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# Purpose of this report

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Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at Blackpool Teaching Hospitals NHS Foundation Trust ("the Trust") for the year ended 31 March 2023.

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").

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.

Where we identify recommendations, we indicate whether these are:

- Recommendations in respect of significant weaknesses in the Trust's VfM arrangements, which we are required to make in accordance with paragraph 54 of AGN 03 where we identify a significant weakness; or
- Other recommendations, which we have indicated as "Deloitte Insights".

The significant weaknesses in the Trust's VfM arrangements and related recommendations are set out on pages 12 and 13.

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# Key messages

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

We issued an unqualified opinion on the Trust and group's financial statements on 21 July 2023.

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## **Significant weaknesses in the Trust's arrangements to secure Value for Money**

We reported to the Trust significant weaknesses in the Trust's governance arrangements and arrangements to secure financial sustainability. These weaknesses were reported in 2021/22 and remain in place for 2022/23.

The significant weaknesses reported were:

- A weakness in the Trust's governance arrangements in how the organisation monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements, as reflected in the Trust's most recent CQC inspection reports of January 2022 and September 2022, and NHS Improvement's (NHSI) formal enforcement actions which remain in place; and
- A weakness in the Trust's arrangements to secure financial sustainability. This significant weakness is a result of the following: the Group having a year end adjusted deficit of £12.9m, the Group forecasting a deficit in 2023/24 with significant savings plans required to meet the financial plan in 2023/24 and currently limited plans in place to deal with this target. In addition, there was also a financial governance review completed during the year which identified concerns over the financial governance at the Trust. Our recommendation for improvement includes that the Foundation Trust continues to implement the recommendations in the financial governance review and that this is monitored by the Finance and Performance Committee.

Our recommendations for improvement are set out on pages 12 to 13.

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## **Financial sustainability**

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

- The Group recorded an adjusted financial performance deficit for the year of £12.9m. The original planned position for the Group was to breakeven. The plan included the Trust's share of the system gap of £18.7m which the initial planned position expected to be covered by additional income that was not received.
  - The Group had a quality and efficiency plan target of £24m for 2022/23 and delivered a value of £24m. This target has increased to £37.7m in 2023/24 with a financial recovery plan target of £19.5m and a system planning stretch of £17.7m
  - The Group's submitted financial plan for 2023/24 includes a forecast deficit of £24.3m.
  - In 2021/22, we reported a significant weakness in relation to the financial sustainability of the Trust. This significant weakness remains in place in 2022/23.
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# Key messages (continued)

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## **Governance**

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

- The Trust has been issued with a Section 31 notice dated 22 April 2022 in relation to sepsis and tranquillisation after an inspection of the emergency department.
- In June 2022 there was a CQC inspection of maternity services and the Trust were issued with a Section 31 letter of intent. The inspection report from this CQC visit was published in September 2022 and rated the service as 'requires improvement' with the overall Blackpool Victoria Hospital Site rated as 'inadequate'.
- In 2021/22, we reported a significant weakness in the Trust's governance arrangements in respect of reports published by the CQC and regulatory action that had been taken by NHSE. This significant weakness remains in place in 2022/23.
- The Trust's Head of Internal Audit opinion for the year was "Moderate Assurance".

