to each Board meeting
- the publication of the Quality Report, Annual Report and Accounts, and Annual Governance Statement, which are reviewed by the Audit and Risk Committee before adoption by the Board.

Our review of Trust Board and committee reports and minutes confirms that regular Integrated Performance Reports have been received. Performance is summarised in format which shows performance against target and over time. Board members are also able to triangulate information from this report with the assurance summaries from supporting committees, where committee chairs draw attention to assurances provided or matters escalated for the full Board's attention. Our review confirms the reports provide sufficient detail to understand performance and published minutes demonstrate sufficient challenge from non-executive directors on the Trust's costs, performance and service delivery. In our view, the Trust's reports are adequately laid out and sufficiently detailed to monitor performance and take corrective action where required, which may include updating the Board Assurance Framework.

### Consideration of regulatory oversight

We have reviewed board reports and minutes during the year, including those of the Quality Governance Committee. This Committee receives a monthly update on the CQC Action Plan, with evidence of oversight and challenge on actions. We reviewed the CQC's website and confirmed the Trust's rating of "Requires Improvement" has not changed since the last published inspection from February 2022.

Our review also noted that NHS England had carried out an IPC visit to the Trust during 2022/23 which, following a change in the NHS England escalation matrix, the Trust being placed into enhanced monitoring because of a breach being observed in waste management, increased rates against trajectories for healthcare acquired infections and perceived lack of progress in respect of sharps management. In April 2023, the Quality Governance Committee received the draft action plan which was due to be finalised in the coming month noting

that where possible immediate actions had been taken. Whilst enhanced monitoring commenced, we do not judge this to be an identified risk of significant weakness given the overall arrangements in place and that no formal intervention has been enacted.

### Partnerships

Our review of Board minutes and discussions with management confirms the Trust continues to work in close partnership with other health and social care organisations in the area. This is evidenced through the agreement of the 2022/23 outturn position and the 2023/24 plan agreed with the Integrated Care System.

### Procurement

There are established procurement Strategy procedures in place with a requirement to procure via open competition, framework agreements or to seek prior approval via a waiver. Waiver requests are reviewed before approval and are reported to Audit Committee. The Trust's Standing Financial Instructions set out the procedures, controls and the authorisation sign offs that are required for the commissioning or procurement of services. There is a professional procurement team in place, operated in collaboration with a neighbouring Trust. There are processes in place to ensure that the selected option and supplier gives best value for money. Legally compliant Framework Agreements are used where appropriate and there are instructions in place regarding the levels for delegated approval of expenditure. The Trust has policies in place regarding expected standards of business conduct, and gifts and hospitality, to mitigate the risk of conflicts of interests arising.

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

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

##### Workforce indicators: NHS Staff Survey

We obtained the 2022 NHS Staff Survey published in March 2023 and reviewed Trust Board and committee papers, confirming the survey results received an appropriate level of scrutiny. The overall theme scores are shown in the table below, with the Trust showing improvement in all areas.

	ULHT (21/22)	ULHT (22/23)	Best	Average	Worst	ULHT position (22/23)	ULHT position (21/22)	Trend
We are compassionate and inclusive	6.7	6.9	7.7	7.2	6.8	Below Average	Worst	Better
We are recognised and rewarded	5.5	5.6	6.4	5.7	5.2	Below Average	Below Average	Same
We each have a voice that counts	6.1	6.3	7.1	6.6	6.2	Below Average	Worst	Better
We are safe and healthy	5.6	5.8	6.4	5.9	5.4	Below Average	Below Average	Same
We are always learning	4.6	4.9	5.9	5.4	4.4	Below Average	Below Average	Same
We work flexibly	5.6	5.9	6.6	6.0	5.6	Below Average	Below Average	Same
We are a team	6.2	6.4	7.1	6.6	6.3	Below Average	Worst	Better
Staff engagement	6.3	6.5	7.3	6.8	6.1	Below Average	Worst	Better
Morale	5.3	5.5	6.3	5.7	5.2	Below Average	Worst	Better

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

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

##### Workforce indicators: NHS Staff Survey

We also reviewed the Trust's scores in relation to two other indicators which, in our view, represent key performance indicators relating to workforce:

- Percentage of people that would recommend the Trust as a place to work  
Whilst the Trust remains below average, this indicator has gone from 38.5% to 44.1%, which is a considerable improvement over the prior year.
- Percentage of people happy with the standard of care Friends and Family would receive.  
Whilst the Trust's position remains below average and has fallen from 43.6% to 42.7%, that rate of decrease is less than other benchmarks.

