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Purpose of this report

Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at North Tees and Hartlepool 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".

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

Key messages

Audit opinion on the financial statements We issued an unqualified opinion on the Trust and group's financial statements on 29 June 2023.

The Trust's arrangements to secure Value for Money

Financial sustainability

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

- The Trust recorded an adjusted financial performance surplus for the year of £5.7m. The original planned position for the Trust was a surplus of £4.4m.
 - The Trust had a cost improvement plan (CIP) target of £11.4m for 2022/23 and delivered a value of £12.4m.
 - The Trust's submitted financial plan for 2023/24 includes a planned breakeven position. The Trust's CIP target for 2023/24 is £20.7m. The Trust has split this target between the Trust's Care Group and central finance savings. Plans have been developed for both areas, although there are still some plans that require finalisation, and performance against these plans is reported to the Finance Committee on a monthly basis, where they are challenged.
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Governance

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

- The Trust's Head of Internal Audit opinion for the year was "Good Assurance".
 - In 2021/22, we reported a significant weakness in the Trust's governance arrangements in respect of reports published by the Care Quality Commission (CQC) and NHS England (NHSE). The Trust has responded to the recommendations raised in relation to this significant weakness.
 - We are satisfied that the Trust has implemented governance arrangements to address and monitor the action points raised in both the CQC and NHSE reports published in September 2022. We have concluded that there is not a significant weakness in these areas in 2022/23. Further details on work performed in 2022/23 can be found on pages 12-14 of this report.
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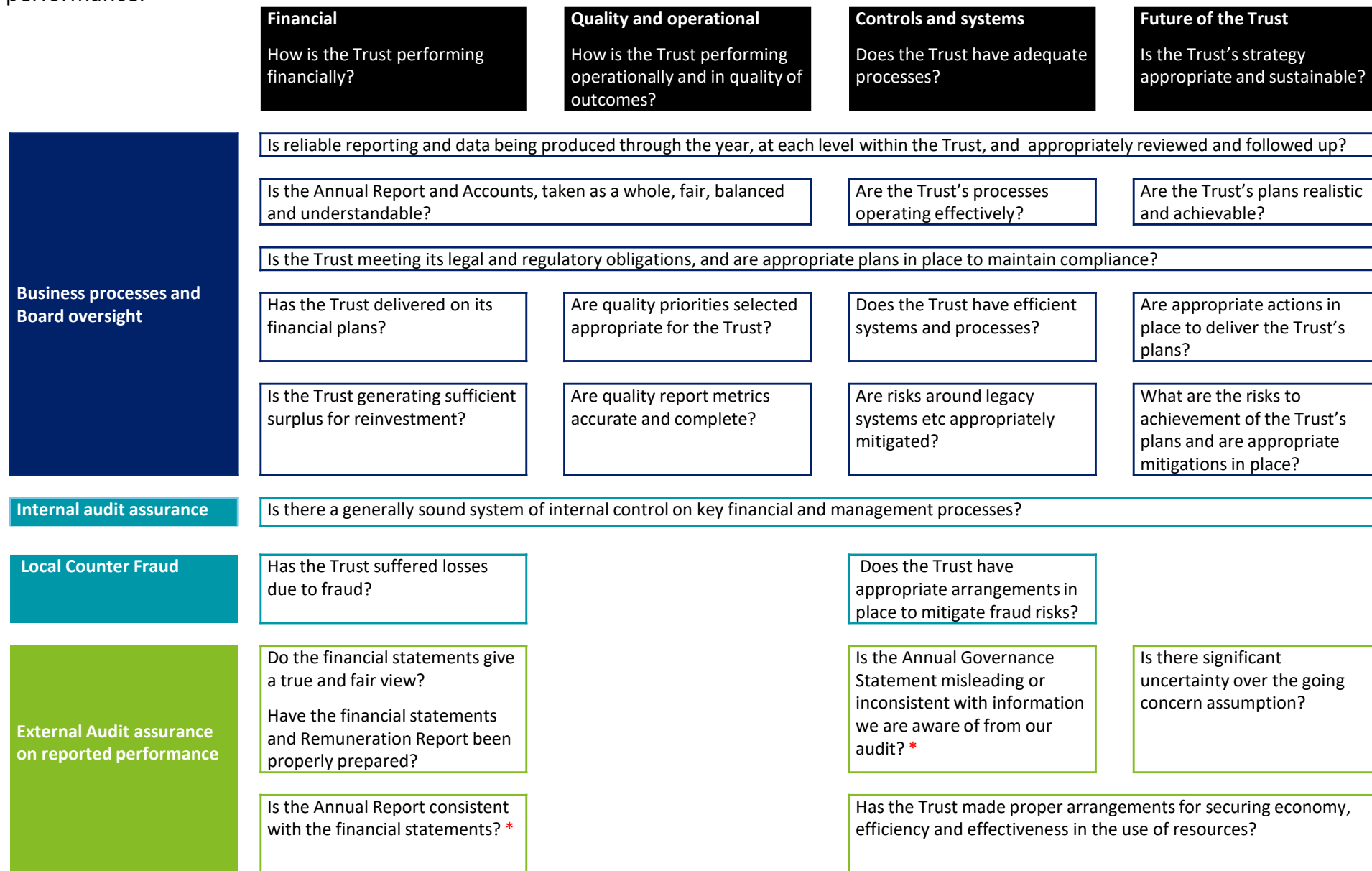
Improving economy, efficiency and effectiveness