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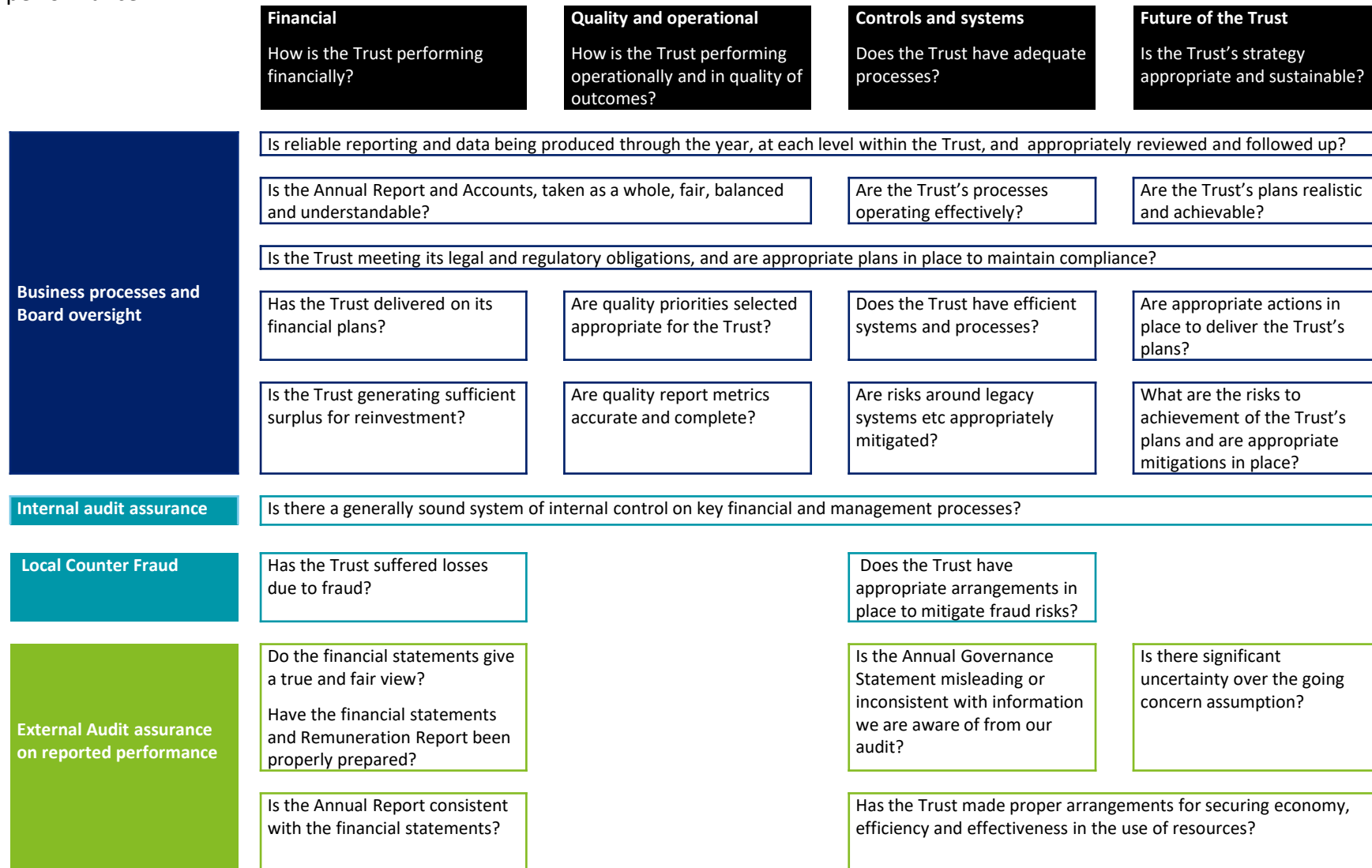
## **Improving economy, efficiency and effectiveness**

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

- The Trust has a Performance Management Framework in place that is designed to support a culture of continuous improvement. The Trust uses a balanced scorecard approach which contains Key Performance Indicators (KPIs) to monitor and provide assurance at both a Trust-wide and Divisional level.

# Assurance sources for the Trust

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



# Opinion on the financial statements

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## **We provide an independent opinion whether the Trust and group’s financial statements:**

- Give a true and fair view of the financial position of the Trust and its group at 31 March 2023 and of the Trust’s and Group’s income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by NHS England; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006.

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

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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.

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

We issued an unqualified opinion on the Trust and group’s financial statements on 21 July 2023. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.

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## **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.

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## **Annual Governance Statement:**

We did not identify any matters where, in our opinion, the Annual Governance Statement did not meet the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual, was misleading, or was inconsistent with information of which we are aware from our audit.

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## **Annual Report:**

We reported that the information given in the Performance Report and Accountability Report for the year ended 31 March 2023 is consistent with the financial statements.

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## **Reports in the public interest and reports to NHS England:**

We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2023.

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## **Reporting to the group auditor:**

In line with the group audit instructions issued by the NAO, we reported on 21 July 2023 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.

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## **Audit Certificate**

We certified completion of the audit on 31 August 2023, following completion of our responsibilities in respect of the audit for the year ended 31 March 2023.

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# Our financial statement audit approach

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## 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, Nicola Wright. The audit team included integrated Deloitte specialists bringing specific skills and experience in property valuations and Information Technology systems.

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## 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 Group to be £13.5m (PY: £12.3m), on the basis of 2% of expenditure. However, we perform all audit procedures to a lower performance materiality of £8.8m (PY: £9.2m), which is 65% (PY: 75%) of headline materiality.