I would recommend my organisation as a place to work					
	Best	ULHT	Average	Worst	
2021	77.6%	38.5%	58.4%	38.5%	
2022	75.2%	44.1%	56.5%	41.0%	
<b>Trend over PY - relative movement</b>	<b>-3.1%</b>	<b>14.5%</b>	<b>-3.3%</b>	<b>6.5%</b>	
<b>Trend of PY - absolute movement</b>	<b>-2.4%</b>	<b>5.6%</b>	<b>-1.9%</b>	<b>2.5%</b>	

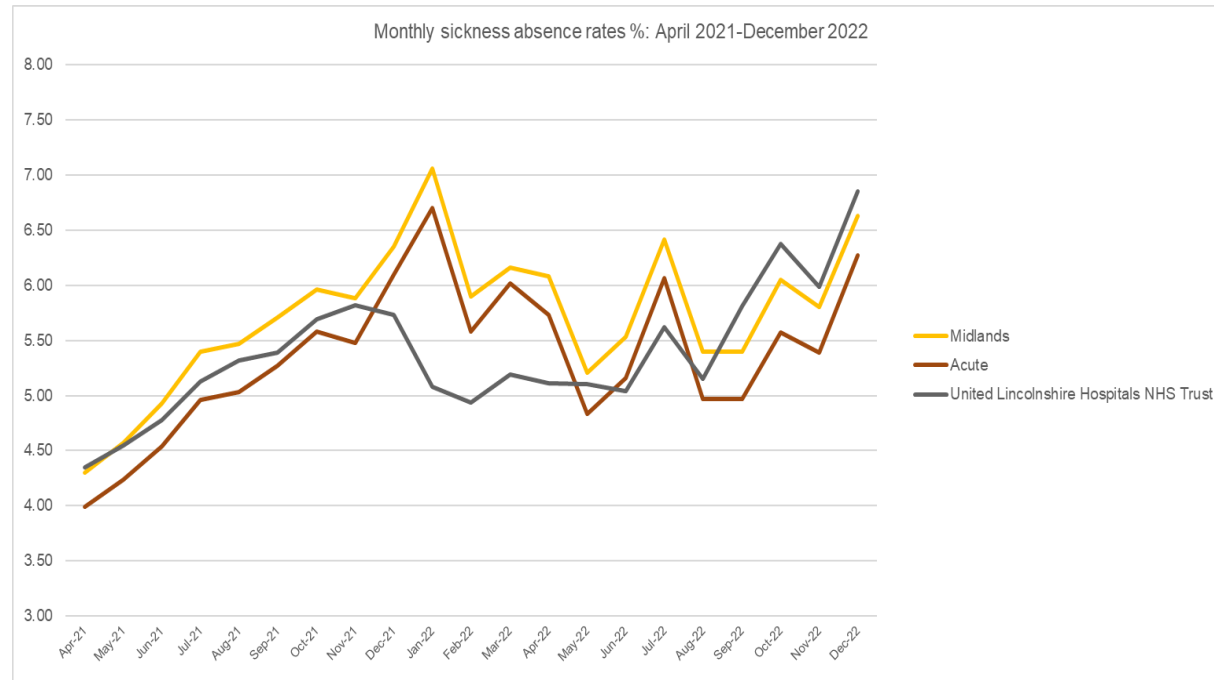
If a friend or relative needed treatment I would be happy with the standard of care provided by this organisation					
	Best	ULHT	Average	Worst	
2021	89.5%	43.6%	66.9%	43.6%	
2022	86.4%	42.7%	61.9%	39.2%	
<b>Trend over PY - relative movement</b>	<b>-3.5%</b>	<b>-2.1%</b>	<b>-7.5%</b>	<b>-10.1%</b>	
<b>Trend of PY - absolute movement</b>	<b>-3.1%</b>	<b>-0.9%</b>	<b>-5.0%</b>	<b>-4.4%</b>	

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

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

### Workforce indicators: sickness absence

We also obtained staff sickness data from NHS digital on 19 May 2023, where the most recent data was up to December 2022. Our analysis shows the Trust's pattern is not significantly inconsistent with similar Trusts:



We also reviewed the February 2023 Integrated Performance Report to Board, considering specific elements of workforce. This showed:

- March sickness absence rate of 5.61% which is a fall from the chart above.
- The Trust is said to be approaching its lowest vacancy level over the past two years and Staff Turnover continues to see downward trend with March turnover being 12.82% against a Target of 12%.

The Trust continues to face operational pressures, staffing and culture challenges, but also continues to work with the ICB to explore retention and bring best practice into the organisation to address the challenges.