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

- The Trust has close working links with South Tees Hospitals NHS Foundation Trust, with the two Trusts sharing a Joint Chair and operating a "Committees in common" structure. The Trust has taken steps to move to a joint Chief Executive in 2023.
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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.



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

Opinion on the financial statements

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

- Give a true and fair view of the financial position of the Trust 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.

We conduct our audit in accordance with the NAO's Code of Audit Practice, International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We are independent of the Trust in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements:	We issued an unqualified opinion on the Trust and group's financial statements on 29 June 2023. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.
Remuneration and Staff Report:	We reported that the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the National Health Service Act 2006.
Annual Governance Statement:	We did not identify any matters where, in our opinion, the 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.
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.
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.
Reporting to the group auditor:	In line with the group audit instructions issued by the NAO, we reported on 5 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.
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.

Our financial statement audit approach

An overview of the scope of the audit

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

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit partner, Nicola Wright. The audit team included integrated Deloitte specialists bringing specific skills and experience in property valuations and Information Technology systems.

Materiality

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

Based on our professional judgement, we determined materiality for the Trust to be £8m (21/22 - £7.3m), on the basis of 2% of revenue. However, we perform all audit procedures to a lower performance materiality of £6m (21/22 - £5.1m), which is 75% of headline materiality.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £300k (21/22 - £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.

Procedures for auditing the Trust's financial statements

Our audit of the Trust's financial statements included:

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

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

Approach to audit risks

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

We provided a detailed audit plan to the Trust's Audit 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 8 and 9.

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>Property valuations 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"> • We reviewed the design and implementation of the controls in place in relation to property valuations; • We engaged our property specialists, Deloitte Real Assets Advisory, to review the assumptions and methodology used to value the estate; • We tested a sample of inputs used in the valuation, such as gross internal areas, back to supporting documentation; • We reviewed the alternative site basis adopted by management, including challenging whether the assumptions made were consistent with the Trust’s clinical strategy and have been considered and approved at an appropriate level within the Trust; • We considered the appropriateness of producing a valuation net of VAT; and • We reviewed the presentation of revaluation movements and impairments, and the disclosures included in the financial statements. 	<p>No issues were identified through this testing.</p>
<p>Validity of accruals The changes to the NHS funding and monitoring regime in recent years have meant that there has been a significant increase in the overall level of revenue available to NHS providers. This level of additional income may create an incentive to make overly prudent estimates and judgements so as to recognise expenditure in the current year and make future targets easier to achieve.</p>	<p>We completed the following procedures:</p> <ul style="list-style-type: none"> • We tested the design and implementation of controls over the year-end accrual process; • 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 • For accruals tested in 2021/22, we obtained post year end supporting documentation to understand if the prior year accruals were appropriate. 	<p>No material issues were identified through this testing, which required amending in the financial statements.</p>

Financial statement audit significant risks (continued)

Risk identified	Deloitte response	Key observations
<p>Management override of controls</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>Journals</p> <ul style="list-style-type: none">• We tested the design and implementation of controls in relation to journals and accounting estimates;• 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• 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. <p>Accounting estimates</p> <ul style="list-style-type: none">• We reviewed accounting estimates for biases that could result in material misstatements due to fraud; and• We tested key accounting estimates as discussed on previous pages, and considered the accounting implications. <p>Significant transactions</p> <ul style="list-style-type: none">• We did not identify any material unusual transactions outside the normal course of business.	<p>As part of our journals testing, we identified that journals do not require review and authorisation prior to being posted to the general ledger. This was reported to the Audit Committee as a control finding.</p> <p>No other issues were identified through our 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:

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

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we are required to make recommendations so that the Trust can consider them and set out how it plans to make improvements. We have not identified any significant weaknesses in arrangements.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. 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 Managing Director, Deputy Director of Finance, Director of Patient Safety and Quality, Audit Committee Chair, and Senior Finance Staff.



