

The Hillingdon Hospitals NHS Foundation Trust

Auditor's Annual Report

Year ended 31 March 2024

July 2024



We are required to satisfy ourselves under Schedule 10 (1)(d) of the National Health Service Act 2006 that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report to you if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements are operating effectively.

Contents

Key messages	3
Financial statements	7
Value for money arrangements: <i>securing economy, efficiency and effectiveness in the use of resources</i>	9
Recommendations	22
Appendices	
I. Financial statements findings	26
II. Internal control recommendations arising from the audit	35

Detailed findings from our audit of the financial statements are communicated in the following reports:

- audit opinion on the financial statements for the year ended 31 March 2024
- audit findings (ISA 260) report to Those Charged with Governance

We performed our audit in accordance with International Standards on Auditing (UK). This report has been prepared in line with the National Audit Office's Code of Audit Practice (the "Code") and is required to be published by the Trust alongside the annual report and accounts. Our reports are prepared in accordance with ISAs (UK), the Code, all associated Audit Guidance Notes issued by the National Audit Office and relevant requirements of the NHS Act 2006.

Key messages

The purpose of the Auditor's Annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Board and the wider public relevant issues, recommendations arising from the auditor's work and the auditor's view on whether previous recommendations have been implemented satisfactorily.

We have undertaken our work in accordance with the Audit Plan issued earlier in the year and reported to Those Charged with Governance. We have complied with the National Audit Office (NAO) Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

Area of work	Our responsibilities	Conclusions
Financial statements	<p>We are required to audit the financial statements of the Trust under the National Health Service Act 2006. We express an opinion as to whether:</p> <ul style="list-style-type: none"> the accounts give a true and fair view of the financial position of the Trust and of the expenditure and income for the year; and the accounts have been prepared in accordance with proper practices and the requirements of the National Health Service Act 2006. <p>We confirm whether the financial statements have been prepared in line with the Group Accounting Manual prepared by the Department of Health and Social Care (DHSC).</p> <p>We are required to give a separate audit opinion on the Trust accounts' consolidation schedules (TACs) and to carry out specified procedures under group audit instructions.</p>	<p>We issued an unqualified opinion on the Trust's financial statements on 2 July 2024. This means that we considered the financial statements gave a true and fair view of the financial performance and position of the Trust.</p> <p>Matters identified during our audit of the annual report and accounts were reported to the Audit and Risk Committee in our draft Audit Findings Report on 24 June 2024. Our final Audit Findings Report was discussed with the Chair of the Audit and Risk Committee on 1 July 2024. The Annual Report and Accounts were finalised and signed off on 02 July 2024 by the Chief Executive.</p> <p>In the group audit instructions, the Trust was selected for limited scope audit procedures. There were no unadjusted inconsistencies identified between the financial statements and the TACs. Our independent auditor's statement on the Trust's consolidation schedules was therefore unmodified.</p>

continued.....

Key messages

Area of work	Our responsibilities	Conclusions
Value for money	<p>We are required under Schedule 10 (1)(d) of 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. The Code of Audit Practice issued by the National Audit Office requires us to report to you our commentary relating to proper arrangements.</p> <p>We assess the arrangements in place for securing economy, efficiency and effectiveness in the Trust's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.</p>	<p>We identified significant weaknesses in the arrangements for securing economy, efficiency and effectiveness in the use of resources at the Trust:</p> <ul style="list-style-type: none">Weakness in the Trust's financial sustainability arrangements in how it plans finances to support sustainable delivery of services and bridges its funding gaps This stems from weaknesses in financial sustainability arrangements identified in the Trust's current and forecast performance and represents a significant weakness in Trust arrangements on delivering financial plans to bridge the funding gap and identify and deliver achievable savingsWeakness in the Trust's governance arrangements in how it ensures effective processes and systems are in place to support its statutory financial reporting requirements A significant weakness in Trust governance arrangements in ensuring it makes informed decisions and properly manages its risk to gain assurance over the effective operations of internal controls and ensuring effective processes and systems are in place to support its statutory financial report requirementsWeakness in the Trust's governance arrangements in how it monitors and ensures appropriate standards such as regulatory requirements are met This stems from weaknesses in governance arrangements identified by the Care Quality Commission. This results in a significant weakness in Trust governance arrangements in ensuring it makes informed decision and properly manages its risks through monitoring and ensuring appropriate standards, such as meeting legislative/regulatory requirements and standards

continued.....

Key messages

Area of work	Our responsibilities	Conclusions
<p>Annual report, annual governance statement and other information published with the financial statements</p>	<p>We assess whether the annual report is consistent with our knowledge of the Trust.</p> <p>We perform testing of certain figures subject to audit (labelled in the remuneration report and the staff report) as prescribed by the Foundation Trust Annual Reporting Manual (the 'ARM'),</p> <p>We consider whether the Annual Governance Statement does not comply with the disclosure requirements set out in the ARM or is misleading or inconsistent with information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.</p>	<ul style="list-style-type: none"> • We did not identify any significant inconsistencies between the information presented in the annual report and our knowledge of the Trust. • Our audit opinion on the audited sections of the remuneration report and the staff report is unqualified. • We confirmed that the Governance Statement had been prepared in line with the requirements set out in the ARM.
<p>Public interest report</p>	<p>Under Schedule 10 (3) of the National Health Service Act 2006 the auditor of a foundation trust must consider whether to make a report in the public interest if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public.</p>	<ul style="list-style-type: none"> • We did not identify any matters for which we considered a public interest report to be required as part of our external audit for 2023/24.

continued.....

Key messages

Area of work	Our responsibilities	Conclusions
Referral to NHS England	<p>Under Schedule 10 (6) of the National Health Service Act 2006 the auditor of a foundation trust must consider whether to make a referral to a foundation trust's regulatory body (NHS England) if the auditor has reason to believe that the trust, or a director or officer of the trust is about to make, or has made, a decision which involves or would involve the incurring of expenditure which is unlawful, or is about to take, or has taken, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency.</p>	<ul style="list-style-type: none"> We did not identify any matters for which we considered a referral to be required as part of our external audit for 2023/24.
Key recommendations	<p>The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the Trust. We consider these to be key, or essential, recommendations.</p>	<p>We raised three key recommendations in respect of the significant weaknesses identified:</p> <ul style="list-style-type: none"> Financial sustainability: We recommended that the Trust continues to accelerates its planned arrangements for the identification and delivery of its cost improvement plan Governance: We recommended that management conducts a review of the arrangements, capacity, resilience and timetable for the preparation of the financial statements and supporting working papers. We have also made a number of recommendations relating to specific aspects of the financial closedown and reporting process including improving the quality of supporting working papers and audit trails Governance: We recommended that the Trust continues to implement the actions identified by the CQC within the reports received from the CQC
Other recommendations	<p>We raise "other recommendations" in areas where we believe the weaknesses identified are not significant, or where arrangements are generally satisfactory but further improvement could be achieved.</p>	<ul style="list-style-type: none"> In addition to the key recommendations made, we have raised two areas of focus for the Board: one in financial sustainability and one in improving economy, efficiency and effectiveness. We have also raised detailed recommendations to improve specific aspects of the financial closedown and reporting process including improving the quality of supporting working papers and audit trails.

Financial statements

The annual report and financial statements are an important tool for the Trust to show how it has used public money and how it can demonstrate its financial health.