### Arrangements to improve economy, efficiency and effectiveness

Based on the above, we are satisfied that there is no indication of a significant weakness in the Trust's arrangements under the improving economy, efficiency and effectiveness reporting criteria.

### 3. VFM arrangements

Identified significant weaknesses in arrangements and our recommendations

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

## Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have not identified any new significant weaknesses in the Trust's arrangements to secure economy, efficiency and effectiveness it its use of resources.

## Progress against significant weaknesses and recommendations made in the prior year

As part of our 2021/22 audit work, we identified the significant weaknesses as shown on the following pages, and made recommendations for improvement in the Trust's arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Trust's progress against the recommendations made, including whether the significant weakness is still relevant in the 2022/23 year.

### 3. VFM arrangements – Prior year significant weaknesses and recommendations

#### Progress against significant weaknesses and recommendations made in the prior year

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p><b>Capital Backlog and Fire Safety Notices (first raised in 2020/21)</b></p> <p>In 2017, United Lincolnshire Hospitals NHS Trust (ULHT) was handed two fire enforcement notices for the Lincoln and Boston Pilgrim sites and a fire action plan for Grantham Hospital. ULHT are in the process of completely renovating Lincoln County Hospital as part of a £46m major refurbishment programme to improve fire safety.</p> <p>The Trust began 2020/21 with a capital expenditure backlog of £236m. This includes £102m which is either required to meet statutory obligations, or mandatory to be compliant with relevant laws and regulations. Investment in NHS capital funding is critical to safety, care quality and efficient use of the NHS estate, equipment and wider resources. This has become increasingly clear during the pandemic when trusts with old and outdated estates, and equipment, found it more difficult to reconfigure old sites to accommodate social distancing and infection, prevention and control.</p> <p>NHS trusts are given a “Capital Resource Limit” (CRL), which means NHS trusts cannot incur capital expenditure above that limit and it is managed, in part, through the external finance limit of the Department of Health and Social Care. Note 36 of the audited 2020/21 financial statements, shows the CRL for 2020/21 was £44m and the Trust incurred relevant capital expenditure of £42m. Within the confines of the CRL, the Trust continues to make progress with capital spending and backlog maintenance, which eventually saw the lifting of Fire Enforcement Notices in 2021/22. The capital backlog as at the end of 2020/21 was £230m, down from £236m in the previous year, but remains clearly significant.</p> <p>Internal Audit issued a report on Estates Management in May 2021, that concluded the Trust’s arrangements provide ‘No assurance’ to the Board.</p> <p>Overall, the long-standing and ongoing issues regarding the scale of the Trust’s capital backlog, coupled with the Internal Audit review into estate management indicates that there is a significant weakness in the Trust’s arrangements that can be reasonably expected to lead to a significant impact on the quality or effectiveness of service and the Trust’s reputation.</p>	Financial Sustainability	<ol style="list-style-type: none"> <li>The Audit and Risk Committee should continue to monitor progress against the Estates Management action plan, which we would suggest is routinely reported by the Head of Estates until all critical actions are implemented. Consideration should also be given to real-time reporting as each action falls due, to prevent slippage on progress.</li> <li>On completion of the actions raised by Internal Audit into Estates Management, which includes plans to improve the accuracy of planned, preventative maintenance, the Audit and Risk Committee should seek assurance over the accuracy of the capital backlog maintenance.</li> <li>The Trust should engage with the STP to ensure its capital plan is consistent with system-wide discussions on prioritisation and deliver its capital programme</li> </ol>	<p>The Trust delivered its £47m capital plan for 2022/23, with £25m incurred in March 2023 alone. As set out in Note 37 of the financial statements, the Trust was £8k under the limit spending £47,119k vs the Capital Resource Limit of £47,127k. Our testing of capital additions and capital accruals in the financial statement audit did not identify any material issues.</p> <p>We reviewed the Trust’s Estate Strategy from June 2022, which set out £68m in backlog maintenance costs as per published Trust ERIC 2020/21 data. We independently obtained the most up-to-date dataset regarding NHS backlog maintenance, published by NHS Digital in October 2022, where, for ULHT, the comparable backlog maintenance figure has increased from £68.2m to £71.6m despite the £45m spent in 2021/22.</p> <p>The Trust’s Capital Delivery Group will continue to monitor the delivery of key capital programmes and ensure robust programme governance.</p>	<p><b>ONGOING</b></p> <p>Arrangements are in place that enabled the Trust to deliver its £47m capital plan for 2022/23 and remain within its Capital Resource Limit. However, the extent of backlog maintenance remains an ongoing challenge for the Trust. Whilst there has been an increase in the settlement and commitment for further investment in the NHS estate, the construction sector continues to experience the effects of inflation and availability of materials, increasing the cost of delivering capital projects and increasing the challenge of staying within Capital expenditure limits.</p> <p>The cost of addressing the backlog remains significant, with the cost of addressing just high and significant risk per the being £33m as at 31 March 2022 as set out in the Estates Return Information Collection (ERIC) , published by NHS Digital in October 2022.</p> <p>Overall, the risk posed by the capital backlog remains significant and therefore the weakness in arrangements remains relevant for 2022/23.</p>

