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**Royal United
Hospitals Bath**
NHS Foundation Trust



Royal United Hospitals Bath NHS Foundation Trust

Auditor's Annual Report 2023/24

16 August 2024

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Key Messages

Audit opinion on the financial statements

We issued an unqualified opinion on the Trust and group's financial statements on 27 June 2024.

The Trust's arrangements to secure Value for Money

Commentary on the Trust's arrangements

Financial Sustainability

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

The NHS financial planning framework for 2023/24 focussed on several key priorities aimed at addressing ongoing challenges including financial sustainability, core service recovery and productivity at a local, system and national level.

Whilst we concluded that there was no significant weakness in the Trust's arrangements, it is notable that the Trust has reported a deficit on group level of £8.3m (2022/23: surplus of £10.0m). The Trust's submitted plan for 2024/25 is for a £6.9m surplus (£5.3m deficit on an adjusted basis), achievement of which would require £36.6m of savings (higher than the level achieved in 2023/24 of £23.5m). During 2023/24, the Trust achieved actual efficiencies of £23.5m, with recurrent savings of £13.1m, which is approximately 4.2% of the Trust's total operating expenses for the year. The total planned efficiencies for 2023/24 were £23.5m on a recurrent basis. For 2024/25, a CIP target of £36.6m, with £31.0m recurrent savings, has been included within the plan, which are significantly higher than 2023/24. We have also noted that around 26.8% (£9.8m) of the planned savings for 2024/25 are categorised as high risk by the management, while around 30.5% (£11.2m) of total savings required are categorised either unidentified or as opportunity within the NHS return submitted June 2024.

As the planned deficit forms part of the overall system plan and is agreed with the ICB and the rest of the system, we do not consider that it indicates a significant weakness in arrangements to achieve financial sustainability. We note, however, that there remains a risk to the delivery of the 2024/25 plan and the Trust's ongoing financial position, which is a common challenge across the NHS.

Whilst the Trust has a history of achieving significant amounts from its saving plans in the past, management has to continue to monitor financial performance on a monthly basis to ensure that the required savings level is achieved for the financial year 2024/25.

Key Messages (continued)

Financial Sustainability (continued)

Also, the Trust Board should ensure that it is assured on the deliverability of the plan and that the increased risks to financial sustainability of the Trust are carefully managed.

We did not identify a significant weakness in the Trust's arrangements in this area.

Governance

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

The Trust has an established risk management process, with roles and responsibilities set out in the Risk Management Strategy.

A range of formal processes and systems enable the effective management of both strategic and operational risk. Examples include policies and procedures, risk registers and the board assurance framework.

The risk register is reviewed on a regular basis through Board meetings and new risks are added and managed as they emerge. Material risks are fed back through upwards report that are presented to the Management Board.

The Trust's Head of Internal Audit opinion for the year was 'significant assurance with minor improvement opportunities' meaning there is a sound system of internal control designed to meet the Trust's objectives and that controls in place are being consistently applied in all key areas reviewed.

The Trust medical care was inspected by the CQC in July and August 2023 with the report being published in October 2023. This noted a downgrading in the overall assessment of the Trust from 'good' to 'requires improvement'. A detailed action plan is in place at the Trust which set out 18 actions all of which have been implemented with the exception of 2. We have not noted a significant weakness in arrangement as a result of this.

The Trust maternity services was inspected by CQC in November 2023 with the formal report published in March 2024, this did not change the overall rating for the hospital that it remained as 'requires improvement', however rated maternity services as 'outstanding'.

Key Messages (continued)

Improving economy, efficiency and effectiveness

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

The Trust Board and its Committees (including the Audit and Risk Committee) receives in advance of their meetings detailed papers and reports setting out decisions that are to be taken, along with supporting information and evidence put forward to support any recommendations.

The lead executive presents the paper and invites comment and challenge from other executive and non-executive Board or Committee members. Every member has the opportunity to challenge the recommendation or seek further information.

The Trust plays an active part in the local Integrated Care System (ICS) and seeks opportunities through capital and revenue streams on a system wide basis. An example being that they are leading a large project to align IT systems and create an integrated patient record system. The Trust also contribute to the system groups, for example, looking at community diagnostics through various channels and networks.

