Auditor's Annual Report

Stockport Foundation Trust - Year Ended 31 March 2023

July 2023

mazars

Contents

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Section 01:

Introduction

1. Introduction

Purpose of the Auditor’s Annual Report

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

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

Opinion on the financial statements

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

Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 21st April 2023 we reported the Trust’s consolidation schedules were consistent with the audited financial statements.

We have a responsibility to consider whether there is a need to issue a public interest report or whether there are any issues which require referral to the Secretary of State. We have not made any such referrals.

Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the Trust’s arrangements to secure economy, efficiency and effectiveness in its use of resources and had issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Trust’s arrangements and a summary of our recommendations.

Following the completion of our work we have issued our audit certificate which formally closes the audit for the 2022/23 financial year.

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Section 02:

Audit of the financial statements

2. Audit of the financial statements

Our audit of the financial statements

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

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined 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 Department of Health and Social Care Group Accounting Manual 2022/23, appropriately tailored to the Trust's circumstances.

Draft accounts were received from the Trust on 27 April 2023 in line with the DHSC timetable. The quality of the initial draft accounts was good. The Trust prepared and shared good quality, timely, supporting working papers and evidence through the audit.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation and support of management through the audit.

We are pleased to report that our audit progressed very smoothly. We have continued to build on our good professional relationships with the Trust's finance team.

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 Improvement.
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..

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Section 03:

Our work on Value for Money arrangements

3. VFM arrangements

Overall Summary

3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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

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

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

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

Our work is carried out in three phases

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements 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

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

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

We outline the risks that we have identified and the work we have done to address those risks on page 13.

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.

3. VFM arrangements – Overall summary

Phase 3 - Reporting the outcomes of our work and our recommendations (cont)

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

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

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

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

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	12-15	Yes – see page 13	Yes continuing significant weakness – see page 22	No
Governance	16-18	No	No	No
Improving economy, efficiency and effectiveness	19-20	No	No	No

3. VFM arrangements

Financial Sustainability

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

3. VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements		Work undertaken and the results of our work
1	**Financial plans for 2023/24** The significant weakness reported in 2022/23 continues for 2023/24. The Trust's 2023/24 financial plan reflects a £31.5m deficit position. Achieving this deficit position assumes the delivery of savings of £26.2m in the year. This represents 5.7% of the Trust's operating expenditure and the Trust has yet to fully identify how this will be delivered. The planned deficit, if achieved, will increase the Trust's cumulative deficit on the Income and Expenditure reserve to £93.3m at the 31/3/2024.	**Work undertaken** We reviewed • The financial planning submissions and underlying assumptions. • The Trust's arrangements to deliver its waste reduction programme savings. • The formal reporting of the Trust's planning work to the Board and other committees. Results of our work The detailed commentary on the financial sustainability arrangements are on pages 14-15. In our view the Trust's deficit plan and its reliance on identifying and delivering further savings in the context of the large recovery programme is evidence of weaknesses in the arrangements to deliver financial sustainability.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to the NHS financing regime in 2022/23

For 2022/23, the focus of the funding regime has shifted from responding to the immediate challenges caused by COVID-19 to supporting recovery in the healthcare system. This has facilitated the need for collaborative working between commissioners and providers, as local systems were expected to work together to deliver a balanced position, with additional funding available for those systems exceeding target activity levels through the Elective Recovery Fund. The planning guidance for 2022/23 supports the transition back to local agreement of contracts, and requires systems to achieve a break even position each year. This necessitates strong collaboration through the planning process, as individual organisations work together to achieve system-level outcomes.

In 2022/23 all Integrated Care Systems (ICSs) across the North West obtained NHSE approval to continue with block contract and local payment arrangements. Contract income was based on nationally calculated block payments, which has been uplifted for inflation and reduced for the national efficiency target.

The Trust's financial planning and monitoring arrangements

The Trust approved and submitted a 2022/23 financial plan in line with the NHS requirements. Following the planning round, the Trust submitted a deficit plan of £23m which was reliant on the delivery of savings of £18.1m through a financial recovery plan referred to in the Trust as the "Cost Improvement Programme" (CIP). The Trust met its financial plan.

We reviewed the assumptions underpinning the plan, the reports prepared for the Board and the minutes of relevant meetings where the revised financial plan was considered. We confirmed the assumptions made by management appeared reasonable, the reports were clear and concise and adequate scrutiny by the Board was evident from their meetings. The risks in the plan, including in respect of the CIP to be delivered, have been articulated.