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



Reviewing reports from third parties including 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.

VfM arrangements: Financial sustainability

Approach and considerations

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

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

Commentary

- The Trust recognised an adjusted financial performance surplus for the year of £5.7m. The original planned position for the Trust was a surplus of £4.4m. At 31 March 2023, the Trust had net assets of £111.8m (31 March 2022: £111.6m), net current assets of £9.7m (31 March 2022: £14.7m), and cash of £66.5m (31 March 2022: £74.3m).
- In 2022/23, the Trust delivered cost improvement savings of £12.4m against a target of £11.4m, which equates to an over delivery of £1.0m against plan. However, this over delivery was mainly due to the delivery of £10.0m in non recurrent savings.
- The Trust has a lead Director for Cost Improvement Programmes (CIP) formulation and delivery. Project managers are aligned to each care group to support the identification and delivery of schemes. The Finance Committee receive monthly reports on CIP, which are then reported to the Board.
- 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. The financial position is then reported to the Board and Finance Committee to ensure transparency and challenge of any significant deviations from the plan.
- The Trust's revised CIP target for 2023/24 is £20.7m which is 5.3% of planned 2023/24 revenue. In 2022/23 the Trust delivered CIP savings of £12.4m which is 3% of final 2022/23 revenue.
- The Trust has split the CIP target into two categories. The first is CIP savings that will be delivered by the various care groups across the Trust. The total target for these care groups is £8.9m and by the middle of August 2023 the Trust has identified 67% of these savings.
- The remaining £11.8m is to be delivered via central finance savings. The Trust has developed a plan to meet this savings requirement, which they are in the process of agreeing with the Trust's Finance Committee. **Recommendation** – we recognise the challenging circumstances around the increase in the Trust's CIP target in year and also the fact that these circumstances are likely to continue into future years. We therefore recommend that the Trust looks to work across the wider ICB and with other local partners to identify CIP savings that will benefit the Trust in future years.

VfM arrangements: Financial sustainability (continued)

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

- Cost improvement performance is reported to the Finance Committee on a monthly basis, where plans are challenged. The Trust also holds workshops which focus on service developments for 2023/24, a review of the contracts register and procurement plan, and a focus on identifying opportunities within the system to deliver CIP.
- From our review of the Trust's risk register in 2022/23, we note that the Trust have included the delivery of savings as a key risk. The risk mitigation in place at the Trust is that there is a Financial Management structure in place which includes associated levels of escalation to the Executive Team. In addition to this the Finance Committee receive monthly reports on the financial position for CIP delivery future planning.
- The Trust initially submitted a plan for 2023/24 that forecast a deficit of £4.4m, with the deficit largely driven by increased inflationary costs. However, trusts across the North East and North Cumbria Integrated Care Board (ICB) were asked to submit revised plans in March 2023. In the case of the Trust, the revised plan included additional funding from the ICB of £3.9m and an increase in the Trust's CIP target to £20.7m. This resulted in the Trust submitting a revised financial plan that forecast a breakeven position for 2023/24.

VfM arrangements: Governance

Approach and considerations

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

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

Commentary

- NHS England has assessed the Trust under the Single Oversight Framework in segment 2, which is where providers receive targeted support in one or more of the five theme areas of the Trust's licence, but where the Trust is not in breach of their licence.
- 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 Trust's Head of Internal Audit opinion for the year was "Good Assurance that there is a sound system of internal control, governance and risk management".
- 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 cost improvement 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.
- Decisions are taken in line with the Trust's Scheme of Delegation with more material decisions taken at 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, 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.
- As part of its recognition of its staff, the Trust has agreed to make a non-contractual bonus payment to staff of £600 each (£4.2m total value). As they were non-contractual, these payments technically were "special payments" and over the Trust's delegated authorities. As such, they should have received prior approval from HM Treasury. We have reported this to the Audit Committee and the NAO in their role as auditor of the NHS Group. **Recommendation** – we recommend that Going forward, the Trust should ensure that HM Treasury approval is obtained for any proposed non contractual bonus payments before communication with staff.

