Auditor’s Annual Report

Tees, Esk & Wear Valleys NHS Foundation Trust – year ended 31 March 2024

28 June 2024

Contents

01

Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Tees, Esk and Wear Valleys NHS Foundation Trust ('the Trust') for the year ended 31 March 2024. Although this report is addressed to the Trust, it is designed to be read by a wider audience including members of the public and other external stakeholders.

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

Opinion on the financial statements
We issued our audit report on 28 June 2024. Our opinion on the financial statements was unqualified.

Wider reporting responsibilities
In line with group audit instructions issued by the NAO, on 28 June 2024 we reported that the Trust's consolidation schedules were consistent with the audited financial statements.

Value for Money arrangements
We did not identify any significant weaknesses in the Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Trust's arrangements.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Trust and whether they give a true and fair view of the Trust's financial position as at 31 March 2024 and of its financial performance for the year then ended. Our audit report, issued on 28 June 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2024.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Trust's accounting practices

We have reviewed the Trust's accounting policies and disclosures and concluded they comply with the Department of Health and Social Care Group Accounting Manual 2023/24, and that they are appropriately tailored to the Trust's circumstances.

Draft accounts were received from the Trust on 25 April 2024 and were of a good quality. The quality of working papers was adequate, and we received good co-operation from management at all times. We acknowledge that additional testing we undertook impacted both teams.

Significant difficulties during the audit

We acknowledge that our 2023/24 audit involved more detailed testing than prior audits of the Trust, and that there was an additional burden for both teams including relating to IFRS16 for PFI, and these necessarily impacted the volume of related work.

In some areas delays in providing information have led to overruns and additional audit costs. This has included responses from the Trust to areas in which we undertook additional testing, including on payroll which was in response to national findings on improving audit quality.

We escalated some initial concerns on audit progress with management on 20 May 2024, and we are pleased to report that we received an immediate response to this and we have had the full co-operation of management throughout.

We recognise the pressures that these issues created for management as well as our audit team and we will seek to learn from the experience this year, including what we can do better, to ensure lessons learnt are incorporated into the planning work for the 2024/25 audit.

Other reporting responsibilities

Reporting responsibility	Outcome
Annual Report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust. We confirmed that the Governance Statement had been prepared in line with Department of Health and Social Care (DHSC) requirements.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by NHS England.
Remuneration and Staff Report	We report 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.

03

Our work on Value for Money arrangements

VFM arrangements

Overall Summary

VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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

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

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

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

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

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

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

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

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

Phase 2 - Additional risk-based procedures and evaluation

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

We outline the risks that we have identified and the work we have done to address those risks on page 10.

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

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

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

- **Recommendations arising from significant weaknesses in arrangements -** We make these recommendations for improvement where we have identified a significant weakness in the Trust arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations -** We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

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

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	13	No	No	No
Governance	17	Yes – Relating to the two significant weaknesses and recommendations made in the prior year; pages 11 and 12 show our consideration of these for our 2023/24 audit, and confirmation that they have been addressed.	No	No
Improving economy, efficiency and effectiveness	22	No	No	No

VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year

In our Audit Strategy Memorandum we reported the risks of significant weaknesses in arrangements that we had identified as part of our planning procedures. These related to the previously reported significant weaknesses and recommendations made to the Trust in the prior year. As part of our work in 2023/24, we followed up the progress made by the Trust against the recommendations made and determined whether the significant weakness remained during the year. We concluded that both significant weaknesses and recommendations reported in 2022/23 have been addressed and can be removed. There are no significant weaknesses or recommendations to report in relation to 2023/24.

	Significant weakness in arrangements reported in the prior year	Recommendation	Reporting Criteria	Work Undertaken and Conclusions Reached
1	**Care Quality Commission (CQC) inspection – Wards for people with a learning disability of autism - June 2022** **Significant weakness reported in the prior year** During June 2022, the Care Quality Commission (CQC) carried out a number of responsive inspections of the Trust in relation to Wards for people with a learning disability or autism in response to information of concern. The inspections took place across both Lanchester Road and Bankfields Court over a three-week period. The CQC published their report in respect of these inspections in October 2022 and the Trust was given an overall rating of 'Inadequate' for this service, with ratings of inadequate provided for the service in the three domains of safe, effective and well-led. Both questions considering whether the services are caring and responsive to people's needs were rated as 'requires improvement'. The rating of inadequate was a downwards rating since the wards were previously inspected in September 2019 as part of the core service inspection, where a rating of 'good' overall and ratings of 'requires improvement in safe and good in the other four domains' were given. Following the initial inspection and subsequent report the Trust put in place an action plan to address each area for improvement and continues to liaise with CQC to ensure progress is made to implement and embed the actions agreed. The Trust had recognised for some time that the challenges remain (indeed the Trust had already proactively taken the decision to close these services to new admissions),and had been working to implement improvements with the local health and care system partners since before the inspection.	In order to ensure systems, processes and training are in place to manage the risks relating to the health, safety, and welfare of service users we recommend that the Trust ensures that it embeds and sustains the action plans that it has put in place to address the issues identified by the CQC in relation to services on wards for people with a learning disability or autism. Specifically, the Trust needs to continue to work to ensure that robust monitoring and reporting processes are maintained, and that challenge, scrutiny and escalation arrangements drive the required improvements for patients and sustain the progress made to-date in implementing the actions to address the issues raised by the CQC.	Governance	**Progress against the recommendation** A comprehensive CQC inspection commenced in April 2023. It did not cover all of the Trust's services, but it was wide ranging and included inpatient wards for people with a learning disability and autism "because at our last inspection in 2022 we rated the service as inadequate overall and needed to ensure that the quality of care had improved". The CQC inspection report concluded that "Forensic inpatient secure wards, wards for people with a learning disability or autism and wards for older people had all improved since our last inspection. The trust no longer had any services which were rated inadequate." Although the CQC inspection report was not published until October 2023, it was based on fieldwork in April and May 2023. This provides sufficient confirmation that for the year we are reporting on (2023/24), our previously reported significant weakness and recommendation has been addressed. **Conclusions** The significant weakness and recommendation reported in 2022/23 can be removed. There is no significant weakness or recommendation to report in relation to 2023/24.