The Trust met its 2022/23 financial plan and CIP target with an adjusted financial plan deficit of £3.3m.

During the year the Trust reported its financial position to the Finance & Performance Committee and then subsequently to the Board. We reviewed a sample of reports, which contained evidence of a clear summary of the Trust's performance, detailed variances and provided adequate explanation of the causes. The reports provided an updated forecast to the end of the financial year.

The Trust's arrangements and approach to 2023/24 financial planning

As detailed in the opening paragraphs of this section, the financial planning arrangements have changed for 2023/24. The Trust was required to submit a financial plan to the Greater Manchester (GM) ICS that contributes to a breakeven position for the ICS for the year.

The Trust co-ordinates the annual planning process drawing on in put from clinical, operational and support functions across the organisation. The Trust has actively engaged with ICS partners on the key aspects of local & ICS system financial and operational planning. The annual planning and budget setting exercise includes the identification and quantification of financial and operational risks. Financial plans are considered by the Finance & Performance Committee and receive Board approval.

The Trust's submitted its Financial Plan by the agreed timescale but has since been required to make further changes to adjust for Stockport's share of the GM system efficiency savings. The new plan delivers a £31.5m deficit after a £26.2m CIP. This was agreed with the ICB.

The Trust has identified significant risks to achieving the plan and has yet to identify all of its agreed CIP. The Trust continues to devote significant resources to deliver financial sustainability along side its ICS partners but the challenge and risks to non-delivery in 2023/24 are significant.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

The Trust's arrangements for the identification, management and monitoring of funding gaps and savings

The Trust has a Cost Improvement Programme (CIP) which aims to deliver efficiencies and savings whilst driving service improvements across the Trust. The CIP targets have been established with reference to national planning guidance, benchmarking data, and internal intelligence as part of the operational planning process – with executive oversight. CIP targets are articulated as part of the annual operational plan – considered by Finance & Performance Committee and approved by Trust Board.

For 2022/23 the Trust had a CIP target of £18.1m This target was allocated across departments and divisions and was monitored by the Finance & Performance Committee. The Trust reported at the year end that it had exceeded its target and delivered £18.6m of efficiency savings, with £5.9m of savings being achieved recurrently and £12.7m being achieved non-recurrently. Achieving the CIP target is a good outcome, delivering a higher level of recurrent savings would assist the Trust in reducing its financial deficit in future years.

For 2023/24 the Trust's latest financial plan includes a CIP target of £26.2m. This represents 5.7% of the Trusts operating expenditure.

The delays in agreeing the financial position both nationally and at ICS level means that by the end of June 2023, the Trust does not yet have detailed plans to support the delivery of the full £26.2m of CIP savings. This significantly increases the pressure to identify the specific savings plans quickly so they can be delivered in the remainder of the financial year.

Based on the work completed, we consider that there is a continuing significant weakness in the Trust's arrangements in relation to financial sustainability.

3. VFM arrangements

Governance

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

VFM arrangements – Governance

Overall commentary on Governance

The Trust's risk management and monitoring arrangements

As reported in the prior years, the Trust has a comprehensive risk management system in place which is embedded into the governance structure of the organisation. The processes are supported by the Trust-wide Risk Management Strategy and the Trust leadership plays a key role in implementing and monitoring the risk management process.

The Trust has a well-established risk management framework and Board Assurance Framework. The BAF is reported to each month's Board meeting and Finance and Performance committee.

The Trust's Risk Management Committee is chaired by the Chief Executive with representation from Executive Directors and management. The Committee reviews the corporate risk register and can undertake detailed reviews of business group and corporate service risk registers.

The Committee provides a regular report to the Board, and this articulates the risks to the delivery of the Trust objectives. The Trust Board is responsible for the overall management of the Trust's risks, and the Board sub committees monitor the risks in their relevant areas. The roles and responsibilities of the Board, sub committees, key directors and senior managers are set out in the Trust's Risk Management Policy.

The Corporate Risk Register links to the Trust's strategic aims and risks are cross-referred to the Board Assurance Framework, providing a thread from operational to strategic risk management. The minutes of discussions detail the challenge and discussion around the risks.

The Trust engages Mersey Internal Audit Agency to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. Work plans are agreed with management at the start of the financial year and reviewed by Audit Committee prior to final approval..