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

- give a true and fair view of the financial position of the Trust as at 31 March 2024 and of its expenditure and income for the year then ended;*
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2023/24; and*
- have been prepared in accordance with the National Health Service Act 2006.*

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

Area of work	Conclusions
Audit opinion on the financial statements	We gave an unqualified opinion on the Trust's financial statements on 2 July 2024.
Audit Findings (ISA260) report	More details can be found in our ISA260 report, which was reported to the Trust's audit committee on 24 June 2024 in draft form and finalised on 1 July 2024 at the conclusion of the audit.
Whole of Government accounts	<p>To support the audit of consolidated NHS Provider accounts, the Department of Health and Social care group accounts and the Whole of Government Accounts (WGA), we are required to examine and report on the consistency of the Trust's consolidation schedules with its audited financial statements. This includes performing specified procedures under group audit instructions issued by the National Audit Office.</p> <p>Our work found that the WGA consolidation pack was consistent with the Trust's financial statements.</p>
Preparation of the accounts	The Trust provided draft accounts in line with the national deadline. The quality of the draft financial statements and supporting working papers was insufficient in many areas. We have raised a number of recommendations in relation to the Trust's financial statement closedown and preparation arrangements.

Financial statements

Significant risks

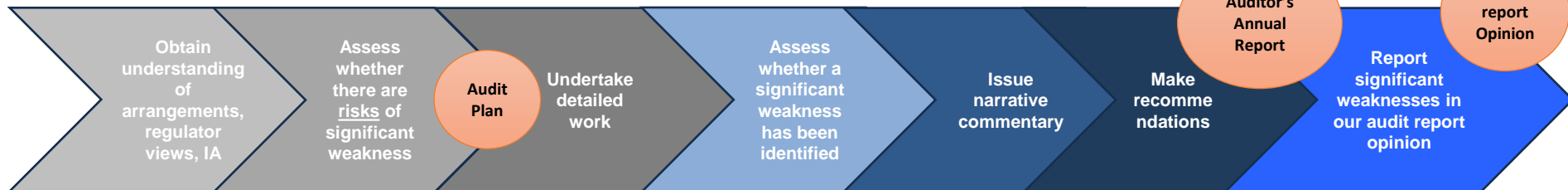
Detailed findings from the audit of the 2023/24 financial statements are set out in our Audit Findings (ISA260) report, reported in draft to the Trust's audit committee on 24 June 2024 and reported in final form on 1 July 2024. Requests for this report should be directed to the Trust. This report set out the significant risks identified for the 2023/24 financial statements audit along with the procedures performed to address each risk and the conclusions reached following the performance of those procedures.

No significant adjustments were made to the 2023/24 financial statements submitted for audit.

The significant risks identified as part of our audit and the conclusions from our work are set out in Appendix 1. The main recommendations made as a result of the financial statements audit are set out in Appendix 2 of this report.

Value for money

We are required to consider whether the Trust has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice and the requirements of Auditor Guidance Note 3 ('AGN 03').



In undertaking our work we identified significant weaknesses in arrangements as set out in the table below. We have made key recommendations in respect of these weaknesses. We have also raised areas of focus for the Board and made 'other recommendations' in respect of the accounts.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	Yes	Yes	Yes	Yes
Governance How the body ensures it makes informed decisions and properly manages risk	Yes	Yes	Yes	Yes
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	No	No	No	Yes

Value for money

In addition to our financial statements work we performed a range of procedures to inform our value for money commentary, including:

- Meeting with management and regular meetings with senior officers
- Interviews as appropriate with other Board members and management
- Review of Board and committee reports and attendance at audit committee meetings
- Reviewing reports from third parties, including the Care Quality Commission (CQC)
- Considering the findings from our audit work on the financial statements
- Review of the Trust's annual governance statement and annual report and other publications
- Considering the work of internal audit and the counter fraud function
- Consideration of correspondence with NHS England
- Consideration of other sources of external evidence, such as the NHS National Staff survey, Healthwatch reports, etc

Foundation Trusts are responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. This includes managing key operational and financial risks and taking properly informed decisions so that they can deliver their objectives and safeguard public money.

As auditors, we are required to consider whether the Trust has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We performed risk assessment procedures at the audit planning stage to identify any potential areas of significant weakness which could result in value for money not being achieved. This included considering the findings from other regulators and internal auditors, reviewing records at the Trust and performing procedures to update our knowledge of the high-level arrangements in place. The resulting risk areas were set out in our audit plan.

For each identified risk area, we performed further procedures during our audit to consider whether there were significant weaknesses in the processes in place to achieve value for money.

The NAO Code of Audit Practice requires us to structure our commentary on VFM arrangements under three reporting criteria: financial sustainability, governance and improving economy, efficiency and effectiveness.

We have set out on the following pages our commentary and findings on the arrangements at the Trust in each area.

Summary of findings

Based on the work performed we identified significant weaknesses in the Trust's arrangements for achieving value for money and have raised key recommendations in response.

The Trust continues to rely on non-recurrent savings to achieve financial targets. A focus on a higher volume of recurrent savings is required to avoid greater medium-term pressures on financial resilience and address activity backlogs, particularly as the funding challenges and levels of activity continue to increase.

The Trust's arrangements for the production of financial statements need to improve. The Trust also needs to continue to deliver the improvements required against CQC findings delivered in this and recent years.

Financial sustainability

This relates to how the Trust plans and manages its resources to ensure it can continue to deliver its services.

We considered the following areas:

- how the Trust identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into the plans;
- 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 workforce, capital, investment, and other operational plans, which may include working with other local public bodies as part of a wider system; and
- how the Trust identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

In the prior year the predecessor auditor reported a significant weakness in the Trust's arrangements for financial sustainability. This was due to the under delivery of cost-improvement target savings (£5.5m delivered against a target of £12m) and the size of non-recurrent income (circa £20m) required to enable the Trust to deliver its year end outturn.

The 2023/24 plan was for the Trust to achieve breakeven. The Trust in fact delivered a deficit outturn of £6m. The breakeven plan required the delivery of £21m of cost improvement savings. Only £11.2m of this was delivered, with a further £7.3m of non-recurrent savings which provide no future benefit into 2024/25. The Trust anticipates the £11.2m of recurrent savings achieved should have a full year effect of £17.6m in 2024/25.

Of the savings reported as delivered, only 60% of this comprised recurrent savings. This means the non-recurrent savings cannot be relied upon for 2024/25, adding further pressure to the growing financial challenge to be met. This is not a sustainable position going forward and may indicate improvements need to be made in the arrangements for the identification and delivery of feasible and realistic recurrent schemes at the planning stage each year, to reduce the reliance on replacement non-recurrent underspends / income and to reduce the risk inherent in future annual financial plans.

Annual MTFS Efficiency & Productivity plan £m	22/23	23/24	24/25	25/26	26/27	27/28
Trust/APC productivity - cost reduction/activity increase	- 4.4	- 18.5	- 11.9	- 8.9	- 6.1	- 6.0
Cumulated impact on underlying deficit £m	22/23	23/24	24/25	25/26	26/27	27/28
Starting underlying deficit at the start of 2022/23	70.2					
Cumulated Trust/APC productivity - cost reduction/activity increase	- 4.4	- 22.9	- 34.8	- 43.7	- 49.8	- 55.8
Efficiency expectation in tariff	3.3	6.8	10.0	13.2	16.3	19.4
Recurrent Income Adj	-	- 2.5	- 8.6	- 14.2	- 14.2	- 14.2
Remaining underlying deficit at the end of the year = Non-Recurrent measures and support required	69.1	51.6	36.8	25.5	22.5	19.6

continued....