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	Significant weakness in arrangements reported in the prior year	Recommendation	Reporting Criteria	Work Undertaken and Conclusions Reached
2	**Care Quality Commission (CQC) inspection – Forensic Inpatient or Secure Wards – June to August 2021** **Significant weakness reported in the prior year** During 2021/22, the Care Quality Commission (CQC) took enforcement action against the Trust following an inspection between June and August 2021. In our view, the inspection outcome represents a significant weakness in arrangements in relation to Governance and how the Trust ensures it properly manages its risks. Between June and August 2021, the CQC carried out inspections focusing on forensic inpatient wards, community mental health services for working age adults, crisis and health-based places of safety, and community child and adolescent mental health services. The CQC published their report in respect of these inspections in December 2021 and the Trust was given an overall rating of 'requires improvement' which is consistent with their previous overall rating (per the March 2020 CQC report). However, we noted that the overall rating for mental health services on forensic inpatient or secure wards was 'inadequate' and the individual 'safe' domain for community child and adolescent mental health services was rated as 'inadequate' (remaining 'requires improvement' overall for that core service). Following the inspection, the CQC served the Trust with a warning notice (under Section 29A of the Health and Social Care Act 2008) in relation to these services. As a result of the Section 29A warning notice, the Trust has been urgently addressing the issues identified during the inspection in order to keep people safe and to avoid more significant enforcement action. The CQC set an overall date of compliance of 1 March 2022 within which the Trust must address the specific areas in which the CQC identified issue. The report also notes that some areas for improvement were given an earlier compliance date of 1 November 2021, and the report published in December confirmed that the Trust had at that stage taken action to make the required improvements. The CQC report sets out several improvements that the Trust must make to comply with the Section 29A notice that was issued by the CQC and to comply with its legal obligations. Following the initial inspection and subsequent report the Trust has put in place an action plan to address each area for improvement, which has been reviewed by and agreed by CQC. This includes the necessary steps to address the issues identified by CQC in their inspection report and Section 29A warning notice. The Trust continues to liaise with CQC to ensure progress is made to implement the actions that the Trust must make in order to bring services into line with legal requirement. The Trust recognises that a failure to address the weaknesses identified in the CQC report would adversely impact upon the safety of services provided to users of forensic inpatient services and could lead to further enforcement action by CQC.	In order to ensure systems, processes and training are in place to manage the risks relating to the health, safety, and welfare of service users we recommend that the Trust ensures that it embeds and sustains the action plans that it has put in place to address the issues identified by the CQC in relation to services on forensic inpatient or secure wards. Specifically, the Trust needs to continue to work to ensure that robust monitoring and reporting processes are maintained, and that challenge, scrutiny and escalation arrangements drive the required improvements for patients and sustain the progress made to-date in implementing the actions to address the issues raised by the CQC.	Governance	**Progress against the recommendation** This significant weakness and recommendation was brought forward from our 2021/22 report. In 2022/23 we noted the following improvement: • Against the backdrop of previous adverse findings by CQC, including the issue of a s29A warning notice, the CQC visited the Trust in July 2022 to carry out a further unannounced focused inspection of forensic inpatient and secure wards and an inspection of the safety domain in specialist community mental health services for children and young people to see whether improvements had been made since the June 2021 inspection to address the concerns identified. Actions taken to address the warning notice demonstrated impact and the warning notice lapsed. • In a CQC report published in October 2022, in secure inpatient services the domains of effective, caring and well led improved, resulting in an overall improvement of the service with a rating of 'Requires Improvement'. The CQC rating of the safe domain remained as 'Inadequate' reflecting some specific concerns on safeguarding, and a need for embedding of some actions. The CQC were also satisfied improvements had been delivered in the safe domain in the community mental health services for children and young people and the safety rating improved to 'Requires Improvement'. A comprehensive CQC inspection commenced in April 2023. It did not cover all of the Trust's services, but it was wide ranging and included forensic inpatient and secure wards *"because at our last inspection of this service in 2022, we rated this service requires improvement overall and inadequate in the safe key question and needed to ensure that the quality of care had improved."* The CQC inspection report concluded that *"Forensic inpatient secure wards, wards for people with a learning disability or autism and wards for older people had all improved since our last inspection. The trust no longer had any services which were rated inadequate."* Although the CQC inspection report was not published until October 2023, it was based on fieldwork in April and May 2023. This provides sufficient confirmation that for the year we are reporting on (2023/24), our previously reported significant weakness and recommendation has been addressed. **Conclusions** The significant weakness and recommendation reported in 2022/23 can be removed. There is no significant weakness or recommendation to report in relation to 2023/24.