We have reviewed the Internal Audit Plans for 2022/23. Progress reports are presented to each Audit Committee meeting including follow up reporting of recommendations not fully implemented by agreed due dates. This allows the Committee to effectively hold management to account on behalf of the Board. Our attendance at Audit Committees throughout the period confirms the significance placed on internal audit findings.

The Trust's arrangements for budget setting and budgetary control

The Trust's budget process is informed by the annual planning process. The annual planning process is led by the Trust finance team and is designed to be delivered in compliance with the NHS national requirements and timetable.

The Trust develops its detailed budget using agreed its own developed and agreed budget setting principles. Known pressures and increases are incorporated alongside the impact of any business cases, inflation and adjustments for non-recurrent items. Regular review meetings take place prior to final approval in order to agree the final financial plan. These meetings include operational, finance and workforce staff to triangulate finance, activity and workforce plans.

Budget information is held within the Trust's general ledger system and reconciled to the approved annual plan and control totals. Budget holders are responsible for monitoring and reporting the delivery of their budgets. The Trust's finance team operates to a prompt monthly closedown timetable which ensure budget reports are received by budget holders to allow for review and scrutiny. Part of this monthly cycle includes finance reports to Finance & Performance Committee and the Board receiving an integrated performance report incorporating financial performance measures.

At the Finance & Performance Committee the monthly financial position is discussed, alongside any risks, material movements, the forecast outturn and the system position. This is discussed alongside activity performance, improvement work, savings plan e reduction programme updates and workforce information to ensure a rounded position is provided.

VFM arrangements – Governance

Overall commentary on Governance

The Trust's decision making arrangements and control framework

The established governance structure is set out within its Annual Governance Statement. This is supported by the Trust's Constitution and scheme of delegation. Executive Directors have clear responsibilities linked to their roles and the Board Sub-Committee structure in place at the Trust allows for effective oversight of the Trust's operations and activity.

The Trust has a full suite of governance arrangements in place. These are set out in the Trust's Annual Report and Annual Governance Statement. We reviewed these documents as part of our audit and confirmed they were consistent with our understanding of the Trust's arrangements in place. This includes arrangements such as registers of interests being maintained and published.

As reported in previous years the Trust has a Board and a series of Committees incorporating executive and non-executive directors. These meet regularly and with appropriate frequency. Decisions are made through these meetings. All meetings are supported by detailed agendas and written reports from management. Agendas follow a set structure which enables the meeting to focus the majority of the available time on key matters requiring decisions to be made. The Board receives copies of all minutes from the Committees and the chairs of each committee are required to highlight to Board any matters for their attention.

We attended each Audit Committee meeting, and we reviewed the agendas and minutes of the Board and other Committee meetings through the year. The meetings are focused on the key elements of the relevant terms of reference, and Committee, and Board, members clearly understand their role and discharge it in a supportive and challenging manner.

Based on the above considerations we are satisfied there is not a significant weakness in the Trust's arrangements in relation to governance.

3. 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

The Trust's arrangements for assessing performance and evaluating service delivery

As we reported previously, the Trust has a well-established approach to performance management which includes identifying key indictors and monitoring and reporting these throughout the year. A range of other operational indicators are produced which measure performance and identify opportunities for improvement.

The Trust produces an Integrated Performance Report (IPR) which is reported to each Board meeting. This reports in a clear and transparent way the key operational and financial performance measures. This report is comprehensive and incorporates a 'Trust Highlight' and Summary Dashboard providing clear oversight of performance across the Trust. The IPR enables the Board and the Directors to easily identify performance that is below target or that has deteriorated enabling prompt recovery action. The report also incorporates substantial detailed information on each indicator including performance trends over time and a narrative commentary providing both context and explanation. Where improvements are required these are highlighted in the report, enabling the Trust to take appropriate actions on a timely basis.

The Board receives a range of performance related reports in addition to the monthly, Integrated Performance Report. We have reviewed the performance information provided to the Board. This demonstrates the Board effectively holds managers to account where performance improvements are required.

The Trust has established an internal Service Improvement Group (SIG) which is chaired by the Chief Executive. This group oversees the Trust's transformation schemes and the delivery of identified service improvement initiatives. SIG maintains a focus on quality whilst aiming to drive improvement across the Trust's performance metrics.