Financial sustainability *...continued*

The 2024/25 budget assumes CIP schemes of £18.9 to deliver breakeven, which is higher than the level achieved in 2023/24. As at the date of writing savings to deliver this target have not yet been fully identified, which was similar to previous years. The £18.9m assumes the non-recurrent benefit of a land sale valued at £4m, which will provide no ongoing benefit in future years and will therefore not reduced the financial challenge in the medium term. Reducing the cumulative deficit position requires non-recurring savings of £42.5m. The Trust plans to achieve an efficiency level of £11.9m. The breakeven plan for 2024/25 continues to rely on non-recurrent support from the ICB. The cost improvement target is 4.7% of Trust turnover and is an incredibly challenging ambition to achieve in and of itself; few organisations are able to generate savings of their total spend as high as 4.7% in a single year.

The Trust has also stated that a number of these schemes are “very high risk and unlikely to deliver in 2024/25”. In addition, the plan to achieve breakeven requires the Trust to achieve elective recovery funding by delivering activity at 117% of the level of activity delivered in 2019/20. Whilst a number of known and unavoidable cost pressures have been built into the 2024/25 plan, there is no contingency for any new cost pressures that may arise during the year. The plan also assumes a ‘saving’ of £4.9m through additional ‘grip and control’ measures, which are difficult to achieve in an ongoing environment of financial challenge. There are also substantial risks to the delivery of the 2024/25 plan, in addition to the scale of savings required, including the assumption that inflation will reduce significantly. Whilst this is in line with national guidance, the reality may not deliver this assumption. The plan therefore further increases the risk of non-delivery of recurrent financial balance for the Trust in 2024/25. This risk is compounded by the fact that national planning timescales only leave the Trust with 9 months to identify and realise the additional savings in order to deliver the expected financial outturn by 31 March 2025.

The Board has a good understanding of both the financial position and the risks it faces, and this is evident from discussion with Board members and executives. The Trust based its financial plans on nationally set activity and funding assumptions. Internal discussions are held to address cost pressures and potential efficiency savings. The CFO and Deputy CFO participate in sector-wide forums where sector-level risks are discussed, and mitigation strategies are agreed upon. This is supported by internal governance processes that involve iterative sharing and scrutiny of capital and revenue plans. Additionally, financial performance and risks are monitored through monthly divisional meetings.

The Trust exited NOF4 in 2023/24, and is now in NOF3. However, the ongoing use of non-recurrent funding, under delivery of cost improvement programmes, volume of unidentified savings schemes for 2024/25, the size, scale and volume of risk inherent in the 2024/25 plans and the ongoing cumulative deficit position indicates that the Trust’s arrangements, whilst demonstrating an improvement trajectory, are not yet at a position where we can conclude there is not a significant weakness in this area. The improvements in arrangements which have taken place during the year are untested and their success in mitigating the weaknesses will need to be assessed against outturn delivery in 2024/25. The risk continues to grow year on year, and the Trust will need to avoid a position where financial targets are met only with an increase in the activity backlog and waiting times, resulting in longer waits for acute and other services need by the population.

continued...

Financial sustainability *...continued*

Summary

We have determined that there remain significant weakness in the Trust's financial sustainability arrangements in how it plans finances to support sustainable delivery of services and bridges its funding gaps. This stems from weaknesses in financial sustainability arrangements identified in the Trust's current and forecast performance and represents a significant weakness in Trust arrangements on delivering financial plans to bridge the funding gap and identify and deliver achievable savings.

The financial outlook looks increasingly challenging. The Trust faces an increasing financial challenge and the need to generate an increasing volume of recurrent savings to safeguard its medium term financial resilience. The arrangements in place have identified these risks and the Board is cognisant of them. In addition to the significant risk and key recommendation, we have raised a supplementary area of focus for the Board:

The Board will need to ensure it focuses on the effective delivery of planned savings within a contracted timescale, ensure it balances the risk carefully between vacancy underspends and the quality impact on delivered services from increased use of agency staff, and ensure the achievement of financial targets does not result in an increase in activity backlogs and the length of time patients have to wait to access the services the Trust provides.

Governance

This relates to the arrangements in place for overseeing the Trust's performance, identifying risks to achievement of its objectives and taking key decisions.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

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

The Trust Board is responsible for ensuring that effective systems are in place to identify and manage the risks associated with achieving key local and collaborative objectives. This is accomplished using a Board Assurance Framework (BAF) and the Corporate Risk Register. The risks are classified across the Trust's main strategic objectives. The Trust has a number of frameworks for the oversight of risk. The Trust identifies, monitors and assesses risks in relation to their strategic objectives through the Board Assurance Framework (BAF) and the Corporate Risk Register (CRR). The Audit Committee monitors the effectiveness of the Trust's internal controls and risk management systems. Each risk has an executive lead as the risk owner as noted on the register. There is a risk model matrix which sits behind the BAF which supports the scoring of risk assigned to each risk.

As part of our work in this area we have held discussions with key officers and executives, reviewed the Board meeting minutes and other committee meeting minutes from throughout the year and attended all Audit Committee meetings. The Audit Committee is aware of the governance risks facing the organisation and is hold officers and executives to account, receiving detailed updates on progress against prior recommendations throughout the year. The change of audit committee chair in April 2024 was well-managed and effective.

The Audit Committee receives regular Internal Audit reports arising from the internal audit annual plan which is agreed at the beginning of each financial year. Conversation and discussion at the Audit Committee is well-chaired, effective, informed and focuses appropriately on the key issues. The Committee plays an effective part in the overall governance arrangements in place at the Trust.

In the prior year the predecessor auditor raised three significant weaknesses in the Trust's governance arrangements, relating to:

- The Trust continuing to be under 'enforcement undertakings' throughout 2022/23.
- Weaknesses in the Trust control environment reported by Internal Audit and identified by external audit, particularly in relation to the arrangements in place to support effective financial reporting and the production of the financial statements. They concluded there was a significant weakness in the Trust's financial reporting arrangements and the arrangements supporting its statutory financial reporting requirements.
- Ongoing CQC findings and the arrangements to respond to these findings. The Trust continues to be rated as 'Require Improvement' with the Hillingdon site itself rated as 'Inadequate'. The CQC report in January 2023 identified further actions for the Trust, an indication of continuing significant weaknesses in this area

Enforcement undertakings

On 24 August 2023 NHS England issued compliance certificates, certifying the Trust's compliance with all of the Trust's Enforcement Undertakings previously accepted by NHS Improvement. As such, we concluded in our audit plan that the risk of significant weakness in respect of this point had been mitigated.

continued.....

Governance *...continued*

Arrangements to support statutory financial reporting requirements

Internal audit indicated they had noticed gradual improvement by the Trust in responding to internal audit recommendations and, during the year, none of the internal audit reports graded the Trust as only having limited assurance in the areas reviewed. Notwithstanding this, the Head of Internal Audit opinion for 2023/24 only provided moderate assurance. There remained 4 overdue findings out of 14 raised for follow up from 2022/23 and internal audit confirmed that, in arriving at their 'partial assurance' opinion for 2023/24, they had been able to complete the majority of their planned work for the year. During 2023/24, management reported progress against the implementation of recommendations from internal and external audit to the audit committee, and reported progress in resolving the matters raised. As at June 2024, management was reporting that 15 of the 48 recommendations remain unaddressed which, whilst below expectations, demonstrates an improvement trajectory from earlier positions. We are therefore satisfied that this element of the previous identified significant weakness, whilst still requiring improvement, is no longer indicative of a significant weakness in and of itself.