VFM arrangements

Financial Sustainability

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

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

Significant weakness in 2022/23?	No
Significant weakness in 2023/24?	No

Overall context

The Trust operates in a complex and challenging environment, managing high demand for mental health services which in turn reflects the challenges facing our communities, and balancing this with funding constraints, a scarcity of appropriately skilled staffing resources and an overall pressure on the NHS and the services it provides. We report on the Trust's arrangements in the context of this challenging environment.

Background to the NHS financing regime in 2023/24

The 2021 Spending Review set Government departmental budgets and spending plans for the three years from 2022/23 to 2024/25. The NHS settlement provided additional funding for elective recovery, but also assumed inflation would be 2% and pay settlements of 2%. The review announced that core day-to-day spending on the NHS would rise by 3.8% between 2021/22 – 2024/25, reaching a total of £152bn in 2024/25.

However:

- The Consumer Prices Index (CPI) rose by 3.4% in the 12 months to March 2024, down from 10.1% for the 12 months to 2023;
- The Government announced pay awards for Agenda for Change staff in England which included a 5% consolidated award for 2023/24; and
- The reformed pay scale for consultants; the new offer consisted of an extra £3,000 for senior doctors between four and seven years into their careers, equivalent to a 2.85 per cent uplift, in addition to a 6 per cent rise awarded last year. NHSE will fund the backdated pay relating to the 2023/24 for Providers.

Integrated Care Systems (ICS) are the key unit for financial planning purposes, with the aim of encouraging greater collaboration and collective responsibility for financial performance. The Integrated Care Board (ICB) allocations for primary medical care services and running cost allocations remained broadly consistent with previous years, reflecting demographics of the serviced populations and broader economic factors.

During 2020/21 systems were established as the key methodology for supporting financial allocations across Trusts and areas. While the Covid-19 pandemic necessitated the implementation of interim 'block' allocations to ensure that systems had sufficient resource to respond to the pandemic, during 2022-23 there was a reset to move back towards a 'fair share' distribution of resource with full year programme funding allocations. The results of this 2022-23 exercise have been used to adjust 2023/24 allocation baselines.

Fair share allocations are updated in line with the recommendation of the Independent Advisory Committee for resource allocation and policy updates. These allocations also include an updated approach, using a nationally consistent methodology to reflect the excess financing costs of historical private finance initiative (PFI) contracts on trusts. Historical PFI support payments were therefore wrapped up into system funding envelopes for 2022-23 onwards.

Funding for elective recovery has operated on a new basis during 2023-24, with commissioners being set individual elective activity targets based on activity delivered in 2022-23, to assist in agreeing contracts with their providers. This has not applied to Mental Health, Learning Disability and Autism services funding, with that for the year being based on contract baseline plus uplifts, where agreed, for Mental Health Investment Standard as well as Service Development Fund funding. The 2023/24 period has also seen the second year of "convergence" (the process by which historic issues with allocations are equalised).

During 2023/24, Integrated care systems (ICSs) have continued to be the key unit for financial planning purposes, with the aim of encouraging greater collaboration and collective responsibility for service delivery and financial performance.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability (continued)

Overall the ICB allocations for primary medical care services and running cost allocations remain broadly consistent with previous years, reflecting the demographics of the serviced populations as well as broader economic factors. As previously, ICSs are required to achieve a breakeven position for the overall system. To ensure the effective management of this it will continue to be necessary for further system wide collaboration throughout the planning process, with individual organisations working together to achieve system-level outcomes.

Whilst there has been an increase in the settlement and commitment for further investment in the NHS estate, there are continuing pressures on the cost of delivering capital projects and increasing the challenge of staying within Capital expenditure limits.

Overall responsibilities for financial governance

We have reviewed the Trust's overall governance framework, including Board and committee reports, the Annual Governance Statement, and Annual Report and Accounts for 2023/24 and these confirm the Trust Board undertook its responsibility to define its strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Trust's service users.

The Trust's financial planning and monitoring arrangements

Our review of Board and committee reports, meetings with management and relevant work performed on the financial statements, has confirmed the Trust's arrangements for budget monitoring are consistent with prior years, and remain appropriate to manage the Trust. The arrangements include:

- Standing Financial Instructions with relevant provisions for budgetary control and reporting;
- Integrated Performance Reporting, with detailed reports on finance (on outturn and financial planning) and performance that allow for appropriate oversight from the Trust Board and its Committees; and
- well established arrangements for year-end financial reporting, despite increasing challenges placed on the finance team with concurrent financial reporting and financial planning deadlines.

We confirmed through review of Board minutes there was regular reporting of the Trust's financial position during the year. Reports contained a clear summary of the Trust's performance and provided explanation of variances against budget. We confirmed through review of minutes that Trust operational performance was regularly reviewed and reported to the Trust Board and sub-committees. The reports included detail of variances against targets and actions to be taken to address any under-delivery. We observed detailed reports presented at Board level. Specifically, the Integrated Performance Reports brought together financial and operational performance.

The Trust also has a number of key governance groups to underpin and support detailed financial planning, monitoring and control:

- Financial Sustainability Board (FSB) – formal forward look at finances (in year position, but focused on implications for future planning requirements) including costing and benchmarking;
- Executive Strategy and Resources Group (ESRG) – in year management of financial delivery (Care Group and Directorate representatives attend);
- Management Group – Monthly briefing on positions and required actions, risk and mitigations (Representation includes clinical leads);
- Capital Investment Group – review capital development requirements, and ensure resource is appropriately allocated; and
- Capital Project Steering Group – Monitor scheme delivery and communicate projected slippage to support clinical need and reallocation of resources, reporting formally into ESRG.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability (continued)

2023/24 financial outturn

Reporting in the year showed that the financial position was being carefully managed meaning that the financial outturn was in line with overall expectations.