Purpose of this report

Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at Royal United Hospitals Bath NHS Foundation Trust ("the Group") for the year ended 31 March 2024.

This report is intended to bring together the results of our work over the year at the Trust, including commentary on the Trust's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). In preparing this report, we have followed the National Audit Office's ("NAO") Code of Audit Practice and its Auditor Guidance Note ("AGN") 03 Value for Money, and AGN 07 Auditor Reporting. These are available from the NAO website.

A key element of this report is our commentary on the Trust's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). Our work considering these arrangements is based on our assessment of the adequacy of the arrangements the Trust has put in place, based on our risk assessment. The commentary does not consider the adequacy of every arrangement the Trust has in place, nor does it provide positive assurance that the Trust is delivering or represents value for money.

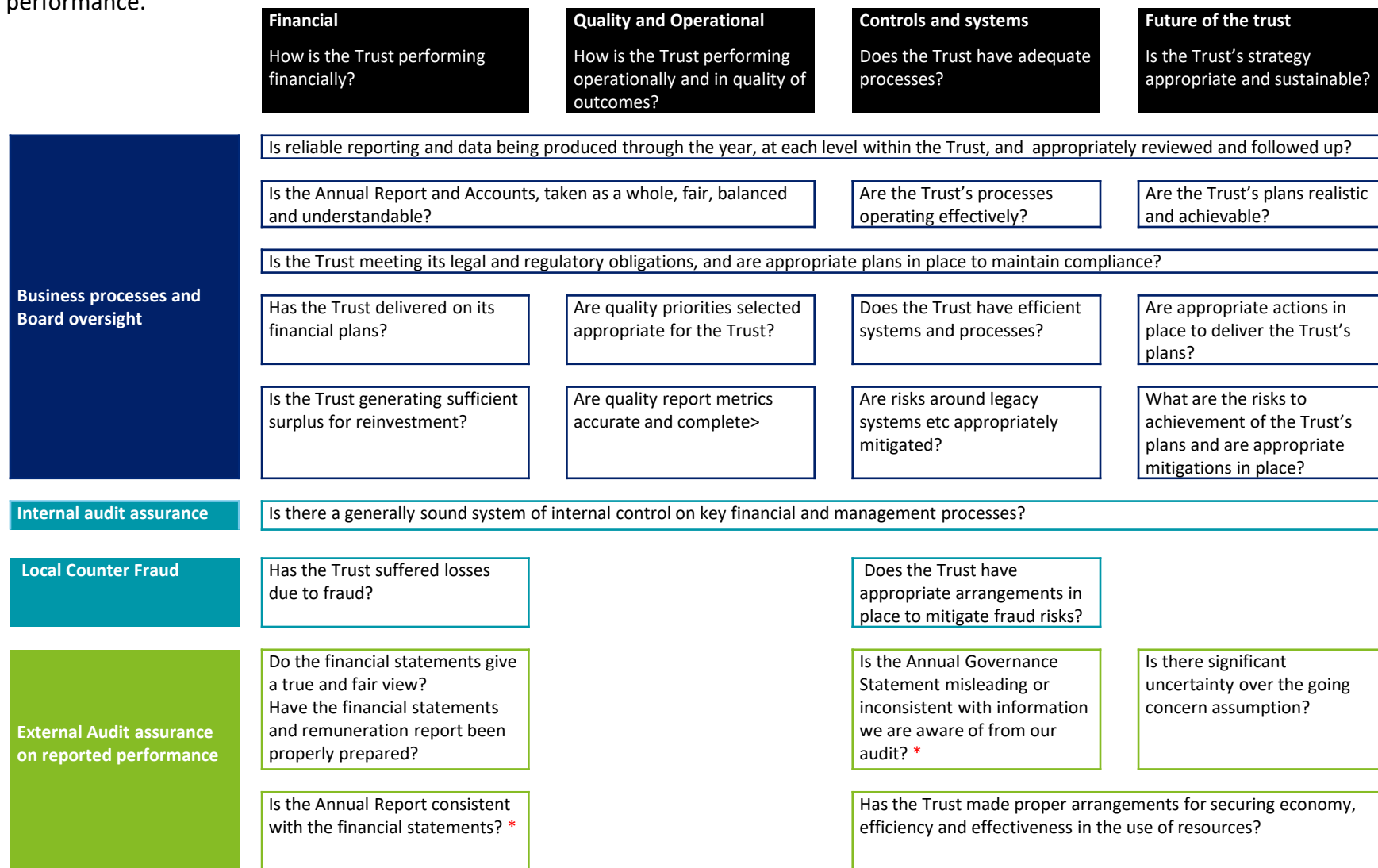
Where we identify recommendations, we indicate whether these are:

- Recommendations in respect of significant weaknesses in the Trust's VfM arrangements, which we are required to make in accordance with paragraph 54 of AGN 03 where we identify a significant weakness, or
- Other recommendations, which we have indicate as "Deloitte Insights" (and which are summarised in Appendix 1).

We have not identified any significant weaknesses in the Trust's VfM arrangements, and so have not reported any recommendations in respect of a significant weaknesses. However, we have raised one Deloitte Insight in respect of Financial at year end (see Appendix 1).

Assurance sources for the Trust

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



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

Opinion on the financial statements

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

- Give a true and fair view of the financial position of the Trust and its group at 31 March 20234 and of the Trust’s and group’s income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by NHS England; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006.

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

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

Audit opinion on the financial statements: We issued an unqualified opinion on the Trust and group’s financial statements on 27 June 2024. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.

Remuneration and Staff Report: We reported that the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the National Health Service Act 2006.

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

Annual Report: We reported that the information given in the Performance Report and Accountability Report for the year ended 31 March 2024 is consistent with the financial statements.

Reports in the public interest and reports to NHS England: We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2024.

Reporting to the group auditor: In line with the group audit instructions issued by the NAO, we reported on 27 June 2024 that the Trust’s consolidation schedules that feed into the Consolidated NHS Provider Account and Department of Health and Social Care’s group accounts were consistent with the audited financial statements.

Audit Certificate We certified completion of the audit on 27 June 2024, following completion of our responsibilities in respect of the audit for the year ended 31 March 2024.

Our financial statement audit approach

An overview of the scope of the audit

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

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

Materiality

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

Based on our professional judgement, we determined materiality for the group to be £10.5m, on the basis of 2% of revenue.

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

Procedures for auditing the Trust's financial statements

Our audit of the Trust's financial statements included:

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

Data analytic techniques were used as part of audit testing, in particular to support profiling of populations to identify items of audit interest and in journal testing.

Approach to audit risks

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

We provided a detailed audit plan to the Trust's Audit and Risk Committee setting out what we considered to be the significant audit risks for the Trust, together with our planned approach to addressing those risks. We have provided a summary of each of the significant audit risks on the next page.

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

Significant risks

Classification of Capital Expenditure

Risk identified

The Group has a significant capital programme, and has spent £32.2m on additions to property, plant and equipment (PPE) in 2023/24.

Where the Trust develops properties as part of its capital programme, determining whether or not expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards. The annual cut-off of capital budgets and requirements of PDC funding increase the risk of amounts being incorrectly capitalised, or of incorrect recognition in the current period. The increased levels of capital funding across the sector have led to increased judgements over whether expenditure is capital in nature, including in the Trust's use of £1.0m of vesting certificates in 2023/24.

Deloitte Response

- We have reviewed the Trust's capital plans as part of the planning process and discussed with management potential risks or issues identified.
 - We have tested the design and implementation of controls around the capitalisation of costs .
 - We have tested capital spending on a sample basis to confirm that it complies with relevant accounting requirements and is recognised in the correct financial year.
 - We have tested a sample of vesting certificates to assess whether they have been appropriately accounted for from a Value for Money perspective whether their use is in accordance with Managing Public Money.
-

Deloitte recommendation and insight

The Trust's use of vesting certificates decreased from £1.4m at 31 March 2023 to £1.0m at 31 March 2024. We understand that the Trust has not made use of vesting certificates throughout the year, and only made use of them towards the end of the year. Vesting certificates are legal agreements intended to transfer legal title ahead of receipt of goods, in exchange for payment in advance. Vesting certificates can be a legitimate risk management tool if advance payments are required for commercial reasons to secure orders for goods in high demand or with long lead times – however, in these cases, their use is driven by the underlying commercial circumstances to provide protection to a buyer making payments in advance of delivery, rather than any considerations on accounting treatments. Managing Public Money states that public sector organisations should not make payments in advance of need, or use interim payments to circumvent spending controls, such as to avoid underspending the capital budget for the year.