VfM arrangements: Governance (continued)

Approach and considerations

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

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

Commentary

- In 2021/22, we reported a significant weakness in the Trust's governance arrangements in how the Foundation Trust monitors and ensures appropriate standards, such as meeting regulatory and legislative requirements, and a weakness in how the Trust ensures it delivers its role within significant partnerships. This weakness was identified following the completion of separate reviews by NHSE and the Care Quality Commission (CQC).
- The CQC report published in September 2022 resulted in the Trust's overall quality rating decreasing to 'Requires Improvement'. The Trust's Well-led, Safe and Effective domain ratings also reduced to 'Requires Improvement'.
- In 2021/22 we recommended that the Trust develop and monitor a detailed action plan to respond to the recommendations raised in the CQC report. In 2022/23 we have performed work to assess the Trust's progress against this recommendation and evaluate the governance arrangements implemented to address the findings of the CQC report.
- The Trust have created an action plan to respond to the actions included in the CQC report. The Trust has also established two new quality councils that feed into the Quality Committee specifically to monitor the progress against the action plan. These Councils report to both the Executive Team and the Trust Board on a regular basis.
- The Trust also instructed Internal Audit to perform an advisory review of the action plan. The advisory review concluded that the action plan was comprehensive and has clearly set out individual action areas to meet the "must do" actions. The review performed by NHSE concluded with the publication of their outcome report in September 2022, which encouraged the Trust to develop and implement an action plan with South Tees Hospitals NHS Foundation Trust to strengthen joint leadership across the Tees Valley health system.

VfM arrangements: Governance (continued)

Approach and considerations

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

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

Commentary

- Following the issuance of the NHSE report, the North East and North Cumbria Integrated Care Board commissioned an independent strategic review of the relationship between the Trust and South Tees Hospitals NHS Foundation Trust. This report made five key recommendations to achieve greater integration between the two Trusts.
- The most impactful recommendation was the suggestion to move to a group structure, with one Chief Executive with responsibility for both Trusts. We have seen the Trust act on this recommendation in 2022/23 with the agreement to make the Chief Executive post redundant at the Trust as of 31 March 2023, with the aim of appointing a joint Chief Executive later in 2023.
- During 2022/23 NHSE also raised queries regarding the operations of the Remuneration Committee at the Trust, which dated back to 2016. The Trust responded to these concerns by appointing an independent consultant to perform a detailed review of the Remuneration Committee and its actions.
- The report did not identify any areas of non-compliance but did identify some areas of best practice that the Committee and Trust should look to implement going forward. We have confirmed that an action plan has been created to deal with the recommendations raised and progress against this action plan is overseen by the Remuneration Committee. The findings raised in this report have also been shared with NHSE who have taken no further action following the issuance of the report.
- Based on the work performed in the current year, we are satisfied that the Trust has implemented governance arrangements to address and monitor the action points raised in both the CQC and NHSE reports published in September 2022. As a result of the actions taken by the Trust, we have concluded that there is not a risk of significant weakness in these areas in FY23.

VfM arrangements: Governance (continued)

Approach and considerations

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

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

Commentary

- We note that the Chair of the Audit Committee was appointed as the new Associate Director of Strategic Development, which is an Executive position at the Trust. The Board approved the Annual Report and Accounts on 25 May 2023 and delegated authority to the Audit Committee to review any updates to the Accounts and Annual Report in its year end meeting, which took place on 19 June 2023. However, it came to our attention that the Audit Committee Chair was going through a recruitment process for the role of Associate Director of Strategic Development at the Trust at the time of the year end meeting. His eventual appointment to this role was not confirmed until July 2023 and as approval of the accounts was provided by the Board, as part of the meeting on 25 May 2023, we are comfortable that there is no impact on the approval of the accounts process.

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations

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

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

Commentary

- The Trust's Audit Committee approves the annual Internal Audit Plan and Counter Fraud Plan, and receives updates at Committee meetings through the year.
- The Trust's Head of Internal Audit opinion for the year was "Good Assurance that there is a sound system of internal control, governance and risk management". No limited assurance reports were issued during the year.
- The Trust produces a monthly Integrated Performance Report, which details the Trust's performance across compliance, quality, finance and workforce. The report is designed to support a culture of continuous improvement and contains Key Performance Indicators (KPIs) to monitor and provide assurance to the Board regarding the Trust's performance.
- The Trust plays an active part in the local Integrated Care Board (ICB) (North East and North Cumbria ICB) and has key local partnerships. These partnerships include close working links with South Tees Hospitals NHS Foundation Trust, with the two Trusts sharing a Joint Chair and operating a "Committees in common" structure. As documented on page 14, the Trust has taken steps to move to a joint Chief Executive in 2023.
- We have considered both the CQC and NHSE reports published in September 2022 as part of our assessment of improving economy, efficiency and effectiveness and have identified no issues impacting upon our assessment. Further details of the outcomes and actions taken in relation to the CQC and NHSE reports published in September 2022, please refer to the Governance section of this report on pages 12-14.

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 Board 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 North Tees and Hartlepool 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 | 31 August 2023

Appendix 1: Trust's responsibilities

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

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

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

The Chief Executive, as 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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We are required under the Code of Audit Practice and the 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 April 2021, as to whether the Trust has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

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

Auditor's other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the 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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