The last full CQC inspection of the Trust was undertaken in 2020, and was reported in May 2020. This rated the Trust as 'requires improvement' overall. In November 2021 CQC completed an inspection of the Trust's Emergency Department (ED). Although not providing an overall rating for this focused inspection, the ratings of all individual elements were 'Good' with the exception of one area of 'Requires Improvement'. The inspection report identified one 'Must' action for the Trust. This outcome was a significant improvement on the previous inspections, demonstrating the Trust continued positive direction of travel to secure improvements in services. Following the inspection, the Trust produced an action plan to address the 'Must' action identified along with those rated as 'Should' by CQC. The action plan is monitored regularly through the Quality Committee and Board.

A Stockport System Improvement Board (SIB) was established in order to deliver improvements across the local heathcare system. The SIB brought together partners from the Council, mental health services, NHS commissioners, the regulators and the Trust. As a consequence of the improvements implemented, NHSE/I agreed the SIB could be stood down from March 2022.

Notwithstanding the improvements evidenced above, the Trust has continued to operate under modifications to its licence issued in 2017. Although the precise wording of the licence conditions refer to specific dates in the past, some of the underlying issues, for example, performance against A&E targets and delivery of a long term financial recovery plan to return to financial break even, are still relevant to the Trust. NHSE/I have informed the Trust of their intention to review and update the licence modifications although this has yet to be completed. We did not identify any new issues for 2022/23.

The Trust's arrangements for effective partnership working

The Trust operates within the Greater Manchester Health and Social Care Partnership along with the other councils, NHS providers and NHS commissioners. The financial regime is focused at a Greater Manchester level and this has enabled the Partnership to strengthen. The Integrated Care System (ICS) and Integrated Care Board, came into operation during 2022/23. The Trust has continued to play an active role in establishing the new system and senior management are active members of the meetings and groups within the Partnership.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

The financial planning regime for 2023/24, as outlined on page 13 has evolved from previous years, and places greater emphasis on the ICS to work together to deliver financial sustainability and effective working across the GM area. As noted in the financial sustainability section of this report, the ICS is working to address financial pressures across Greater Manchester. While the solutions to this deficit are still being identified, and may involve additional national support, this demonstrates the key importance of effective working across the Greater Manchester ICS in order to deliver financial as well as operational success.

The Trust's arrangements for commissioning services

The Trust has clearly articulated procurement standards set out in a Procurement Policy.

The Procurement Policy is comprehensive. It covers the procurement of all goods, works and/or services including secondary commissioning of health and social care services, temporary staffing and capital expenditure, irrespective of funding source, procurement route or personnel involved in the procurement. The policy sets out the duties of different grades of staff and the statutory requirements as well as more detailed practical requirements on procurement, including a detailed section outlining the procurement process to be followed.

During the year the Trust's internal auditors reviewed the procurement policy and processes. The review looked at the design and controls of the procurement process to assess compliance with requirements of the Standing Financial Instructions and any interim arrangements put in place due to the Covid Pandemic. Internal Audit's report provides substantial assurance over the arrangements in place. We have reviewed the report and its conclusions.

The benefits arising from the Trust's procurement are integrated with its CIP process. Procurement is a key strand in delivering the savings required by the programme. Where there is under delivery, or non-delivery, of these savings, it is reported through the CIP programme and through to the Finance & Performance Committee and then Board. This helps in ensuring appropriate challenge and post-procurement review is carried out.

Based on the above considerations we are satisfied there is not a significant weakness in the Trust's arrangements in relation to improving economy, efficiency and effectiveness.

3. VFM arrangements

Identified significant weaknesses in arrangements and our recommendations

3. VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year

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

	Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
1	The significant weakness reported in 2022/23 continues for 2023/24. The Trust's 2023/24 financial plan reflects a £31.5m deficit position. Achieving this deficit position assumes the delivery of savings of £26.2m in the year. This represents 5.7% of the Trust's operating expenditure and the Trust has yet to fully identify how this will be delivered. The planned deficit, if achieved, will increase the Trust's cumulative deficit on the Income and Expenditure reserve to £93.9m at the 31/3/2024.	Financial Sustainability	The Trust should continue to work collaboratively with GM ICS partners and NHS England to explore and agree sustainable, long-term plans to bridge its funding gaps and identify achievable savings.	We are aware the Trust has been actively working to address its underlying financial pressures for a number of years. This weakness and recommendation continues and there are no further actions taken to assess. .	In our view the Trust's deficit plan and its reliance on identifying and delivering further savings in the context of the large recovery programme is evidence of weaknesses in the arrangements to deliver financial sustainability. .