We have not identified any issues from our design and implementation of controls testing in relation to capital expenditure. We have identified an error in relation to the use of vesting certificates as set out in the ISA260.

Significant risks

Management override of controls

Risk identified

In accordance with ISA (UK) 240 management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Group's controls for specific transactions.

The key judgments in the financial statements are those which we have selected to be the significant audit risks - capital expenditure. This is inherently an area in which management has the potential to use their judgment to influence the financial statements.

Deloitte response

In considering the risk of management override, we performed the following audit procedures that directly addressed this risk:

- We considered the overall control environment and 'tone at the top'.
 - We tested the design and implementation of controls in relation to journals and accounting estimates.
 - We made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments
 - We tested the appropriateness of journals and adjustments made in the preparation of the financial statements. We used Spotlight data analytics tools to select journals for testing, based upon identification of items of potential audit interest.
 - We reviewed accounting estimates for biases that could result in a material misstatement due to fraud and performed testing on key accounting estimates as discussed above.
 - We obtained an understanding of the business rationale of significant transactions that we became aware of that are outside of the normal course of business for the entity, or that otherwise appeared to be unusual, given our understanding of the entity and its environment.
-

Deloitte recommendation and insight

From the testing completed we have not identified any significant bias in the key judgements made by management, or identified any evidence of management override in our risk focused journal entry sample and our design and implementation of controls testing.

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

The Accounting Officer and the Board are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The Accounting Officer reports on the Trust's arrangements, and the effectiveness with which the arrangements are operating as part of their annual governance statement.

Under the National Health Service Act 2006, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. In accordance with the National Audit Office's Auditor Guidance Note 3, we are required to assess arrangements under three areas:

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

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

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. Our assessment of potential indicators has been performed in the context of the overall operating environment for the NHS during 2023/24, including the impact of industrial action, demand pressures, and the activities to recover elective activity levels following the pandemic.

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



Interviews with key stakeholders, including the Head of Financial Services.



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



Reviewing reports from third parties including Care Quality Commission, Internal Audit and correspondence with NHS England.



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



Review of the Trust's annual governance statement and annual report.

VfM arrangements: Financial Sustainability

Approach and considerations

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

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

Commentary

- It is notable that the Trust has reported a deficit on group level of £8.3m (2022/23: surplus of £10.0m). The Trust's submitted plan for 2024/25 is for a £6.9m surplus (£5.3m deficit on an adjusted basis), achievement of which would require £36.6m of savings (higher than the level achieved in 2023/24 of £23.5m). During 2023/24, the Trust achieved actual efficiencies of £23.5m, with recurrent savings of £13.1m, which is approximately 4.2% of the Trust's total operating expenses for the year. The total planned efficiencies for 2023/24 were £23.5m on a recurrent basis. For 2024/25, a CIP target of £36.6m, with £31.0m recurrent savings, has been included within the plan for 2024/25, which are significantly higher than 2023/24. We have also noted that around 26.8% (£9.8m) of the planned savings for 2024/25 are categorised as high risk by the management, while around 30.5% (£11.2m) of total savings required are categorised either unidentified or as opportunity within the NHS return submitted June 2024.
- As the planned deficit forms part of the overall system plan and is agreed with the ICB and the rest of the system, we do not consider that it indicates a significant weakness in arrangements to achieve financial sustainability. We note, however, that there remains a risk to the delivery of the 2024/25 plan and the Trust's ongoing financial position, which is a common challenge across the NHS.
- Whilst the Trust has a history of achieving significant amounts from its saving plans in the past, management has to continue to monitor financial performance on a monthly basis to ensure that the required savings level is achieved for the financial year 2024/25.