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

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## 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.

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## 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 Audit 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 pages 9 and 10. We have made recommendations in our Audit Committee reporting for improvement in the Trust's policies, procedures and internal controls based on observations from our work. However, we do not consider these recommendations to reflect significant weaknesses in the Trust's VfM arrangements.

# Financial statement audit significant risks

Risk identified	Deloitte response	Key observations
<p><b>Property valuations</b> Property valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.</p>	<p>We completed the following procedures:</p> <ul style="list-style-type: none"> <li>• We tested the design and implementation of the controls in place in relation to property valuations;</li> <li>• We engaged our property specialists, Deloitte Real Assets Advisory, to review the assumptions and methodology used to value the estate;</li> <li>• We tested a sample of inputs used in the valuation, such as gross internal areas, back to supporting documentation; and</li> <li>• We reviewed the presentation of revaluation movements and impairments, and the disclosures included in the financial statements.</li> </ul>	<p>No issues were identified through this testing.</p>
<p><b>Completeness of expenditure</b> The Trust's year end financial position was a deficit of £12.9m against a planned breakeven position. The Trust are operating in a financially challenged environment with increasing demand for services. Our judgement is that the significant risk at the Trust relates to the completeness of expenditure and accruals and the potential improper capitalisation of revenue expenditure.</p>	<p>We completed the following procedures:</p> <ul style="list-style-type: none"> <li>• We tested the design and implementation of controls over the year-end accrual process;</li> <li>• We tested the design and implementation of controls over the recognition of capital additions;</li> <li>• We tested a sample of capital additions and challenged if the items are capital in nature;</li> <li>• We tested a sample of accruals to supporting documentation to check whether they were valid liabilities, that the amount accrued was appropriately supported, and that the liability was incurred as at 31 March 2023; and</li> <li>• We tested a sample of post year end invoices and bank transactions to identify any unrecorded liabilities.</li> </ul>	<p>No material issues were identified through this testing. However, we did identify that the Trust had recognised £2.3m of capital additions in year utilising vesting certificates. After reviewing the vesting certificates used we concluded that they did not support the recognition of the additions in 2022/23.</p> <p>We also identified £4.5m of errors in our accruals testing. These errors were not corrected in the financial statements.</p> <p>We made two control recommendations regarding the lack of evidence to support the assumptions used in accruals and the use of vesting certificates specifically ensuring compliance with the requirements of Managing Public Money.</p>

# Financial statement audit significant risks (continued)

Risk identified	Deloitte response	Key observations
<p><b>Management override of controls</b></p> <p>In accordance with auditing standards, management override is a significant risk due to fraud. 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.</p>	<p>The procedures we performed are set out below:</p> <p><b>Journals</b></p> <ul style="list-style-type: none"><li>• We tested the design and implementation of controls in relation to journals and accounting estimates;</li><li>• We made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments; and</li><li>• We used Spotlight data analytics tools to select journals for testing, based upon identification of items of potential audit interest. Our analysis covered all journals posted in the year. Investigation of items selected using Spotlight did not identify indicators of management override of controls.</li></ul> <p><b>Accounting estimates</b></p> <ul style="list-style-type: none"><li>• We reviewed accounting estimates for biases that could result in material misstatements due to fraud; and</li><li>• We tested key accounting estimates as discussed on previous pages, and considered the accounting implications.</li></ul> <p><b>Significant transactions</b></p> <ul style="list-style-type: none"><li>• We did not identify any material unusual transactions outside the normal course of business.</li></ul>	<p>No issues were identified through this testing.</p>

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

The Accounting Officer and the Board are 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 Accounting 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 National Health Service Act 2006, 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:

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

In this report, we set out the findings from the work we have undertaken. 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 identified two significant weaknesses in arrangements which are set out on pages 12 and 13.

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. Our assessment of potential indicators has been performed in the context of the structural changes in the NHS during 2022/23.

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



Interviews with key stakeholders, including the Chief Executive, Executive Director of Finance, Deputy Director of Finance, Foundation Trust Chair, Audit Committee Chair, Director of Corporate Governance and Senior Finance Staff.



Review of Board and Committee reports and attendance at Audit Committee meetings.



Reviewing reports from third parties including the Care Quality Commission, internal audit, and correspondence with NHS England.



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



Review of the Trust's Annual Governance Statement and Annual Report.