The Trust's 2023/24 financial statements showed an adjusted financial surplus (after technical adjustments) of £4k against a target break-even position, meaning that the Trust achieved its overall financial objectives.

In 2023/24 the Trust was required to deliver Cash Releasing Efficiency Savings (CRES) of £20.8m. The Trust met this target, although it included £3.3m of unplanned non-recurrent savings.

We substantively tested the income, expenditure, assets and liabilities, and disclosures in the financial statements as part of our audit, and other than a prior period adjustment required following a valuation exercise in relation to leased assets under IFRS16, there were no material errors identified from our work.

The Trust's arrangements and approach to Financial planning 2024/25

The Trust continues to work collaboratively with the Integrated Care System through the development of the financial plan for 2024/25, amending plans as necessary dependent on changes in systems wide plans and savings requirements. Planning discussions with NHS England for 2024/25 are continuing with systems across the country.

The Trust's initial draft submission of its 2024/25 financial plan was a £427k deficit. In June 2024 an updated submission was made following a national exercise, and in this submission the Trust was able to submit a plan to achieve break-even for the 2024/25 financial year.

Efficiencies planned for 2024/25

One of the key challenges in the 2024/25 financial plan is the achievement of Cash Releasing Efficiency Savings (CRES). The Trust's plan is based on having to achieve £21.778m of such savings.

At the initial planning stage the Trust has identified £13.106m of recurrent savings with £2.06m remaining unidentified, and the balance of planned savings being non recurrent. Savings required of £21.8m represent 4.5% of turnover.

Whilst the Trust has a track record of delivering the value of required savings, it has become reliant in common with other NHS bodies, on non-recurrent measures to deliver financial balance. The Trust recognises the financial risks in delivering the required efficiencies, and also that the over-reliance on non-recurrent measures is not sustainable in the long-term because it compounds pressure on future financial years.

Overall view on arrangements in relation to financial sustainability

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

VFM arrangements

Governance

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

VFM arrangements – Governance

Overall commentary on Governance

Significant weakness in 2022/23?	Two significant weaknesses in the prior year
Significant weakness in 2023/24?	No

Risks of significant weaknesses in arrangements in relation to Governance

We have outlined below the risks of significant weaknesses in arrangements that we had identified as part of our continuous planning procedures and had been reported as significant weaknesses in the prior year, and the work undertaken to respond to each of those risks. We concluded that both significant weaknesses and recommendations reported in 2022/23 have been addressed and can be removed. There are no significant weaknesses or recommendations to report in relation to 2023/24. Further detail on this is provided on pages 11 and 12.

	Risk of significant weakness in arrangements	Work undertaken and the results of our work
1	**Care Quality Commission (CQC) inspection – Wards for people with a learning disability of autism - June 2022** **Significant weakness reported in the prior year** The service was assessed as inadequate by CQC.	**Work undertaken** We assessed the latest reporting by CQC. A comprehensive CQC inspection commenced in April 2023. It did not cover all of the Trust's services, but it was wide ranging and included inpatient wards for people with a learning disability and autism "because at our last inspection in 2022 we rated the service as inadequate overall and needed to ensure that the quality of care had improved". The CQC inspection report concluded that "Forensic inpatient secure wards, wards for people with a learning disability or autism and wards for older people had all improved since our last inspection. The trust no longer had any services which were rated inadequate." Although the CQC inspection report was not published until October 2023, it was based on fieldwork in April and May 2023. This provides sufficient confirmation that for the year we are reporting on (2023/24), our previously reported significant weaknesses and recommendations have been addressed. **Results of our work** The significant weaknesses and recommendations reported in 2022/23 can be removed. There are no significant weaknesses or recommendations to report in relation to 2023/24.
2	**Care Quality Commission (CQC) inspection – Forensic Inpatient or Secure Wards – June to August 2021** **Significant weakness reported in the prior year** One aspect of the service remained assessed as inadequate by the CQC in a follow up inspection in 2022.	

Overall commentary on Governance (continued)

Overview

Based on our work, and review of associated policies and procedures, we are satisfied that the Trust has established governance arrangements in place, and that these remain consistent with previous years. These are detailed in the Annual Report and Annual Governance Statement. We have considered both documents against our understanding of the Trust as part of our audit.

The Trust's risk management and monitoring arrangements

The Trust has a well-developed risk management process and Board Assurance Framework (BAF) across the Trust and individual services, with the Audit and Risk Committee and Board overseeing the process and strategic risks. Our review of the BAF and attendance at Audit and Risk Committee confirms that the BAF and risk register is sufficiently detailed to effectively manage key risks.

The Trust's arrangements for the effective operation of internal controls

The Trust Committee structure includes the Audit and Risk Committee, with membership comprising of Non-Executive Directors. Other Executive Directors, Internal Auditors and Counter Fraud representatives attend each Committee. The Committee has members with a wide range of skills and knowledge, including members with financial, clinical, and social care experience. This skill mix is well balanced and provides comprehensive oversight and challenge in relation to the Trust's risks and associated controls.

The Committee terms of reference have been reviewed and are considered appropriate. The functions of the Committee include seeking assurance in respect of risk management, control and governance systems and anti-fraud controls. We have attended meetings held during the year.