VfM arrangements: Financial Sustainability (continued)

Approach and considerations

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

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

Commentary

- We have evidenced the Trust's annual planning and budget setting approach which is robust and detailed. The approach covers the Group and the overall ICS position. The Trust has worked with its ICS partners to develop system and organisational level plans for 2024/25.
- The budget setting methodology and principles for 2024/25 were agreed by the Finance & Performance Committee. The paper contained budget setting principles, timetable, process and the Trust's financial sustainability.
- Monthly reporting and challenge takes place at all levels. This allows for the financial position to be challenged from different perspectives and helps to identify issues and corrective actions, if needed. Some of the channels include:
 - Monthly finance department position review / divisional performance reviews
 - Management Board
 - Finance & Performance Committee
 - Board
- Divisional Finance Managers work with clinical and non-clinical divisions to identify and investigate any current and future cost pressures. In addition to this the Trust also has a Finance & Performance committee to aid the governance of the financial suitability arrangements, which includes the Trust, Sulis and the overall Group position
- Savings plans are identified at a divisional level and embedded within the budget process. Achievement of savings is monitored and reported throughout the financial year to Divisional and Trust Boards.

VfM arrangements: Governance

Approach and considerations

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

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

Commentary

- The Trust has an established risk management process, with roles and responsibilities set out in the Risk Management Strategy.
- A range of formal processes and systems enable the effective management of both strategic and operational risk. Examples include policies and procedures, risk registers and the board assurance framework.
- The risk register is reviewed on a regular basis through Board meetings and new risks are added and managed as they emerge.
- The effectiveness of the Trust's internal control environment including counter fraud is overseen by the Audit and Risk Committee, through an annual internal audit and annual counter fraud plan.
- The Trust's Head of Internal Audit opinion for the year was 'significant assurance with minor improvement opportunities' meaning there is a sound system of internal control designed to meet the Trust's objectives and that controls in place are being consistently applied in all key areas reviewed.
- Board members are asked to make an annual declaration of being fit and proper. In addition, there is a register of interest, including gifts and hospitality for members to declare any interests of relevance. These practises ensure that the Board is regulated and responsible. We also note that the Board must adhere to the Code of Conduct and Accountability which sets out appropriate behaviour for the NHS Boards.

VfM arrangements: Governance (continued)

Approach and considerations

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

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

Commentary

- The Trust medical care was inspected by the CQC in July and August 2023 with the report being published in October 2023. This noted a downgrading in the overall assessment of the Trust from 'good' to 'required improvement'. A detailed action plan is in place at the Trust which set out 18 actions all of which have been implemented with the exception of 2. We have not noted a significant weakness in arrangement as a result of this.
- The Trust's maternity services were inspected by CQC in November 2023 with the formal report published in March 2024, this did not change the overall rating for the hospital that remained as 'requires improvement', however rated maternity services as 'outstanding'.
- NHS England's has assessed the Trust under the Single Oversight Framework in segment 3, which is "Providers offered targeted support: there are concerns in relation to one or more of the themes". This is deterioration on the rating of 2 in the prior year.

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations

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

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

Commentary

- There is appropriate senior management representation on all the key governance groupings within the BaNES Swindon and Wiltshire ICS. The Chair and Chief Executive sit on the BSW Partnership Board and Executive respectively, and the Chief Executive is also the SRO of the 'Acute Hospitals Alliance' which is made up of the three local acute trusts. Other executives are members of the Urgent Care and Flow, Elective Care and Population Health Boards.
- The Trust generates very detailed data about its performance against a range of national, regional and local performance metrics. This information is presented in such a way as to clearly indicate where improvements are required, and actions to secure this are identified, but are open to challenge.
- Bi-monthly meetings are scheduled with the DOFs with a standard agenda covering KPIs, QIPP and Risk with an agreed set of key metrics and measurements which are reviewed at each meeting.
- Value for money is assessed on the most advantageous combination of cost, quality and sustainability to meet the requirements of the Trust.
- The Procurement Service has submitted a five-year Procurement strategy and is accountable for the delivery of savings and value through an aggregated work plan and agreed operating model.
- The Director of Procurement is the lead responsible for Procurement, Commercial Services and Supply chain Management, reporting directly to the Directors of Finance at the ICS member trusts who have executive responsibility for the service at Trust Board and the ICS Procurement Board as the governance body.

Purpose of our report and responsibility statement

What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that brings together all of our work over the year, including our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Trust's arrangements.

What we don't report

Our audit was not designed to identify all matters that may be relevant to the Trust.