# Significant weaknesses in VfM arrangements 2022/23

**During our audit, we identified significant weaknesses in the Trust's arrangements to secure economy, efficiency and effectiveness in the use of resources. We reported these weaknesses to the Trust, with recommendations for improvement.**

<b>Significant weakness</b>	Regulatory requirements
<b>Date reported to the Trust</b>	Reported in 2021/22 Annual Auditors Report on 12 September 2022 and the Update Report to the Audit Committee on the 2022/23 audit on 13 July 2023
<b>VfM criteria affected</b>	Governance – <i>How the body ensures that it makes informed decisions and properly manages its risks</i>
<b>Description of the significant weakness</b>	Weakness in the Trust's governance arrangements in how the organisation monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements, reflected in the findings of the Trust's CQC inspection reports and NHSI's formal enforcement actions which remain in place.
<b>Evidence for our conclusion</b>	During the year the Trust has been issued with a Section 31 notice dated 22 April 2022 in relation to sepsis and rapid tranquilisation after an inspection of the Emergency Department. In June 2022, there was an inspection of maternity services and the Trust were issued with a letter of intent regarding possible regulatory action dated 24 June 2022. The CQC published the maternity services inspection report in September 2022 and rated the service as 'requires improvement' with the overall Blackpool Victoria Hospital Site rated as 'inadequate'. Internal audit have performed a review of the CQC monitoring process which was rated moderate and included 5 recommendations; 1 high and 4 medium risks. We have reviewed the reports and held discussions with management to understand the arrangements the Trust has put in place to address the findings.
<b>Impact of the weakness on the body</b>	The findings from the CQC visits have resulted in the Trust being required to divert resources to address the identified improvement areas.
<b>Recommendation</b>	We recommend that the Trust considers the additional matters raised by the CQC since April 2022 and ensures that the additional findings are addressed through robust action plans, and appropriate monitoring arrangements are put in place.
<b>Management response</b>	An action plan is in place to respond to the CQC findings, this is reviewed with partners at the monthly System Improvement Board and we are working with partners to review the impact of these actions.

# Significant weaknesses in VfM arrangements 2022/23 (continued)

<b>Significant weakness</b>	Financial sustainability
<b>Date reported to the Trust</b>	Reported in the Final Report to the Audit Committee on the 2022/23 audit on 13 July 2023
<b>VfM criteria affected</b>	Financial sustainability – <i>How the body plans and manages its resources to ensure it can continue to deliver its services</i>
<b>Description of the significant weakness</b>	A weakness in the Trust’s arrangements to secure financial sustainability in how the Trust plans to bridge its funding gaps and identifies achievable savings.
<b>Evidence for our conclusion</b>	<p>In 2022/23 the Group has reported an adjusted year end deficit of £12.9m against a breakeven plan. We have reviewed the financial plan for 2023/24. This was originally submitted in February showing a deficit of £89m. On 5 May 2023, an updated plan was submitted to NHS England showing a deficit position of £24.3m. The plan includes £37.7m of Quality and Efficiency Programme (QEP) savings, £19m of financial recovery savings and £17.7m of unconfirmed system funding. There is a significant level of risk in the Group’s financial plan and if the savings are not achieved this will impact on the Group’s liquidity.</p> <p>During 2022/23 the Trust commissioned a financial governance review that was performed by and NHS professional from another Trust. This review identified recommendations across 12 thematic areas. In response to the review the Trust has developed an action plan with the aim of allowing the Trust to implement the recommendations raised. We have reviewed the financial governance report and the action plan produced by the Trust and held discussions with management regarding the implementation of the recommendations.</p>
<b>Impact of the weakness on the body</b>	The Trust is facing significant financial challenges. It has an ambitious QEP target and are reliant on non-recurrent ICS funding. The Trust is unable to sustainably resource its provision of services without recourse to central support.
<b>Recommendation</b>	We recommend that the Trust continues to implement the recommendations raised in the financial governance review and that this is monitored by the Finance and Performance Committee.
<b>Management response</b>	The Trust acknowledges the findings of the financial governance review and has taken steps to ensure that the recommendations are implemented and reported to the Finance & Performance/Audit Committee.