# 3. VFM arrangements – Prior year significant weaknesses and recommendations

## Progress against significant weaknesses and recommendations made in the prior year

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p><b>Workforce: agency spend &amp; staffing indicators (first raised in 2020/21)</b></p> <p>The NHS Staff Survey was considered by the People and Organisational Development Committee and then Board in April 2021, with the overall theme scores showing the Trust predominantly either below average or in line with the worst performing trusts across most areas, including morale and staff engagement. The Trust’s main response to the survey results is to commence a Culture and Leadership Programme using a framework used across many other trusts to address the issue of culture and consistency of leadership.</p> <p>Staff sickness data from NHS Digital for the period 2018 to December 2020 (the most up-to-date data set as at date of reporting) shows the Trust has a higher-than-average sickness rate which affects the need for agency and bank staff. Total agency costs for 2020/21 were presented to the May Board via the Integrated Performance Report, being £42.05m for the year, compared to £44m in 2019/20 where the agency ceiling was £21m. This figure is included within the ‘other’ costs shown in the annual report.</p> <p>The Trust is being supported by NHS England and Improvement (NHSE/I) nursing recruitment programme, with the March 2021 Board being informed that 126 job offers had been made to international nurse recruits, against a target of 200 recruits by October 2021 and therefore there remains a shortfall in staff numbers that still needs to be addressed by further action.</p> <p>Covid-19 has disrupted organisational development and staff engagement plans across the country. The Trust has already begun to initiate a Culture and Leadership Programme and is undertaking regular pulse surveys to monitor improvements in staff engagement, however actions taken by the Trust to improve workforce arrangements have not yet demonstrated sufficient traction to deliver sustained levels of improvement, including:</p> <ul style="list-style-type: none"> <li>NHS Staff Survey results show the Trust is performing poorly across a range of areas, including morale and staff engagement;</li> <li>the Trust remains heavily reliant on agency and bank staff, although data on staff turnover indicates there is an underling workforce shortage that is contributing to the current position; and</li> </ul> <p>Cumulatively, this exposes the Trust to a significant risk to the quality and effectiveness of service as well as a risk of increased expenditure on agency costs.</p>	<p>Financial Sustainability</p> <p>Improving the 3Es</p>	<ol style="list-style-type: none"> <li>The Trust should ensure that progress with the Culture and Leadership Programme and pulse surveys are regularly reported to the People and Organisational Development Committee and through to Board to monitor staff engagement and morale.</li> <li>The Trust should ensure the Culture and Leadership Programme demonstrates tangible and measurable improvements and that the People and Organisation Development Committee demonstrably challenge and scrutinise performance.</li> <li>The Trust should work with system partners to tackle the recruitment deficit and manage agency costs.</li> </ol>	<p>Overall, actions taken since 2020/21 have demonstrated improvements in workforce issues relating to staff engagement.</p> <p>Whilst agency costs continue to increase (£51m in 2022/23), we have reported an ongoing significant weakness relating to financial sustainability, which reflects the need to manage costs, including agency, effectively.</p> <p>Based on the evidence gathered, we noted that</p> <ul style="list-style-type: none"> <li>Staff sickness levels have stabilised in line with NHS averages over since 2021/22</li> <li>The NHS Staff survey has shown improvements across all areas, providing demonstrable evidence of improvements, with no area at the worst comparative and: Performance on recommending the Trust as a place to work has increased to 44.1% (rest of NHS has decreased) and FFT fallen to 42.7%, but at a rate much less than rest of the NHS.</li> <li>The Trust has recruited 600 additional staff over 2021/22 and 2022/23</li> </ul>	<p><b>CLEARED</b></p> <p>Whilst there is a need to continue to work with system partners to continue to deliver on recruitment, in combination with the above factors, judgement that this significant weakness has been addressed.</p>