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Trust has appointed AuditOne as internal auditors and local counter fraud specialists. We confirmed a comprehensive Internal Audit Plan was developed for the 2023/24 financial year, noting that the planned work appeared appropriate and reasonable. The Plan was presented to, and agreed by, the Audit and Risk Committee.

Progress reports are presented to each Audit and Risk Committee meeting, including follow up reporting of recommendations not fully implemented by due dates. This allows the Committee to effectively hold management to account on behalf of the Board. We observed Committee members providing scrutiny and challenge on findings and recommendations.

Furthermore, the Head of Internal Audit Opinion for 2023/24 provides good assurance:

> *"From my review of your systems of internal control, I am providing good assurance that there is a sound system of internal control, governance and risk management designed to meet the organisation's objectives. Controls are generally being applied consistently."*

No matters were noted to indicate a significant weakness in the internal control environment.

The Counter Fraud team at AuditOne undertake and provide regular training and inductions to ensure Trust staff remain alert to the risk of fraud. This team reports to the Audit and Risk Committee as demonstrated through our attendance at the meetings in 2023/24.

In our audit work this year, we made a number of recommendations to improve internal controls in specific areas. These are detailed in the Appendix to this report.

The Trust's arrangements for budget setting and budgetary control

As described more fully in the commentary on financial sustainability, there is a comprehensive and effective process for budget setting, monitoring and control, and for 2023/24 the Trust met its main financial objectives. 2024/25 financial plans have also been submitted to achieve an overall break-even position.

Overall commentary on Governance (continued)

The Trust's decision making arrangements and control framework

The Trust's Annual Report and Annual Governance Statement clearly sets out the governance and risk management framework in place at the Trust and how oversight is exercised by both the Board and its sub-committees.

We confirmed the Trust Constitution is in place, with reviews and updates carried out on a regular basis. The Constitution, along with other documents, detail the governance structure of the Trust. The Trust launched a new governance structure in April 2022. Following the launch of the new governance structure, the Trust have kept the new structure under review, with regular reporting to Board to ensure the new structure provides the organisation with the ability to have meaningful interrogation of themes and trends to identify and respond to emergent risks and ensure safe and high-quality care for patients.

Our review of the Trust's Annual Report and Governance Structure confirms that the Board of Directors carries the final overall corporate accountability for its strategies, its policies and actions as set out in the Codes of Conduct and Accountability issued by the Secretary of State. To discharge its responsibilities for the governance of the Trust, the Board has established a number of sub-committees of the Board, these comprise:

- Audit and Risk Committee;
- Quality Assurance Committee;
- Strategy and Resources Committee;
- Nomination and Remuneration Committee;
- Mental Health Legislation Committee; and
- People, Culture and Diversity Committee.

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

Minutes are published and reviewed by the Trust Board to evidence the matters discussed, challenge and decisions made. To support discussions, the Trust makes use of a template covering report is used for all Board Reports, ensuring the purpose, proposal, overview, prior consideration and feedback, implications and recommendations are clear.

Minutes are prepared and agreed for all committee meetings and are reviewed by the Board to evidence the matters discussed, challenge and decisions made.

It is also clear from our review that the Trust is self-aware and honest and open in the discussion of the issues it faces, its past failings and the areas where improvement is needed.

The Trust's governance arrangements are designed to provide a clear evidence-based and up-to-date assessment of its financial and operational performance, so it can identify any issues and areas for improvement promptly, take whatever remedial action is needed and then evidence the improvement.

Although delivering and sustaining improvements from this is a work in progress, this approach is to be commended.

The Trust's arrangements to ensure high standards of conduct

The Trust has appropriate standards of business conduct process, reporting and governance in place to manage and gain assurance that the Trust meet regulatory requirements. Appropriate checks are taken to ensure the declarations are managed effectively, that Fit and Proper persons checks are carried out and reporting of such is made effectively to the Audit and Risk Committee. The Trust has a comprehensive policy in place to detail the Trust approach to Standards of Business Conduct.

VFM arrangements – Governance

Overall commentary on Governance (continued)

Overall view on arrangements in relation to governance

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

VFM arrangements

Improving Economy, Efficiency and Effectiveness

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

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

Significant weakness in 2022/23?	No
Significant weakness in 2023/24?	No

Using financial and performance information to improve service delivery

The Trust continues to have performance management systems in place, detailing how operational, performance and financial issues are identified and acted upon to improve performance or address issues.

Financial and non-financial performance information is used to assess performance and to identify areas for improvement within the Trust's Integrated Performance Approach (IPA) via an Integrated Performance Report (IPR).

The Integrated Performance Approach includes quality, workforce, activity and financial measures which is used to assess performance and identify areas for improvement. There is a monthly Integrated Performance Report at Trust and Care Group level which includes an Integrated Performance Dashboard (IPD) as well as other key performance information (e.g. Waiting Times, National Quality Standards and the Oversight Framework).

It is clear from our review that the Trust is self-aware and honest and open in the discussion of the issues it faces, its past failings and the areas where improvement is needed.

The Trust's governance arrangements are designed to provide a clear evidence-based and up-to-date assessment of its financial and operational performance, so it can identify any issues and areas for improvement promptly, take whatever remedial action is needed and then evidence the improvement.

Where the Trust identifies areas of under-performance or concern, it adopts a Performance Improvement Plan (PIP) approach to support improvement, and any key actions from the PIP process are incorporated into the Integrated Performance Report.

Although this is a work in progress, this approach is to be commended.