As reported in the external audit findings report for 2023/24, significant weaknesses remain in the Trust's arrangements for financial reporting. This demonstrates a continuing significant weakness in ensuring effective processes and systems are in place to support its statutory financial reporting requirements.

The quality of supporting listings and evidence was a significant risk factor to the achievement of the statutory deadline. This was compounded by delays encountered during our planning and interim audit visits, resulting in the need for us to put in place an additional interim visit.

The financial statements were submitted for audit in line with the national deadline. Management worked hard throughout the year to consider the issues raised by the predecessor auditor regarding the quality of the accounts. However, following submission, errors were identified within material disclosures for income, expenditure, employee costs, receivables, creditors, financial instruments, property, plant and equipment, agency costs, Private Finance Initiative (PFI) disclosures and capitalised salaries. These balances are the most significant balances in the financial statements. The accounts were not supported by working papers on submission and, once provided, were often difficult to follow, did not always agree to the accounts and were inconsistent in their presentation. Many working papers comprised detailed, multi-tabbed spreadsheets without explanations to support how they agreed to the accounts or the management judgements contained therein. No working papers were provided which mapped the overall accounts to the underlying trial balance, which made audit trails difficult to follow and required additional audit work to compile the mapping. The listings supporting key balances are a product of thousands of entries and contra-entries, were uncleaned and required significant additional time to render them appropriate for the selection of audit samples and to confirm they aligned to the accounts being audited. Transaction listings were not routinely provided or available, which made the selection of transaction items for sample testing problematic. In many cases, resolving these challenges led to the identification of errors in the accounts submitted for audit. The challenges encountered have consumed significant, additional and unplanned audit time and led to delays in being able to progress the audit. Where changes to the accounts were identified, this also resulted in revised balances needing to be re-audited and additional samples being required. In a number of cases, audit evidence was not able to be provided to support sample testing on the basis that the individual who dealt with the transaction had left the Trust, and obtaining explanations to support audit trails was often challenging.

continued.....

Governance *...continued*

KEY:
RED: Significant improvement required
AMBER: Developing
GREEN: Mature

The following metrics were used in assessing the reliability of the Trust's arrangements for financial reporting and responding to the audit

Metric	Grading	Commentary
Quality and timeliness of draft financial statements	Red	Whilst the draft financial statements were submitted for audit in line with the statutory deadline, errors and amendments were subsequently identified within material notes, which undermines the quality of the accounts submitted.
Quality of working papers provided and adherence to timetable	Red	The majority of the working papers were not provided on time and, when they were provided, were often inaccurate, incomplete and difficult to follow. A significant amount of time was spent addressing working paper issues including the issues set out on page 4, which impaired the progress of the audit and led to delays in progressing testing and reviews in other areas.
Timing and quality of key accounting judgements	Red	Key management judgements relating to PFI (IFRS16) and relating to provisions, accruals and deferred income were not provided until the commencement of the audit. The disclosures presented for audit were incorrect and required amendment.
Access to finance team and other key personnel	Green / Amber	The Finance team and other personnel have been available as agreed and planned, but the organisational arrangements mean capacity has been a factor in terms of timeliness of response and being able to deal with the volume of issues arising. We have had appropriate and prompt engagement from the property valuer, Gerald Eve.
Quality and timeliness of annual report	Amber	The draft annual report was provided in a timely manner. The review is in progress to confirm accuracy, and completeness. However, during this review, an updated annual report was provided on 12 June 2024.
Quality and timeliness of remuneration report and supporting work papers	Amber	The draft remuneration report was provided in a timely manner. The review is in progress to confirm accuracy, and completeness. However, during this review, an updated annual report was provided on 12 June 2024. We identified errors in the report which required amendment.
Volume and magnitude of identified errors	Red	A significant volume of errors has been identified across key aspects of the financial statements, including within income, receivables, payables, expenditure, employee remuneration, property plant and equipment and other disclosure notes. This was exacerbated by insufficient working papers.

continued.....

Governance...continued

The finance team worked hard to resolve the issues and we are grateful for their ongoing engagement and support throughout the audit. We recommended that senior management should consider the arrangements in place and the risk of a 'single point of failure' where key individuals do not have sufficient capacity to facilitate the year end audit as well as their other functions. In particular, management should ensure there is sufficient capacity to enable a stronger quality review of the accounts by management before submitting them for audit; typically, such review would have identified these issues.

Arrangements in respect of CQC identified issues

The Trust believes it has made significant improvement in respect of the enforcement undertakings raised by NHSI (demonstrated by these enforcement undertakings being lifted in August 2023) but recognises it has a substantial improvement journey in respect of its service delivery to improve the rating from CQC.

As reported in the prior year, the Trust received a focused inspection report from the CQC based on visits conducted in November 2022, which did not alter the previous rating from July 2018. Triggered by patient concerns reported to the CQC's National Call Centre Service, the inspection focused on care for the elderly in medical wards and assessing various aspects including safeguarding, staffing, records, medications and patient involvement. The report highlighted both commendable practices and areas for improvement, including two essential actions related to governance and incident sharing, as well as four recommended actions. It is evident that significant weaknesses persist, reflected in the Trust's ongoing rating as 'Requires Improvement', with the Hillingdon site specifically rated as 'Inadequate', as indicated in the January 2023 report.

In February 2024, a further report was issued by CQC in relation to maternity services. The scope of the review focused on "safe" and "well-led", and resulted in a downgrade of the rating for the service as a whole, to 'Requires Improvement'. The CQC raised 13 points of concern which resulted in their downgrading of the service, including in areas of cleanliness, safe storage of medicines, visibility of senior midwives and the "risk to women and babies" arising from the fact that sometimes, due to delays, babies were born in the antenatal ward, in triage or before arrival at hospital. They also mentioned 7 points of good practice, commenting that "maternity service leaders had the skills and abilities to run the service". The Trust's current ratings per CQC website are set out in the adjacent table:

Area	Hillingdon site	Mount Vernon site (2015 grading)
Medical care	Requires Improvement (Jan 2023)	Requires improvement
Services for children and young people	Good (July 2018)	N/A
Critical care	Requirements Improvement (July 2018)	N/A
End of life care	Good (July 2018)	N/A
Maternity	Requires improvement (July 2018)	N/A
Outpatients	Requires improvement (July 2018)	Requires improvement
Surgery	Inadequate (July 2018)	Requires improvement
Urgent and emergency services	Inadequate	Requires improvement
OVERALL RATING	Inadequate	Requires improvement

continued....

Governance *...continued*

The Trust has developed a set of indicators that report progress across the CQC's five domains of quality – safety, effectiveness, caring, well-led and responsive. Individual teams and clinical divisions review data about their own services to check on progress and to identify emerging issues so that they can be addressed as promptly as possible. Every month, the Trust's Integrated Quality and Performance Report (IQPR), a core set of indicators – or scorecard - is reviewed by the senior leadership team and, every other month, by the Trust board at its public meeting. For each indicator, they look at how the Trust is performing against national standards and their own targets. Following the maternity inspection in 2024, a Maternity and Neonatal Improvement Programme was set up. This meets weekly, is chaired by the Chief Nurse and attended by all workstream leads to report progress on individual workstreams, CQC being one of the workstreams of this programme. The Maternity and Neonatal Improvement Board meets on a monthly basis and a response action plan was submitted to the CQC in June 2024. It is too soon to assess the efficacy of these arrangements and there will not have been time before the 31 March 2024 for these arrangements to have made a meaningful impact on the findings from the Maternity CQC review.