### 3. VFM arrangements – Prior year significant weaknesses and recommendations

#### Progress against significant weaknesses and recommendations made in the prior year

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p><b>The Trust's financial sustainability (first raised in 2020/21)</b></p> <p>In March 2020, pre Covid-19, the Trust submitted a 2020/21 financial plan with a deficit of £73m against a £53m control total. Following the onset of the Covid-19 pandemic, the original NHS Planning Guidance 2020/21 was suspended and a new financial regime was implemented. Systems were expected to achieve financial balance within this envelope and individual organisations were able to deliver surplus or deficit positions by mutual agreement within the system. However, NHS trusts were still required to meet their statutory break-even duty.</p> <p>The audited financial statements show an Operating Surplus for 2020/21 of £9m, compared to a £34m deficit in 2019/20. The Trust's Annual Report, explains the Trust's surplus, delivered in-line with the system envelope, was inclusive of £72m of planned system support. Despite the performance against the temporary financial regime described above, the Trust's cumulative break-even position, as set out in Note 38 of the financial statements, is a £369m deficit.</p> <p>As the Trust itself reports in its 2020/21 Annual Governance Statement, the Trust has been in Financial Special Measures since September 2017 and continues to face significant financial challenges. The Trust agreed a Financial Recovery Plan with NHSE/I, but this has been materially impacted by Covid-19 with most elements paused during 2020/21. No future trajectory has to date been agreed to return the Trust to breakeven.</p> <p>The Trust's financial sustainability is dependent on the resolution of long-standing issues in workforce planning and in implementing the outcomes of the public consultation on the future configuration of Lincolnshire health services initiated in March 2019. It is also dependent on the national funding structures yet to be determined. These unresolved and ongoing issues have not been addressed by the Trust and this continues to prevent it from improving arrangements to secure financial sustainability during 2020/21. Overall, therefore, we have concluded that there is an ongoing significant weakness in arrangements to secure financial sustainability.</p>	Financial Sustainability	<ol style="list-style-type: none"> <li>On obtaining clarity over the financial regime for the remainder of 2021/22, the Trust must agree a realistic revised Financial Recovery Plan with NHSI, and monitor its progress in achieving that plan, including addressing the underlying issues the Trust faces in relation to workforce and site configuration planning.</li> </ol>	<p>The Trust delivered £12m of savings in 2021/22. This increased to £18.9m (£10.1m below the plan of £29m) in 2022/23 which contributed to the delivery of an agreed adjusted forecast outturn deficit of £13.6m, with the ICS as a whole delivering a £16.8m deficit. Agency costs continue to increase being £51m in 2022/23 and is an area of scrutiny for the Trust.</p> <p>Whilst The Trust's outturn is in line with the adjusted performance under the control total, it has led to a breach in the cumulative break-even duty to the period 31 March 2023 which triggers a referral to the Secretary of State under Section 30.</p> <p>The Trust's 2023/24 draft Financial Plan, submitted in March 2023, set the financial position for the year as a £20.8m deficit and dependent on £28m efficiency savings (this is equivalent to 3.6% of operating expenditure), of which £13m were fully developed. The step-up in delivery of cost improvements is challenging and contains a degree of uncertainty that, in our view, is a contributing factor to why the significant weakness in arrangements from 2020/21 regarding financial sustainability arrangements remains in place.</p>	<p><b>ONGOING</b></p> <p>Under increasingly challenging socio-economic pressures, the Trust's financial sustainability remains at risk and therefore the significant weakness in arrangements and associated actions remain in place for 2022/23</p>

# 04

Section 04:

**Other reporting responsibilities and  
our fees**

## 4. Other reporting responsibilities and our fees

### Other reporting responsibilities

#### Statutory recommendations and public interest reports

Under section 7 of the Local Audit and Accountability Act 2014, auditors of an NHS body can make written recommendation to the audited bodies. Auditors also have the power to make a report if they consider a matter is sufficiently important to be brought to the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue any statutory recommendations or exercised our power to make a report in the public interest during 2022/23.

#### Section 30 referrals

Auditors of an NHS body have a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate.

We have issued a Section 30 referral to the Secretary of State because the Trust's deficit outturn for the year ended 31 March 2023 has led to a failure to meet its statutory break-even duty.

#### Reporting to the National Audit Office (NAO)

The NAO, as group auditor, requires us to report to them whether consolidation data that the Trust has submitted is consistent with the audited financial statements. The NAO also included the Trust in its sample of component bodies for the purpose of its audit of the DHSC group.

We reported to the NAO that consolidation data was consistent with the audited financial statements. We also reported to the NAO in line with its group audit instructions.

### Fees for our work as the Trust's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit & Risk Committee. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2022/23 fees	2021/22 fees
Fee in respect of our work under the Code of Audit Practice	£142,000	£139,765

### Fees for other work

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

# Mark Surridge

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

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