04

Section 04:

Other reporting responsibilities and our fees

4. Other reporting responsibilities and our fees

Other reporting responsibilities

Statutory recommendations and public interest reports

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

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

Section 30 referrals

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

We have not issued a Section 30 referral to the Secretary of State.

Reporting to the National Audit Office (NAO)

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

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

Fees for our work as the Trust's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in April 2023. Having completed our work for the 2022/23 financial year , we can confirm that our fees are as follows:

Area of work	2022/23 fees	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice	£71,000	£71,000
Total fees	**£71,000**	**£71,000**

Fees for other work

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

A

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 This is a mandatory significant risk due to the unpredictable way in which such override could occur. 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 addressed this risk by performing audit work over: • accounting estimates, • journal entries and • significant transactions outside the normal course of business or otherwise unusual.. Our work on the accounting estimates and journal transfers did not identify any matters to report. We did not identify any significant transactions outside the normal course of business.
Risk of Fraud in Revenue recognition The risk of fraud in revenue recognition is presumed to be a significant risk because of 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 recognition of income around the year end.	We have evaluated the design and implementation of controls the Trust has in place which mitigate the risk of income being recognised in the wrong year. In addition we have undertaken a range of substantive procedures including: • testing of material income and material year-end receivables; • testing receipts in the pre and post year-end period to ensure they have been recognised in the right year; and • reviewing intra-NHS reconciliations and data matches provided by the Department of Health and Social Care and if necessary seek direct confirmation from third parties We identified one disclosure error relating to the classification of income for Elective Recovery Funding of £11.5m. There were no other matters to report.

A. Further information on our audit of the financial statements

Significant risks and audit findings continued

Risk	Our audit response and findings
Risk of Fraud in Expenditure recognition In the public sector, auditors must consider the risk that material misstatements may arise from incorrect expenditure recognition, which may materialise due to the audited body manipulating expenditure to meet externally set targets. We consider there to be a risk that management could record expenditure and/or liabilities within 2022/23 accounts that do not properly meet the relevant expenditure recognition criteria. We consider the risk to be in relation to the recognition of expenditure around the year end and the accuracy and existence of non-pay accruals, provisions, deferred income and the existence and accuracy of capital expenditure in quarter 4 of 2022/23.	We have evaluated the design and implementation of any controls which mitigate the risk. We also performed audit work including: • testing capital additions in the final quarter of the year. • testing accrued expenditure. • considering the completeness and valuation of deferred income recorded in the statement of financial position. • testing a samples of provisions to supporting documentation to confirm they met the recognition criteria such as representing a probable outflow of resources. • reviewing and testing the Trust's expected credit loss impairment • testing expenditure in the pre and post year-end period to ensure they have been recognised in the right year; and • reviewing intra-NHS reconciliations and data matches provided by the Department of Health and Social Care and if necessary seek direct confirmation from third parties. Three unadjusted errors were identified as shown on page 30. There are no other matters to bring to your attention.

A. Further information on our audit of the financial statements

Significant risks and audit findings continued

Risk	Our audit response and findings
Valuation of Property, Plant and Equipment Land and buildings are the Trust's highest value assets accounting for £150.8m of the Trust's £215.9m Property, Plant and Equipment balance at 31 March 2023. The level of estimation uncertainty arising from the extensive use of judgement in the valuation process along with the size of the asset base means that we consider valuation of land and buildings to be a significant risk. Management engage a valuation expert, District Valuer, ('the valuer') to provide the Trust with valuations in accordance with Royal Institution of Chartered Surveyors (RICS) requirements. We consider there to be a significant risk of material misstatement in relation to the valuation of the Trust's land and buildings as a result of the: • high degree of estimation uncertainty associated with the valuations; • level of judgement applied by management and the valuer in estimating current values; and • extent to which the valuations are reliant on complete and accurate source data on individual assets being provided to the valuer	We have evaluated the design and implementation of any controls which mitigate the risk. In addition our procedures included: • 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 understanding of the basis of valuation applied by the valuer in the year. This includes understanding and evaluating the methodology applied to estimate the gross replacement cost of the Trust's operational land and buildings on a modern equivalent asset basis. • considering and challenging the Trust's review of the continuing appropriateness of its application of the modern equivalent asset approach in 2022/23. • reviewing and sample testing to gain assurance over 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 were presented and disclosed in the financial statements. • using relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2023 and engaging our own valuation expert if considered necessary. We are satisfied the valuation of the Trust's land and buildings is materially accurate and appropriately included in the Trust's PPE balance

A. Further information on our audit of the financial statements

Significant risks and audit findings continued

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Risk	Our audit response and findings
Implementation of IFRS16 IFRS 16 has been applicable from 1 April 2022 and is designed to report information that better shows lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The Trust is required to re-classify a number of lease arrangements in line with this new standard for the first time in the 2022/23 accounts.	We have reviewed the work the Trust has carried out for the implementation of IFRS 16 on 1 April 2022, including understanding and documenting the business process and evaluating the design and implementation of the controls. We have substantively tested lease balances and obtained evidence to support the have classification and accurate measurement under the new standard. There were no matters to report.