# 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 Group recognised an adjusted financial performance deficit for the year of £12.9m against a breakeven plan. At 31 March 2023, the Group had net assets of £200.9m (31 March 2022: £188.0m), net current liabilities of £38.6m (31 March 2022: £18.9m), and cash of £49.4m (31 March 2022: £76.8m).
- In 2022/23, the Group delivered quality and efficiency programme savings of £24m in line with the target. However, only £5.5m of these were recurrent savings against a target of £19m recurrent savings.
- The Trust has a number of processes in place to monitor the financial position on an ongoing basis. The budget is monitored on a monthly basis by the budget holders and the Finance team. In the case of clinical divisions, Divisional Performance, Improvement, Delivery & Assurance meetings are held to monitor and manage divisional performance to ensure services are delivered within the resources available. The financial position is then reported to the Board and the Finance and Performance Committee to ensure transparency and challenge of any significant deviations from the plan.
- The Group's draft financial plan for 2023/24 included a quality and efficiency programme (QEP) target of £13.2m. This was revised in the final plan to £37.7m (6% of planned revenue for 2022/23) with additional cost savings being required of £19m as part of the financial governance review savings. By the end of August 2023, the Group has identified £32.0m of the annual target. Of this amount £16.9m are opportunities, £10.4m have plans in progress and £4.7m have fully developed plans. QEP performance is reported to the Finance and Performance Committee on a monthly basis, where plans are challenged.
- From our review of the Trust's risk register in 2022/23, we note that the Trust do not have the delivery of savings as a key risk. Given the significant level of savings required in order to achieve the financial plan we recommend the Trust consider including this as a red risk in the risk register.
- The Group's submitted financial plan for 2023/24 includes a planned deficit of £24.3m. There is a significant level of risk in the Group's financial plan with high levels of savings required. Further detail is included on page 13.

# VfM arrangements: Financial sustainability (continued)

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## Commentary

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- During the current year, the Trust commissioned a financial governance review. This identified a number of areas of improvement in the Trust's financial management processes. The review included a number of recommendations to address the areas identified. The Trust have created an action plan to implement the recommendations which has been reported to the Board, with progress against the action plan monitored by the Finance and Performance Committee.
  - The group cash balance at the 31 March 2023 was £48m. Per the financial plan this is expected to decrease to £2m in September 2023 and the year end cash balance is forecast to be £8.4m. The Trust have increased the frequency of the cash management group meetings which now meets fortnightly to monitor the cash position. The Trust are expected to draw down additional Public Dividend Capital funding of £1.1m in September and £2.5m in October.
  - We reported a significant weakness in the area of financial sustainability for 2021/22 and this remains in place for 2022/23 as seen on page 13.
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# VfM arrangements: Governance

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## Approach and considerations

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

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

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## Commentary

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- The Trust's CQC inspection report of January 2022 gave a rating of 'requires improvement'.
- The Trust has been issued with a Section 31 notice dated 22 April 2022 in relation to sepsis and tranquilisation after an inspection of the emergency department. In June 2022 there was an inspection of maternity services and the Trust was issued with a Section 31 letter of intent dated 24 June 2022. The inspection report from this CQC visit was published in September 2022 and rated the service as 'requires improvement' with the overall Blackpool Victoria Hospital Site rated as 'inadequate'.
- The Trust has produced an action plan in order to monitor the progress against the findings raised by the CQC. This is managed by the Deputy Director of Clinical Governance and has been reviewed by the Clinical Governance Committee on a monthly basis.
- In April 2019, the Trust received notice from NHS Improvement (NHSI), of Enforcement Undertakings against its Provider License based on Care Quality Commission (CQC) inspection findings, mortality alerts, A&E performance and 62-day cancer performance. The enforcement action remains in place and the Trust have an action plan in place to have the enforcement action lifted.
- The effectiveness of the Trust's internal control environment including counter fraud is overseen by the Audit Committee, through an annual internal audit and annual counter fraud plan.
- The annual budget setting process start point is the identification and roll-over of the recurrent position which is then adjusted for known changes and developments as well as factors such as NHS inflation etc. This helps identify the gap between funding and expenditure requirements which is to be addressed through a quality and efficiency programme. There is an established process for engagement with budget holders and approvals which culminate with Trust Board sign-off at the start of the new year.
- NHS England has assessed the Trust under the Single Oversight Framework in segment 3, which is where providers receive mandated support and where the Trust is in actual/suspected breach of their license.