Based on our review of the documentation provided by the Trust and from the CQC to the Trust, whilst the Trust has taken action to set up arrangements in response to CQC findings, we consider that there continues to be a significant weakness in the current year reflected by the ongoing ratings of the Trust by the CQC and findings from the report issued in February 2024. The Trust continues to be rated as 'Requires Improvement', with the Hillingdon site rated as 'Inadequate'.

Summary

We have determined that there remain significant weaknesses in the Trust's governance arrangements in how it monitors and ensures appropriate standards such as regulatory requirements are met and in how it ensures effective processes and systems are in place to support its statutory financial reporting requirements.

We have raised additional detailed recommendations to improve specific aspects of the financial closedown and reporting process including improving the quality of supporting working papers and audit trails.

Improving economy, efficiency and effectiveness

This relates to how the Trust seeks to improve its systems so that it can deliver more for the resources that are available to it.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- how financial and performance information has been used to assess performance and identify areas for improvement;
- how the Trust evaluates service quality 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 it ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how it assesses whether it is realising the expected benefits.

The Trust utilises financial and performance information to identify areas for improvement:

- Benchmarking against similar Trusts or others in the ICS or elsewhere in London
- Utilising model hospital data to examine individual clinical and non-clinical services with comparatively higher costs.
- Committing to GIRFT (Get It Right First Time) initiatives.

The Trust also contributes to national monitoring programmes, which allow our performance to be benchmarked against similar NHS trusts.

The North West London acute service trusts have formed a provider collaborative, with a board-in-common, supported by the North West London ICB. This is made up of Chelsea and Westminster Hospital, Imperial College Healthcare and North West London. Each organisation continues to publish trust level performance data to help ensure continued local transparency and accountability.

Periodic deep dives of services are conducted by the transformation team to assess comparative costs and performance metrics. Throughout this process, close collaboration with other trusts in the ICS is maintained to pinpoint potential areas for review. Individual teams and clinical divisions review data about their own services to assess progress and identify any emerging issues so that they can be addressed as promptly as possible. On a monthly basis an Integrated Quality and Performance Report is produced and published on the Trust website. The report provides key performance metrics grouped in terms of quality of care. This includes assessments over whether the quality of care is safe, effective, caring, responsive and well-led.

Internal audit performed a benchmark exercise of the Trust services which did not indicate any significant issues for the Trust.

Trust performance: Cancer

Cancer Waiting Times are also collected by NHS England and published in the NHS England website. NHS England has a standard target of 62 days for referral for treatment for cancer.

The Trust has not met the 62 day referral for treatment target for cancer. High demand in the last quarter reduced overall performance. The average number of patients waiting over 62 days each week from Q1-Q3 was 52. This increased to an average of 72 patients per week for Q4. This increase was driven by a combination of reduced clinic capacity following Cerner Go-live, increased demand in some services and the impact of industrial action. Additional capacity was put in place from February 2024 to reduce the backlog of patients waiting over 62 days. As of the weekend ending 2nd June, there were 42 patients waiting over 62 days across the Trust, which is significantly lower than the 2023/24 average.

continued.....

Improving economy, efficiency and effectiveness...cont.

To ensure a continuous improvement in relation to cancer waiting times across the trust, each tumour site has developed a cancer performance improvement plan. These have in turn been used to develop trajectories to: Reduce the number of patients waiting over 62 days; and Improve performance against Cancer Waiting Time standards. Performance against these trajectories is monitored on a weekly basis at the Cancer Access Performance meeting which is co-chaired by the Chief Operating Officer and Cancer Operations Director. Patient level detail is also reviewed at this meeting for patients waiting over 62 days and actions agreed to expedite treatment and diagnostics where possible.

Trust performance: Emergency Department (A&E)

The target for 2023/24 was 76%. The Trust only managed to achieve an average of 70.8% for the year. This is a small improvement compared to 2022/23 which showed an average of 68%

Trust performance: Referral to treatment waits (waiting list)

The Trust aimed to achieve the following in 2023/24:

- A waiting list of less than 1,308 in respect of patients waiting longer than 52 weeks for treatment
- A waiting list of zero in respect of patients waiting longer than 65 weeks for treatment
- Provision of 99% of diagnostics within 6 weeks.

The Trust successfully met the 52-week wait target, with only 644 patients waiting longer than 52 weeks by the year-end. This target was achieved in September 2023 when the number waiting more than 52 weeks dropped to 1,142. This compares to 1,563 patients waiting more than 52 weeks at the end of 2022/23, and demonstrates a sustained, positive direction of travel.

However, the target of zero people waiting more than 65 weeks for treatment was not met. 90 people had been waiting more than 65 weeks. At the end of 2022/23, the number of people waiting more than 65 weeks was just 6, demonstrating a deterioration in performance.

Provision of diagnostics within 6 weeks improved from 68.7% in the prior year to 76.7% in the current year. However, whilst this is an improvement over the prior year, this is a significant under-performance against the 99% target.

continued.....

Improving economy, efficiency and effectiveness...cont.

The Trust has implemented a number of savings initiatives. As discussed in our financial sustainability commentary, the Trust did not manage to deliver the full savings against the originally planned schemes. At the same time, Trust levels of activity and demand continue to grow. This provides a significant challenge for the organisation, as it faces financial challenge not only from rising costs, but also from the increased volume of activity it is required to deliver. The Trust has also stated that a number of the planned savings schemes for 2024/25 are “very high risk and unlikely to deliver in 2024/25”. In addition, the plan to achieve breakeven requires the Trust to achieve elective recovery funding by delivering activity at 117% of the level of activity delivered in 2019/20. Whilst a number of known and unavoidable cost pressures have been built into the 2024/25 plan, there is no contingency for any new cost pressures that may arise during the year.

Performance across 2023/24 indicates the Trust has not been able to increase productivity at the rate required to meet its performance targets. CQC findings also demonstrate the Trust faces significant challenges in delivering healthcare to the levels of quality required. This is in part constrained by the funding provided over the period, but heightens the risk that financial targets imposed on the Trust are not being met with fully commensurate increases in productivity to deliver increased volumes of activity. For the Trust to both deliver its financial targets and meet its performance targets, there is a need for productivity savings to be borne from transformation schemes. However, genuinely transformative schemes delivering improved productivity at the standards required by CQC are harder and more time consuming to implement than the in-year financial savings on which the Trust’s arrangements are focused; they require not just changes in process but also changes in cultural working practices and training of individuals to fully realise the benefits. This is not always consistent with a 12-month savings window within which the Trust is required to report by the NHS system with a focus on the forthcoming year end only. This means the Trust’s focus is unavoidably diverted to focus on short term, often non-recurrent returns, whereas the sustainability of the future delivery of services at the required standard and within the required timescales, in the face of increasing demand and constrained funding, can only lie in the delivery of transformation schemes which enable the Trust to increase productivity and genuinely ‘do more with less’.