Our review of Trust Board and committee reports and minutes confirms that performance is summarised in a format which shows performance against target and over time. Board members are also able to analyse and review the information from these reports with the assurance summaries from supporting committees, where committee chairs draw attention to assurances provided or matters escalated for the full Board's attention.

We also consider that the reports provide sufficient detail to allow understanding of performance, and the published minutes demonstrate sufficient challenge on the Trust's costs, performance and service delivery. In our view, the Trust's reports are adequately laid out and sufficiently detailed to monitor performance and take corrective action where required, which may include updating the Board Assurance Framework.

Consideration of regulatory oversight

A comprehensive Care Quality Commission (CQC) inspection commenced in April 2023. It did not cover all of the Trust's services, but it was wide ranging and covered the specific areas identified as significant weaknesses from our prior year reporting.

The CQC inspection report concluded that *"Forensic inpatient secure wards, wards for people with a learning disability or autism and wards for older people had all improved since our last inspection. The trust no longer had any services which were rated inadequate."*

Although the CQC inspection report was not published until October 2023, it was based on fieldwork in April and May 2023. This provides sufficient confirmation that for the year we are reporting on (2023/24), our previously reported significant weaknesses and recommendations had been addressed.

The CQC report remained as 'Requires Improvement' overall, but it did recognise the progress that the Trust had made. Seven out of the Trust's eleven services are assessed as Good and four services are assessed as 'Requires Improvement'. This was an improvement from the previous inspection in 2021. All services were rated 'good' for caring and nine out of 11 services were rated 'good' or 'outstanding' for effective in the latest assessment.

Overall commentary on Improving Economy, Efficiency and Effectiveness (continued)

The Trust's arrangements for working effectively within partnerships

The increasing move away from the more service focused internal market towards a greater level of integration of services across the health and social care sector, continues to be reflected in how the Trust works with partner organisations across the ICSs, planning the delivery of services to achieve a sustainable financial position for the Trust and the two wider ICS areas of North East and North Cumbria and Humber and North Yorkshire. This is intended, when combined with effective internally financial planning, to assist in ensuring the Trust's own financial sustainability.

In addition to ongoing engagement with Integrated Care Boards (ICBs) and local authorities, the Trust has also:

- Freed up time of the Chief Executive to allow him to chair the Humber North Yorkshire Provider Collaborative and to explore future operating models for Mental Health, Learning Disability and Autism with partners;
- Partnered with Cumbria, Northumberland Tyne and Wear (CNTW) NHS Foundation Trust to create the North East Specialist Provider Collaborative, and helped drive and implement a reconfiguration of adult secure beds;
- Previously supported the development of formal Partnerships in Durham and Tees Valley, and in North Yorkshire and York, albeit that these are now transitioning into ICB-level arrangements. This has included investing in senior management posts to promote and facilitate partnership commissioning at Place-level;
- Prioritised the delivery in partnership of transformed community services;
- Agreed to a North East and North Cumbria (NENC) ICB request to place the Associate Director for Strategy and Programmes into the ICB's transformation team for 1 day per week and allow him the capacity to lead the development of the Inpatient Quality Transformation plan for the NENC ICB.

The Trust's arrangements for commissioning services

All third party commissioned services follow the appropriate procurement regulations. Procured services have a contract or SLA agreement which details required service delivery specifications and performance measures to be monitored throughout the delivery of the contract term.

Financial spend is monitored via the Purchasing system which is arranged in accordance with the contractual agreement, and any spend is approved by an allocated Trust service lead.

All procured services are provided an appropriate operational Trust service manager to be the day to day contact for any delivery queries.

The third party provider is required to report on a monthly/quarterly basis dependant on contract value and risk.

Overall view on arrangements in relation to improving economy, efficiency and effectiveness

Overall, we have not identified any indicators of a significant weakness in the Trust's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria.

04

Other reporting responsibilities and our fees

Other reporting responsibilities and our fees

Other reporting responsibilities

Public interest reports

Auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not make a report in the public interest during 2023/24.

Schedule 10 referrals

Under Schedule 10 of the NHS Act 2006, auditors of a Foundation Trust have a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be reported to the relevant NHS regulatory body.

We have not reported any such matters during 2023/24.

Reporting to the National Audit Office (NAO)

The NAO, as group auditor, requires us to report to them whether consolidation data that the Trust has submitted is consistent with the audited financial statements.

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

Fees for our work as the Trust's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Risk Committee in March 2024. Having completed our work for the 2023/24 financial year, we can confirm that our fees are as follows (all fees subject to VAT):

Area of work	2023/24 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	£96,000	£75,000
Additional fees for 2022/23 audit year	£nil	£12,500
Additional fees for application of IFRS 16 to PFI	£6,000	£nil
Additional fees for additional work on journals, payroll and other audit areas	£4,000	£nil
Total fees	**£106,000**	**£87,500**

Fees for other work

We confirm that we will carry out the independent examination of the Trust's charity at a fee of £2,000 plus VAT (2022/23 fee: £2,000 plus VAT).