Also, there will be further information the Board of Directors and Board of Governors need to discharge their governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Board of Directors, as a body, and the Board/Council of Governors, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Deloitte LLP
Bristol | 22 July 2024

Appendix 1: Recommendations

We have summarised below Deloitte insights where there are opportunities to strengthen arrangements to secure economy, efficiency and effectiveness in the use of resources.

Financial sustainability

Deloitte insight

Observation

Whilst we concluded that there was no significant weakness in the Trust's arrangements, it is notable that the Trust has reported a deficit on group level of £8.3m (2022/23: surplus of £10.0m). The Trust's submitted plan for 2024/25 is for a £6.9m surplus (£5.3m deficit on an adjusted basis), achievement of which would require £36.6m of savings (higher than the level achieved in 2023/24 of £23.5m). For 2024/25, a CIP target of £36.6m, with £31.0m recurrent savings, has been included within the plan for 2024/25, which are significantly higher than 2023/24. We have also noted that around 26.8% (£9.8m) of the planned savings for 2024/25 are categorised as high risk by the management, while around 30.5% (£11.2m) of total savings required are categorised either unidentified or as opportunity.

Recommendation

We recommend that management should continue monitoring financial performance on a monthly basis to ensure that the required savings level is achieved for the financial year 2024/25. Also, the Trust Board should ensure that it is assured on the deliverability of the plan and that the increased risks to financial sustainability of the Trust are carefully managed. Furthermore, the Trust should prepare an MTFP to get back to breakeven in future years.

Governance over the use of Artificial Intelligence tools

Deloitte insight

Observation

The Trust are considering the use of Artificial Intelligence in future, including in delivery of services.

The Trust currently does not have a risk in the Trust's Corporate Risk Register in respect of risks associated with the use of AI in provision of services.

Furthermore, there is not currently an overarching policy on governance and decision making in respect of AI solutions.

Recommendation

We recommend, should the Trust plan a potential use of AI in future, the Trust consider whether the risks associated with the deployment of AI solutions are adequately reflected in the Trust's risk registers and risk management processes.

We recommend the Trust review whether an overarching governance framework and supporting policies are needed for the deployment and operation of AI, particularly in provision of services.

Appendix 1: Recommendations (continued)

Governance over climate-related risks

Deloitte insight

Observation

The Trust's disclosures in the Performance Analysis section of the Annual Report set out the board's oversight of the Trust's approach to assessing and managing climate-related issues, and underlying management structures in respect of this.

As noted in the Annual Report, the Trust considers it is at an early stage in its sustainability journey and there is currently no task force on climate-related financial disclosures for this reporting year, and to embedding sustainable development in its arrangements.

Recommendation

Given the extent of TCFD reporting will increase over the next two years, we recommend the Trust review its anticipated disclosures ahead of next year-end to ensure that relevant information is available to support the increased disclosures, and to consider whether any actions are required as part of its sustainability programme.

We recommend the Trust reviews whether climate-related risks are sufficiently reflected in the Trust's risk registers and Board Assurance Framework and how climate-related issues are considered when setting its strategies.

Appendix 2: Trust's responsibilities

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

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

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

The Chief Executive, as Accounting Officer of the Trust, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Accounting Officer is required to comply with the Accounts Direction issued by NHS England, which requires the Trust to comply with the Department of Health & Social Care Group Accounting Manual and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the Accounting Officer has applied the 'continuing provision of services' approach set out in the Group Accounting Manual, as it is anticipated that the services the Trust provides will continue into the future.

The Accounting Officer is required to confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for patients, regulators and stakeholders to assess the Trust's performance, business model and strategy.

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

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

Appendix 3: Auditor's responsibilities

Auditor's responsibilities for the audit of the financial statements

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

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

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

We are required under the Code of Audit Practice and the National Health Service Act 2006 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the foundation trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General, as to whether the Trust has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Trust a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. Other findings from our work, including our commentary on the Trust's arrangements, are reported in our Auditor's Annual Report.

Auditor's other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the National Health Service Act 2006 to:

- make a referral to NHS England if we believe that the Trust or an officer of the Trust is
 - about to make, or has made, a decision which involves or would involve the Trust incurring unlawful expenditure;;
 - about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency
- consider whether to issue a report in the public interest.



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