Summary

The Trust has performed well in reducing the number of 52 week waits over the prior year, improving the percentage of people seen within A&E within 4 hours over the prior year and reducing the number of people waiting more than 62 days for cancer treatment. The Trust also understands the importance of transformation and productivity increases for medium and long-term sustainability and resilience. It has managed the delivery of its financial targets on an annual basis whilst delivering improvements in performance in some – but not all – areas each year. We have not identified any significant weaknesses in the arrangements in place in addition to those reported within the “Governance” section. Notwithstanding this, the challenge, both financial and from an activity delivery perspective, continues to increase and is greater in 2024/25 than it has been in recent history. We have raised one recommended area of focus for the Board:

The Board will need to ensure it can respond to the increase in volumes of activity within funding parameters to ensure performance against targets increases and a higher percentage of people receive services within the expected timeframes. This will need further consideration on the appropriate time and investment into further genuinely transformational schemes, which may not deliver a return within a 12 month period but which will have a greater impact on the long term sustainability of the Trust. This will also require commensurate consideration of the training and cultural change requirements associated with such transformation.

Key recommendations

These recommendations relate to significant weaknesses we identified during the course of our work. Progressing the actions management has identified to address the recommendations made will support the Trust in addressing the weaknesses identified from our work.

Criteria	Recommendation	Observation and implication / impact	Management response
Financial sustainability	We recommended that the Trust continues to accelerate its planned arrangements for the identification and delivery of its cost improvement plan.	<p>Weakness in the Trust’s financial sustainability arrangements in how it plans finances to support sustainable delivery of services and bridges its funding gaps</p> <p>This stems from weaknesses in financial sustainability arrangements identified in the Trust’s current and forecast performance and represents a significant weakness in Trust arrangements on delivering financial plans to bridge the funding gap and identify and deliver achievable savings.</p>	The Trust recognises the significant weakness in this area and will continue to work through its recovery plan.
Governance	We recommended that management conducts a review of the arrangements, capacity, resilience and timetable for the preparation of the financial statements and supporting working papers. We have also made a number of recommendations relating to specific aspects of the financial closedown and reporting process including improving the quality of supporting working papers and audit trails.	<p>Weakness in the Trust’s governance arrangements in how it ensures effective processes and systems are in place to support its statutory financial reporting requirements</p> <p>A significant weakness in Trust governance arrangements in ensuring it makes informed decisions and properly manages its risk to gain assurance over the effective operations of internal controls and ensuring effective processes and systems are in place to support its statutory financial report requirements</p>	We recognise this continues to represent significant internal control issue and we have instituted an action to undertake a post audit learning exercise which will be reported through to our Audit and Risk Committee, who will also monitor and receive progress against our mitigating actions.
Governance	We recommended that the Trust continues to implement the actions identified by the CQC within the reports received from the CQC.	<p>Weakness in the Trust’s governance arrangements in how it monitors and ensures appropriate standards such as regulatory requirements are met</p> <p>This stems from weaknesses in governance arrangements identified by the Care Quality Commission.</p> <p>This results in a significant weakness in Trust governance arrangements in ensuring it makes informed decision and properly manages its risks through monitoring and ensuring appropriate standards, such as meeting legislative/regulatory requirements and standards</p>	The Trust recognises the significant weakness in this area and is resolving the CQC findings as a matter of priority. As such, it is responding to the CQC findings as per section 1.5.10 of the Annual Governance Statement.

Recommended areas of focus for the Board

Criteria	Recommendation	Type	Date raised	Auditor judgement
Financial sustainability	The Board will need to ensure it focuses on the effective delivery of planned savings within a contracted timescale, ensure it balances the risk carefully between vacancy underspends and the quality impact on delivered services from increased use of agency staff, and ensure the achievement of financial targets does not result in an increase in activity backlogs and the length of time patients have to wait to access the services the Trust provides.	Other	2023/24	The challenge in 2024/25 is significantly harder and the Trust also faces rising demand. These can only, in the medium to long-term, be alleviated with increased productivity from transformation, but the savings focus continues to contain a sizeable element of short-term, non-recurrent and non-transformation savings and underspends which address the in-year position but have limited impact for the medium-term sustainability of the Trust.
Governance	The Board should consider the arrangements in place to deliver and support the audit of accurate financial statements and the risk of a 'single point of failure' where key individuals do not have sufficient capacity to facilitate the year end audit as well as their other functions. In particular, the Board should ensure there is sufficient capacity to enable a stronger quality review of the accounts by management before submitting them for audit; typically, such review would have identified these issues.			We have raised in detail "other" recommendations regarding the closedown and financial reporting process. At a Board level, consideration needs to be given to the appropriateness and capacity of the arrangements in place and the assurance provided to address required improvements.
Improving economy, efficiency and effectiveness	The Board will need to ensure it can respond to the increase in volumes of activity within funding parameters to ensure performance against targets increases and a higher percentage of people receive services within the expected timeframes. This will need further consideration on the appropriate time and investment into further genuinely transformational schemes, which may not deliver a return within a 12-month period but which will have a greater impact on the long-term sustainability of the Trust. This will also require commensurate consideration of the training and cultural change requirements associated with such transformation.	Other	2023/24	The challenge in 2024/25 is significantly harder and the Trust also faces rising demand. These can only, in the medium to long-term, be alleviated with increased productivity from transformation, but the savings focus continues to contain a sizeable element of short-term, non-recurrent and non-transformation savings and underspends which address the in-year position but have limited impact for the medium-term sustainability of the Trust.

Other recommendations

Criteria	Recommendation	Management response
Governance: (Financial statements)	<ul style="list-style-type: none"> • Ensure the accounts are subject to a robust quality review prior to submission to audit. This review should include ensuring the figures in the financial statements are consistent with underlying records • Ensure all balance sheet transactions, and in particular receivables, payables, accruals and deferred income balances can be supported at year end by a complete breakdown of the individual amounts owed to / by the Trust to enable these year end balances to be audited • Ensure all items in the primary statements can be agreed to detailed breakdowns at a transaction level and ensure consistency of approach in the information provided to support each item of account • Ensure all listing supporting the financial statements are cleansed – ie contra entries are identified and removed where the net impact of the transaction is zero such that the transactions remaining are only those which impact the financial statements • Ensure the accounts, when submitted for audit are supported by a full suite of working papers which have been quality-reviewed by management, that the accounts as a whole are fully mapped to the Trial Balance, and that all disclosure notes are supported by accurate and properly documented working papers and audit trails • Ensure complex working papers and ‘multi-tabbed’ spreadsheets which are presented to support items of account contain documented and fully referenced audit trails to facilitate the progress of the audit • Consider the arrangements in place for financial closedown and the facilitation of the audit, including the capacity of key individuals during this period, and ensure arrangements in place are sufficient to produce accounts and working papers of appropriate quality, and to resolve audit queries promptly. • Ensure all those who are required to support the facilitation of the audit through the preparation of working papers and response to queries are fully trained in the requirements and expectations of them. • Ensure training is provided, where required, to ensure the coding of entries to the ledger is appropriate and in line with financial reporting requirements, and that the codes used are correct and in line with the mapping of the Trial Balance to the relevant entry in the financial statements • Ensure arrangements are sufficient such that the integrity of the Trust’s record keeping is not impaired by the departure of individuals. 	<p>Management agrees with the recommendation, it fits the themes discussed at the Audit and Risk Committee. We will respond separately and then provide periodic updates to ARC.</p>