Appendices

A: Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Management override of controls **Description of the risk** In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits. This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.	**How we addressed this risk** We addressed this risk through performing audit work over: • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements. **Audit conclusion** Our work has provided the assurance required and has not highlighted any material misstatements. We have noted one internal control deficiency relating to the lack of control over journal authorisation, more details of which can be found on page 34. In response to this, we carried out additional journals analysis and substantive testing, but we have not identified any indication of management override of controls.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings (continued)

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Risk of fraud in revenue recognition **Description of the risk** The risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues. For the Trust we deem the risk to relate specifically to the timing of income recognition, and in relation to judgements made by management as to when income has been earned. The pressure to manage income to deliver forecast performance in a challenging economic environment increases the risk of fraudulent financial reporting leading to material misstatement and means that we are unable to rebut the presumption. This does not imply that we suspect actual or intended manipulation but that we approach the audit with due professional scepticism.	**How we addressed this risk** Our audit procedures included, but were not limited to: • Evaluating the Trust’s accounting policy in respect of revenue recognition to ensure that it is in line with the requirements of the Group Accounting Manual (GAM); • Testing revenue transactions that had been recorded by journal entries. Journals were selected for testing on the basis of meeting one or more fraud risk indicators that we determined to be applicable to the revenue recognition significant risk; • Testing a sample of revenue around the year end by agreeing the transactions to appropriate source documentation and obtaining assurance that each item was recorded in the correct financial year and at the correct value; • Testing a sample of year end receivables by agreeing the transactions to appropriate source documentation and obtaining assurance that each item was recorded in the correct financial year and at the correct value; and • Considering information provided by the Department of Health and Social Care in respect of year-end intra-NHS transactions. Where we identified any significant differences between the Trust’s position and that of the counterparty, we obtained assurance that the Trust’s position was supported by appropriate evidence. **Audit conclusion** Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

Significant risks and audit findings (continued)

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Valuation of Land and Buildings **Description of the risk** Land and buildings are the Trust's highest value assets. Management engage Cushman and Wakefield, as an expert, to assist in determining the valuation of its land and property to be included in the financial statements. Changes in the value of property may impact on the Statement of Comprehensive Income depending on the circumstances and the specific accounting requirements of the Group Accounting Manual. This now also includes right of use assets under IFRS16 which have been subject to valuation in year.	**How we addressed this risk** Our audit procedures included, but were not limited to: • Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the instructions to the valuer from the Trust; • Obtaining an updated understanding of the basis of valuation applied by the valuer in the year. This will include understanding and challenging the methodology applied to estimate the gross replacement cost of the Trust's operational land and buildings on a modern equivalent asset basis. Specifically, we will evaluate the Trust's application of an 'alternative-site' valuation methodology which covers its existing hospital sites; • Sample testing the completeness and accuracy of underlying data provided by the Trust and used by the valuer as part of their valuations; • Testing the accuracy of how valuation movements are presented and disclosed in the financial statements; and • Using relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2024. **Audit conclusion** Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings (continued)

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Accounting for any potential liability at 31 March 2024 from the PFI termination **Description of the risk** One of the Trust's PFI arrangements terminated in 2018/19. As PFI termination is rare, there is an increased risk that the accounting treatment of any liabilities arising from the termination is misstated.	**How we addressed this risk** Building on our audit work and knowledge from previous audits, our audit procedures included: • Holding discussions with the Trust's legal advisors to obtain evidence about their views; • Reviewing and challenging the Trust about the accounting treatment adopted for any potential liabilities at 31 March 2024 associated with the termination; and • Considering the proposed accounting by the Trust against the requirements of IAS 37 to determine the appropriate method to account for the potential liabilities. **Audit conclusion** As disclosed in note 32 of the financial statements, Contingent Assets and Liabilities, "The trust is no longer in litigation with the liquidators of Three Valleys Healthcare Limited, the former PFI provider of the trust's terminated Roseberry Park Hospital PFI". This outcome was confirmed at the end of the financial year, and consequently this risk has now been removed and will not recur in future years.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings (continued)

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Accounting for service concession arrangements (PFI) **Description of the risk** The Trust has one on-SoFP PFI scheme: Lanchester Road. As at 31 March 2023, the Trust had a gross PFI obligation of £29.7m and future PFI payments committed of £47.9m. IFRS 16 has been applicable from 1 April 2023 and is designed to report information that better shows lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The Trust is required to re-classify these PFI arrangements in line with this new standard for the first time in the 2023/24 financial statements. Application of a new accounting standard to these significant balances will require judgement and presents an enhanced risk to the material accuracy of the financial statements.	**How we addressed this risk** • Reviewing the work completed by the Trust in preparation of the implementation of IFRS16 for PFI contracts for the first time in the 2023/24 financial statements. • Testing PFI lease balances and seek evidence to support that they have been correctly classified and accurately measured per the standard. Our consideration will include reviewing the models used to calculate balances included in the financial statements, and consideration of the Trust's application of NHSE's guidance issued October 2023. **Audit conclusion** Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

	SOCNE/SOCI		SOFP	
	Dr (£ '000)	**Cr (£ '000)**	**Dr (£ '000)**	**Cr (£ '000)**
Over-accrual of expenditure				
DR Accruals CR Expenditure		1,600	1,600	
Aggregate effect of unadjusted misstatements	**0**	**1,600**	**1,600**	**0**

Appendix A: Further information on our audit of the financial statements

Internal control observations

Authorisation controls over manual journals

Description of deficiency

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We found that there were no authorisation controls over journal entries posted in our sample. When this was raised with management, they explained that a general review of journals processed is performed, however we found that this control was not implemented consistently, and it was not always documented clearly. We would expect that management have authorisation controls over the posting of manual journals alongside other general financial controls.

Potential effects

Inadequate system of authorisation and approval of journals posted increases the risk of material misstatements and fraud to the financial statements. Segregation of duties is an essential internal control in any organisation designed to prevent fraud and error.