# VfM arrangements: Governance (continued)

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## Commentary

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- The Trust's Head of Internal Audit opinion for 2022/23 was “Moderate Assurance that there is an adequate system of internal control, however, in some areas weakness in design and/or inconsistent application of controls”.
- Decisions are taken in line with the Trust’s Scheme of Delegation with more material decisions taken at Executive or Board level, supported by relative and proportionate information.
- Board members are asked to make an annual declaration of being fit and proper. In addition there is a register of interests, including gifts and hospitality, for members to declare any interests of relevance. These practices ensure that the Board is regulated and responsible. We also note that the Board must adhere to the Code of Conduct which sets out appropriate behaviour for NHS Boards.
- The Trust has a remuneration committee which meets throughout the year, we noted the committee has retrospectively approved an exit package payment during the year. We have not deemed this to be a significant weakness. **Recommendation:** we would recommend that decisions are approved by the Remuneration Committee in advance of payments being made or contracts being agreed.
- The Trust has a wholly owned subsidiary, ATLAS, and we have noted that not all reports and information relating to the subsidiary were reported to the Audit Committee (in particular relating to one fraud allegation). We have not deemed this to be a significant weakness in arrangements. **Recommendation:** We would recommend that there are clear reporting lines and terms of references to ensure that all necessary information is reported to allow for the appropriate review and challenge.
- The Trust’s Executive Director of Finance started a secondment with the Lancashire and South Cumbria Integrated Care Board on 15 June 2023. Prior to this appointment, the Executive Director of Finance was on a period of leave starting in early March 2023. The Trust employed an interim finance consultant, who was appointed to the role of interim Director of Finance on 15 June 2023. Between early March 2023 and the appointment of the interim Director of Finance, the responsibilities of the Director of Finance at the Trust were fulfilled by the Deputy Director of Finance, who due to unforeseen circumstances was also unavailable for a large part of this period. This therefore resulted in a lack of senior finance leadership at the Trust over the year end period. **Recommendation:** We recommend in future the Trust reviews the arrangements in place to ensure sufficient senior leadership is in place to perform the responsibilities of the Director of Finance and support the finance team.
- In 2020/21, we identified that there was a significant weakness in respect of the Trust’s arrangements with regards to the matters raised by the CQC and NHSI. We reported a significant weakness in relation to AGN-03 para 44 'Failure to implement or achieve progress on recommendations raised, either as a result of previous external audit recommendations, or those from another regulator or inspectorate' and this remains in place for 2022/23 as seen on page 12.

# VfM arrangements: Improving economy, efficiency and effectiveness

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## Approach and considerations

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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

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- The Audit Committee approved the Annual Internal Audit Plan and Counter Fraud Plan, and received regular updates at Committee meetings throughout the year.
- The Trust has a Performance Management Framework in place that is designed to support a culture of continuous improvement. The Trust uses a balanced scorecard approach which contains Key Performance Indicators (KPIs) to monitor and provide assurance at both a Trust-wide and Divisional level.
- The Trust is part of the local Integrated Care Board (ICB) (Lancashire and South Cumbria ICB) and has key local partnerships including with East Lancashire NHS Foundation Trust. There are regular updates provided to the Blackpool System Improvement Board.
- The Trust has a Procurement Policy in place. Contracts are procured in line with relevant legal standards and in line with the Trust's Scheme of Delegation/Standing Financial Instructions (SFI). Tender Waiver Request Guidance and Request Forms are in place for any exceptional circumstances and any waivers of SFIs must be authorised by the CFO or CEO and any waivers and SFI breaches are reported to and scrutinised by the Audit Committee.

# 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 and Council of Governors 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 Council of Governors and Board of Directors ("the Boards") of Blackpool Teaching Hospitals NHS Foundation Trust, as a body, in accordance with the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Boards 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 Boards as a body, for our audit work, for this report, or for the opinions we have formed.



**Deloitte LLP**

Newcastle Upon Tyne | 8 August 2023

# Appendix 1: Trust's responsibilities

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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 Accounting Officer of the Trust, is 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 the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Accounting Officer is required to comply with the Accounts Direction issued by NHS England, which requires the Trust 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 Accounting Officer has 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 Accounting Officer is 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 Accounting Officer is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Trust's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Trust, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounting Officer and the Board are responsible for ensuring proper stewardship and governance, and reviewing regularly the adequacy and effectiveness of these arrangements.

# Appendix 2: Auditor's responsibilities

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## **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](http://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 National Health Service Act 2006 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 foundation 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 January 2023, 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 2023. 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 National Health Service Act 2006 to:

- make a referral to NHS England 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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