Appendices

Appendix I: Financial statements audit risks and findings

Appendix II: Internal control recommendations arising from the audit

Appendix I: Key audit findings: significant risks

Significant risks at the financial statement level

The below table summarises conclusions in relation to significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Significant risks	Audit approach	Audit findings and conclusion
<p>Management override of controls</p> <p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.</p> <p>Risk of material misstatement: Very High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals; • Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals; • Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Trust’s journals policy; • Gaining an understanding of the key accounting estimates and critical judgements made by management. We will also challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and • Evaluating the rationale for any changes in accounting policies, estimate or significant unusual transactions. 	<p>We identified a significant control deficiency wherein individuals are able to amend posted and authorised journal transactions without further authorisation or review. We raised a control recommendation in respect of this. We undertook additional procedures to confirm none of these post-authorisation amended journals had resulted in inappropriate postings.</p> <p>Other than the above issue, our audit work did not identify any significant issues in respect of this risk.</p>

Appendix I: Key audit findings: significant risks

Significant risks at the assertion level for classes of transaction, account balances and disclosures

The tables below summarise conclusions in relation to significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures

Significant risks	Audit approach	Audit findings and conclusion
<p>Fraud in revenue recognition</p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>Having considered the nature of the revenue streams at the Trust, we consider that the risk of fraud in revenue recognition can be rebutted on fixed price patient care income that is based on block contract payments agreed in advance but cannot be rebutted on all other income streams due to these income streams being variable in nature and linked to the delivery of specific performance outcomes.</p> <p>This can be more complex when linked with activity. We have also identified significant risk in the existence of the associated receivables.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Revenue (Occurrence and Accuracy): High • Receivables (Existence): High 	<p>Procedures performed to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> • Documenting our understanding of the Trust's systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements • Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems; • Evaluating the Trust's accounting policies for recognition of income and expenditure and compliance with the GAM. • Performing substantive testing of income and the associated receivables using tests of detail by ensuring they can be traced to appropriate supporting evidence; • Ensuring that any revenue and receivables mismatches over £300,000 can be supported and agree with the Trust's entries in the WGA Agreement of Balances exercise. 	<p>There were errors in the income and receivables note presented for audit due to poor quality working papers and coding within the general ledger. Both parts of the accounts were updated and the residual impact on the reported outturn was reported in our Audit Findings Report.</p> <p>Management has also changed the prior year comparators within receivables, even though these did not require amendment under IAS1 as the changes were not material.</p> <p>We were satisfied the income and receivables disclosures, as amended, were materially accurate.</p>

Appendix I: Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p>Expenditure recognition</p> <p>We have considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of manipulating revenue. We have therefore also considered the risk of fraud in expenditure at the Trust. We consider that the risk can be rebutted on payroll expenditure, depreciation, amortisation and interest payable, but cannot be rebutted on other operating expenditure for the reasons set out above. We have also identified a significant risk in the valuation and existence of accruals liabilities.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Expenditure recognition (Completeness): High • Accruals (Valuation & Existence): High 	<p>Procedures performed to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> • Documenting our understanding of the Trust’s systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement; • Evaluating the design of the controls in the key accounting systems where a risk of material misstatement was identified, by performing a walkthrough of the systems; • Evaluating the Trust’s accounting policies for recognition of expenditure and compliance with the GAM; • Substantively testing material expenditure streams using tests of detail (in the riskier areas); and • On a sample basis, performing substantive testing for accruals, agreeing to supporting evidence to gain assurance over the existence and valuation of the year-end accruals. 	<p>There were errors in the payables note presented for audit due to poor quality working papers and coding within the general ledger. The accounts were updated and the residual impact on the reported outturn was reported in our Audit Findings Report.</p> <p>The mapping of expenditure in note 7.1 to the trial balance was challenging but we were, overall, satisfied with the material accuracy of the note.</p> <p>We were satisfied the payables disclosures, as amended, were materially accurate.</p>

Appendix I: Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p>Valuation of land and buildings and Dwellings (key accounting estimate)</p> <p>The Trust undertakes a full revaluation of its land and buildings and dwellings annually, to ensure that the carrying value is not materially different from the fair value.</p> <p>Management engage the services of a qualified valuer (Gerald Eve LLP), who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as at 31 March 2024.</p> <p>The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of land and buildings as a significant risk.</p> <p style="text-align: right;"><i>continued.....</i></p>	<p>Procedures performed to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> • Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • Evaluating the competence, capabilities and objectivity of the valuation expert; • Considering the basis on which the valuations are carried out and challenging the key assumptions applied; • Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data; • For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; and • Ensuring revaluations made during the year have been input correctly to the fixed asset register 	<p>Our audit work did not identify any significant issues in respect of this risk.</p>

Appendix I: Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
Valuation of land and buildings and Dwellings (key accounting estimate) - continued		
<p>We have pinpointed the significant risk around the following:</p> <ul style="list-style-type: none">• Assets where the valuation indicated a significant movement and/or differs to what we would expect on market movements;• High value asset due to the high sensitivity to inputs and assumptions• Assets where the inputs used has changed to that used in the prior year;• Any other factors which in our auditor judgement increases the risk of material misstatement in an asset i.e judgment sample for an asset due to be demolished with a reduced estimated useful life of 2 years. <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none">• Land and Buildings and Dwellings (valuation): Very High	<p><i>See previous page</i></p>	<p><i>See previous page</i></p>

Appendix I: Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p>Valuation of Investment properties (key accounting estimate)</p> <p>The Trust undertakes a full revaluation of its land and buildings and dwellings annually, to ensure that the carrying value is not materially different from the fair value.</p> <p>Management engage the services of a qualified valuer (Gerald Eve LLP), who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as at 31 March 2024.</p> <p>The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of land and buildings as a significant risk.</p> <p style="text-align: right;"><i>continued.....</i></p>	<p>Procedures performed to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> • Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • Evaluating the competence, capabilities and objectivity of the valuation expert; • Review management judgments to consider if they're reasonable, given the circumstances to date for the assets that are still under construction; • Considering whether those management judgments have changed since the previous year; • Reviewing the classification of assets as investment property to ensure compliance with the requirements of the applicable standard; • Considering the basis on which the valuations are carried out and challenging the key assumptions applied; <p style="text-align: right;"><i>continued.....</i></p>	<p>Our audit work did not identify any significant issues in respect of this risk.</p>

Appendix I: Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p>Valuation of Investment properties (key accounting estimate) – continued</p> <p>We have pinpointed the significant risk around the following:</p> <ul style="list-style-type: none"> • Assets where the valuation indicated a significant movement and/or differs from what we would expect on market movements; • High value asset due to the high sensitivity to inputs and assumptions <p>Inherent risk of material misstatement: Investment Property (valuation): Very High</p>	<ul style="list-style-type: none"> • Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data; • For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; and • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; 	<p><i>See previous page</i></p>

Appendix I: Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p>IFRS 16 implementation for PFI/LIFT transactions</p> <p>The adoption of IFRS 16 was implemented for NHS bodies from 1 April 2022, except in relation to PFI/LIFT liabilities where implementation was deferred until 1 April 2023. The Trust will be implementing IFRS 16 for its PFI/LIFT liability from 1 April 2023, in which valuation of the liability changes from IAS17 to IFRS16. There is a risk that lease terms, lease payments and the discount rate used to measure the lease liabilities, including those related to assets held under LIFT arrangements, are inappropriately determined, therefore creating a risk of the financial statements being misstated.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Right of Use Asset (valuation): High • Right of Use Asset (completeness): High • LIFT liabilities (valuation): High 	<p>Procedures performed to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> • Evaluating design and implementation of controls for the completeness and accuracy of the data collected by the Trust and used as part of the implementation of IFRS 16; • Assessing the Trust’s processes for the update of its LIFT model to reflect the requirements of IFRS 16 from 1 April 2023; • Reviewing the appropriateness of the discount rate used in the calculation of the LIFT Liability; and • Reviewing the accounting policy and related disclosures for IFRS 16 and LIFT liabilities in line with the requirements of the DHSC GAM 23/24 and template provider accounts. 	<p>Management’s supporting working paper was provided on 24 June 2024. We identified errors in the disclosures following our work, including a material error. Management updated the accounts to correct for these errors.</p>