Recommendation

- Management should ensure that its review of journals processed is implemented consistently and clearly documented.
- We recommend that management introduce authorisation controls over manual journals, including a full audit trail of the authorisation process. This could be done manually, or management can alternatively explore Oracle’s functionalities for ensuring appropriate authorisation of journals posted.

Management response

All manual journals are reviewed by management prior to being posted, achieving an appropriate segregation of functions and including a technical review, however we acknowledge that this can not be evidenced currently e.g. via electronic signature on the reviewed posting control log. Our posting controls restrict which colleagues are able to post journals. We agree that the posting log for manual journals will include an approval column to respond to this finding.

Appendix A: Further information on our audit of the financial statements

Internal control observations

Review of Fixed Asset Register

Description of deficiency

- We had noted that a number of assets had nil Net Book Value(NBV) on the fixed asset register, including buildings, IT and other equipment, some of which were no longer in use, but were still on the asset register.
- We also noted that not all assets on the asset register have asset numbers.

Potential effects

- Although the nil NBV assets have no financial impact on the financial statements, some of those assets may still be in use and therefore have some value. In this case, it could suggest that the Trust needs to review its accounting policy over the Useful Economic Lives (UEL) of its assets which affects valuation.
- Lack of asset numbers affects the verification of the existence of those assets and, also the Trust's management of those which could result in potential misappropriation, although not materially as the majority's of Trust's PPE is land and buildings.

Recommendation

- Review of the nil NBV assets to ensure where those are no longer in use, are being disposed off and removed from the asset register, or where those are in use, management could perform a re-lifing exercise to update the useful economic life of those assets.
- Management should ensure that their accounting policy is appropriate in light of their results from the review of the FAR.
- Management should consider how they get assurance over the assets that they have which have no asset numbers against what is included in their FAR.

Management response

We agree in respect of nil NBV assets and this was an oversight in the 2023/24 financial year. In respect of asset numbers, we have advised audit colleagues that the Trust has already acted to implement centralised asset recording processes, however this was implemented circa 3 years ago, meaning that legacy assets are out of scope (until the end of their useful lives). It would be impossible to apply to all historic assets but by implementing these processes in prior financial years we have responded to this request.

Internal control observations

General Creditor Provision

Description of deficiency

- Recognition of a provision of qualifying expenditure which covers invoices received after the year end closure that are not accrued elsewhere, for £1.24m.

Potential effects

- Although immaterial for audit purposes, this results in potentially over-stated liabilities and an inaccurate year-end financial position against targets.

Recommendation

- We advise management to review the method of accounting for invoices received after the year end and how this provision is accounted for.
- We suggest that management to start collating data on the number/ value of invoices so any potential estimated liabilities as such are backed up by historic data.

Management response

We have discussed this with audit colleagues and do not believe this over-states liabilities. We understand that Mazars have seen general creditors incorporated as accruals in other audits of NHS accounts. We will consider this for next financial year, however believe the uncertain source and individual values of late billing charges mean a provision is more appropriate at the current time. This would not change liabilities, but potentially, reclassify as accruals.

Appendix A: Further information on our audit of the financial statements

Internal control observations

Payroll

Description of deficiency

- We performed a substantive test of detail of payroll costs, where we requested employment contracts to be provided as supporting information. For 17 out of the 27 staff sampled, management was unable to provide copies of the individual employment contracts.

Potential effects

- Disputes over individual terms and conditions of employment.

Recommendation

- We recommend that management keep an up-to-date HR record of all employment contracts (signed) / any other alternative evidence for terms of the contracts.

Management response

We have advised that Trust processes require the recruitment team to retain an (unsigned) copy of contracts of employment for new employees of the Trust, with a signed copy being placed by the individual's manager in their personal file (retained locally by line managers). However, where staff move internally (into a new/different role as an internal applicant) they do not receive another contract of employment as the change effected on ESR acts as/evidences the updated 'change' in terms. Those changes need to be approved by the individual's line manager to take effect.

Appendix A: Further information on our audit of the financial statements

Follow up on previous years recommendations

Lease Agreements

Description of deficiency

All leases recognised in the accounts should be supported by lease/tenancy agreements.

Potential effects

This makes valuation more subjective and increases the risk of differences of opinion with lessors regarding the terms of the lease.

Recommendation

The Trust should negotiate formal lease agreements for all the property leases that it holds and ensure that they are signed, with clear commencement and termination dates.

2023/24 update

We have noted some improvement since the prior year audit, but we understand that there are still leases that do not have formal lease agreements in place.

Management have explained that whilst they agree in principle on this, in some cases onerous landlord terms mean this would be disadvantageous to the Trust commercially, including because those sites are generally ones the Trust is seeking to exit (more expensive and/or much lower quality).

Appendix A: Further information on our audit of the financial statements

Follow up on previous years recommendations

Version control of published financial statements

Description of deficiency

Our review of prior year comparators per the draft 2022/23 financial statements against the final 2021/22 financial statements published per the Trust's website identified a number of differences. From discussion with officers, we noted that the Trust had submitted the unaudited, draft version of the 2021/22 accounts to Parliament and published the same version to the website.

The differences between the two versions of the 2021/22 accounts were limited to classification amendments within the expenditure note, with no impact on the bottom line.

Potential effects

There may be material errors in the financial statements which the reader of the accounts may assume to be materially accurate.

Recommendation

Checks should be carried out to ensure that the final, audited versions of the financial statements is the version published to the Trust website and lay before Parliament.

2023/24 update

No issues identified and therefore this is now closed.

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