A. Further information on our audit of the financial statements

Summary of uncorrected misstatements

		SOCI		SOFP	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Prepayments			2,956	
	Cr: property Plant and Equipment				2,956
	19 assets were recognised in 2022/23 on the basis of a vesting agreement. These vesting agreement did not signal the risks of the asset had passed to the Trust in 22/23 and so the capital expenditure should not be recognised.				
2	Dr: Accruals			2,050	
	Cr: Operating Expenditure		2,050		
	Our cut off testing identified 5 errors in relation to transactions in March and April 2023. These errors mean accruals were overstated. These errors total £112.6k. The above represents the total potential error when the error rate is extrapolated across the untested population. £1,709k relates to the extrapolated errors in March testing and £341k relates to errors identified in our testing of April transactions.				
3	Dr: Accruals			2,589	
	Cr: Operating Expenditure		2,589		
	Our testing of accruals identified 9 errors in which the accrual was overstated or raised in error. These errors totalled 374k. The above represents the total potential error when the error rate is extrapolated across the untested population.				
	Total unadjusted misstatements		4,639	7,595	2,956
	Net impact of unadjusted misstatements		4,639	4,639	

A. Further information on our audit of the financial statements

Internal control observations

Description of deficiency

The management of user access (creation, modification and deactivation of access rights and / or user accounts) should be the subject of a formalised and logged processes. These access rights should be formally approved before being processed and deactivated in a timely manner. ‘

Leaver revocations only occur once a month when the systems accountant receives the HR leavers list. Best practice is to remove access within a day of employees' final day in post to ensure former employees cannot access the system after they have left.

Potential effects

There is a risk that delays in deactivating leaver accounts could result in unauthorised access to the Trust’s ledger.

Recommendation

The Trust should increase the regularity for which leavers access to the main accounting system is deactivated.

Management response

The Finance Ledger Improvement Group will include this internal control recommendations on Unit 4 leaver updates as priority in 2023-24. The Group will investigate the possibility of direct reminders to the Financial Systems Manager from the Trust online leavers forms.

A. Further information on our audit of the financial statements

Internal control observations continued

Description of deficiency

Users accounts should be reviewed on a regular basis to verify:

- the user account is still valid (i.e. the user account should be active);
- Access rights granted to the user account are aligned with the employee's functions within the organisation.

The Trust does not have a policy of routinely reviewing access rights for user accounts.

Potential effects

There is a risk users have inappropriate access to the Trust's main ledger system..

Recommendation

The Trust should implement regular reviews of access rights to ensure appropriate access is granted to individuals.

Management response

The Finance Ledger Improvement Group will include this internal control recommendations on Unit 4 access rights as a priority in 2023-24. The Group will investigate the possibility of direct reminders to the Financial Systems Manager from the Trust online leavers forms

A. Further information on our audit of the financial statements

Follow-up on previous years recommendations

Description of deficiency

A number of provisions were identified that do not fully meet the requirements if IAS37.

Potential effects

There is a potential for expenditure to be overstated if provisions are not in line with the criteria of the accounting standard.

Recommendation

Management should ensure all provisions raised meet the requirements of IAS37. A provision should only be recognised if there is a present obligation (as a result of a past event , the payment is probable and the amount can be estimated reliably).

2022/23 update

The provisions included in 2021/22 have been reversed unused during the year.

Our testing this year did not identify any provisions that did not meet the requirements of IAS37..

Description of deficiency

From our testing we identified a number of accruals which did not relate to current year expenditure.

Potential effects

There is a potential for expenditure to be overstated.

Recommendation

Management should perform a review of accruals raised at year end to ensure there is sufficient evidence to support the transactions and that it is correct to include as current year expenditure.

2022/23 update

Further action is required to address this issue.

Our work this year has again identified an overstatement in the accruals raised.

Mazars

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