Appendix I: Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p>Capitalisation of expenditure</p> <p>The Trust has a significant capital programme, which includes the construction of a new hospital. When the Trust develops properties as part of its capital programme, determining whether and how expenditure should be capitalised can involve a number of judgments under International Financial Reporting Standards.</p> <p>There is a risk of the Trust incorrectly capitalising costs that are not capital in nature, or which relate to items over which the Trust does not yet have overall control, especially with the Trust's use of vesting certificates.</p> <p>Inherent risk of material misstatement: High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Evaluating design and implementation of controls around the capitalisation of costs; • Documenting our understanding of the Trust's systems for capitalising expenditure; • On a sample basis, performing substantive testing for capitalised expenditure to assess whether it meets the relevant accounting requirements to be recognised as capital in nature, including capitalisation by use of vesting certificate; and • Reviewing and assessing the appropriateness of management judgements for the use of vesting certificates in capitalising expenditure and other judgements made in capitalising costs. 	<p>Our audit work did not identify any significant issues in respect of this risk.</p> <p>We also confirmed that there was no significant use of vesting certificates during 2023-24. Whilst these were used, the total expenditure associated with them was not material.</p>

Appendix II: Internal control recommendations

We set out here the highest priority recommendations we identified during the course of our audit. The matters reported here are limited to issues we identified during the course of our audit which are of most significant importance. Further details of the full recommendations reported to the Audit Committee can be found in our Audit Findings Report

Area	Recommendation	Observation and implication / impact	Management response
Journal amendment post authorisation	Implement controls that require further approval upon journal amendment post initial authorisation. If this is not possible, the ability to amend authorised journals should be removed.	During our journal testing we identified journals that appeared to have been created and authorised by the same individual. Upon investigation, it was found that this was due to journal amendments actioned after the journal had been authorised. Such amendments are permitted by the system without the need for any further review or authorisation. Risk There is a risk that a fraudulent amendment could occur if post-authorisations are permitted without review.	We will discuss with system suppliers if it is possible to disable the transaction transfer functionality. If not, we will continue to limit its availability and put arrangements in place to ensure that journals using the functionality are reviewed.
Superuser Admin accounts	Super user accounts should not be used to create and / or authorise journals	During the journal testing we identified journals that were created by a superuser admin account and journals that were approved by a superuser's account. The super user admin account is designed for the test platform and should not be used on the live platform. Risk Super user accounts have greater freedom than user accounts and could be used to override management controls and undermine segregation of duties.	Agreed. We will update the journal policy to include this.
Record keeping	Ensure arrangements are sufficient such that the integrity of the Trust's record keeping is not impaired by the departure of individuals.	On a number of occasions we were informed that evidence to support account balances and transactions was no longer available as it had been prepared or processed by people who no longer work at the Trust. This included transactions taking place in 2024.	Agreed. We will encourage individuals to improve record-keeping year round, and to complete exercises to ensure standard operating procedures are in place in all areas. We will implement succession planning where applicable.

Appendix II: Internal control recommendations

Criteria	Recommendation	Observation and implication / impact	Management response
RTA and Deferred income balances	Review longstanding Road Traffic Act receivables and deferred income and write off / release long standing balances where it cannot be demonstrated these are likely to ever be paid / the performance obligation relating to the deferred income is likely to be undertaken.	It was identified during the audit that receivables balances relating to Road Traffic Act income and some deferred income balances related to transactions which occurred several years ago and which have not since been reviewed. Whilst these balances are not individually material, they are both in excess of £1m.	RTA balances have been reviewed as part of the audit process, and we are able to demonstrate that the information is up to date (while recognising that some of the cases included are long standing and the information was not retained as part of the journal selected). Per the GAM, the Trust is expected to provide for a mandated proportion of RTA debts, and it is doing that.
Non-current asset disposals / Derecognition	The Trust should ensure prompt updating of the FAR upon asset disposal or derecognition, and establish secure procedures for IT equipment disposal, including mandatory data formatting to mitigate risk of unauthorised data access.	<p>Management was unable to provide supporting evidence for assets disposed of or derecognised. This includes high risk / secure assets such as laptops and IT equipment.</p> <p>Not all assets in the fixed asset register can be traced to the location of the physical asset. Whilst we are satisfied this doesn't provide a material uncertainty over the existence of assets as a whole, the Trust cannot, in all instances, identify where specific assets now are.</p> <p>Risk</p> <p>There is a risk that assets might remain in the FAR after they have been disposed of or derecognised. Additionally, IT equipment holds sensitive information which could potentially results in non-compliance with relevant laws and regulations.</p>	Agreed. The Trust now has effective controls in place around disposals of assets, and will work with EBME and IT teams to make sure these continue to work effectively.

Appendix II: Internal control recommendations

Criteria	Recommendation	Observation and implication / impact	Management response
NHS bad debt provision	NHS debts should not be provided for but instead disputes should be resolved through the Agreement of Balances process.	<p>Management has provided for circa £6.4m of bad debts related to NHS bodies. This includes £2m raised on 31 March to the ICB which was immediately provided for in full, which is not compliant with the Trust's bad debt provision policy. Further, £5.4m of these debts were not disclosed within the bad debt provision but were instead accounted for as a "credit note" within receivables, which has the effect of artificially lowering both the receivables total balance and the bad debt provision total value.</p> <p>The Group Accounting Manual (GAM) does not allow for the provision of bad debts against other NHS bodies within the group boundary, although we are satisfied that the outcome of this accounting treatment does not lead to a material misstatement.</p>	Recommendation agreed. A detailed action plan in response will be presented to a future audit committee.
Leaver handover	The Trust should implement robust succession planning to ensure smooth transitions and continuity of documentation responsibilities. Record-keeping practices should be enhanced to maintain comprehensive and accessible documentation, minimizing risks of information gaps.	<p>During the audit, we encountered instances where information could not be provided by the Trust because the responsible person had resigned from the Trust during the current or prior year(s), or the Trust was unable to locate the evidence in its records.</p> <p>Risk There is a risk of potential non-compliance with regulatory requirements for record-keeping and disruptions in external audit timelines, including impact the production of inaccurate and unreliable financial statements.</p>	Agreed. We will encourage individuals to improve record-keeping year-round, and to complete exercises to ensure standard operating procedures are in place in all areas. We will implement succession planning where applicable.



We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.

Accounting | Tax | Audit | Advisory | Technology

hello@azets.co.uk

Follow us [!\[\]\(601b98b71de866467fbdeacf1ccbac3e_img.jpg\)](#) [!\[\]\(86e4478112b473ce96c3ea06dcd62168_img.jpg\)](#) [!\[\]\(817e0cd70188acf3acde65604387d499_img.jpg\)](#) [!\[\]\(bc5c84fa01c3071931620f064116ffe0_img.jpg\)](#) [!\[\]\(a5df2b8d5dcdccf8f0306ecbd338b73b_img.jpg\)](#)