



Auditor's Annual Report
Hull University Teaching Hospitals NHS Trust – year ended 31 March 2024

July 2024

Contents

- 01** Introduction
- 02** Audit of the financial statements
- 03** Commentary on VFM arrangements
- 04** Other reporting responsibilities

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

01

Introduction

Introduction

Purpose of the Auditor's Annual Report

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

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



Opinion on the financial statements

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



Wider reporting responsibilities

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



Value for Money arrangements In our audit report we reported that we were not satisfied arrangements were in place for the Trust to secure economy, efficiency and effectiveness in its use of resources, this is because we issued a recommendation in relation to a significant weakness in those arrangements. Section 3 provides our commentary on the Trust's arrangements and a summary of our recommendation and the weakness identified.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

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

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

Qualitative aspects of the Trust's accounting practices

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

With respect to the audit of the 2023/24 financial statements, we noted that:

- The Trust met the draft submission deadline of 24 April 2024. A draft copy of the accounts were received from the Trust on 24 April 2024.
- During the audit, we did not encounter any significant difficulties and we have had the full cooperation of management.

Reporting responsibility	Outcome
Annual Report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust. We confirmed that the Governance Statement had been prepared in line with Department of Health and Social Care (DHSC) requirements.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by NHS England.
Remuneration and Staff Report	We report that the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the National Health Service Act 2006.

03

Our work on Value for Money
arrangements

VFM arrangements


Overall Summary





VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether 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 main phases.

Phase 1 - Planning and risk assessment

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

We obtain our understanding of 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 19.

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

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




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

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

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

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	Yes – see commentary on page 14
 Governance	15	No	No	No
 Improving economy, efficiency and effectiveness	18	Yes – see commentary on page 19	Yes – see commentary on page 24	No

VFM arrangements

Financial Sustainability

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



VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have identified no risks of significant weaknesses in arrangements in relation to Financial Sustainability.

Overall commentary on Financial Sustainability reporting criteria

Overall responsibilities for financial governance

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

The Performance and Finance Committee is responsible for seeking assurance on the planning and successful delivery of key performance measures both financial and operational, with a focus on sustained performance and future delivery.

The Performance and Finance Committee met on 12 occasions during the year. The focus of each meeting is on the Trust's Performance Report, which includes reporting of the Trust's performance against national standards. Other key agenda items over the year include reporting of the Trust's financial position, with a particular focus on the monthly reported position, income and expenditure variances to plan, commentary on reasons for variances and the forecast outturn. Financial reporting also includes monitoring of cash releasing efficiency savings (CRES), agency spend and the Trust's underlying position. Capital expenditure is also monitored against plan, as well as the Trusts cash flow, current liabilities and current assets. The Non-Executive Chair of the meeting provides a briefing to the Board of the areas discussed at the Performance and Finance Committee.

Our review of the Committee meeting minutes has not identified any matters to suggest it did not comply with its Terms of Reference during 2023/24. The newly formed Performance, Estates and Finance Committees in Common will continue to discharge the duties of the Performance and Finance Committee during 2024/25.

Background to the NHS financing regime in 2023/24

In 2020/21, NHSE established Integrated Care Systems (ICS) as the key unit for financial allocations. Moving into 2023/24, ICSs continued to be the key unit for financial planning purposes, with the aim of encouraging

greater collaboration and collective responsibility for financial performance.

The Covid-19 pandemic necessitated the implementation of interim 'block' allocations to ensure that systems had sufficient resource to respond to the pandemic. 2022/23 was the first full year programme funding allocations were reset to move back towards a 'fair share' distribution of resource. The results of this exercise were used to adjust 2023/24 allocation baselines.

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

Funding for elective recovery has operated on a new basis during 2023/24. Each commissioner was set an individual elective activity target that recognised the level of elective activity delivered in 2022/23 by its contracted trusts. Commissioners were then required to agree contracts with their providers. For trusts, almost all contracts were based on aligned incentive contracts with a fixed and variable element. The fixed element covered funding for the expected level of activity for all services apart from those identified in the variable element. The variable element funded elective activity paid at 100% of the NHS Payment Scheme unit price.

The Integrated Care Board (ICB) allocations for primary medical care services and running cost allocations remained broadly consistent with previous years, reflecting demographics of the serviced populations and broader economic factors.

As under previous arrangements, systems were required to achieve a breakeven position. This continued to necessitate further collaboration through the planning process, as individual organisations worked together to achieve system-level outcomes.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

The Spending Review 2021 provided the NHS with a three-year capital settlement covering 2022-23 to 2024-25. The Trust received a capital allocation of £61m in 2023/24. Capital allocations were split into three categories:

- A system-level allocation to cover day-to-day operational investments which have typically been self-financed by organisations in Integrated Care Systems (ICSs) or financed by Department for Health and Social Care (DHSC) through normal course of business loans or system capital support Public Dividend Capital (PDC).
- Nationally allocated funds to cover strategic projects already announced and in development or construction, such as hospital upgrades and new hospitals.
- Other national capital investment – including national programmes such as elective recovery, diagnostics and national technology funding and the mental health dormitory programme.

Over the course of 2023/24, the focus of the funding regime has been on recovering core services and productivity. Whilst recovering, also making progress in delivering the key ambitions in the NHS Long Term Plan and continuing to transform the NHS for the future. This has necessitated further collaboration between the Trust and other system partners, as individual organisations work together to achieve system-level outcomes and work together to deliver a balanced position in 2023/24.

We confirmed through review of minutes, discussions with officers and our work on the Trust's financial statements that the Trust worked with system partners to deliver in line with the financial plan agreed within the ICS.

The Trust's arrangements and approach to 2023/24 and 2024/5 financial planning

We confirmed through minutes review that throughout the financial year the Trust reported its financial position to the Performance and Finance Committee. Reports detailed any variances from the plan and provided explanations, with appropriate corrective action identified and implemented where necessary. A performance and finance committee highlights/escalation report is taken to the Trust Board, which includes financial performance highlights or issues which warrant escalation to the Trust Board.

The Trust manages any identified funding gaps through its efficiency programme, (which the Productivity and Efficiency Board has oversight of). A challenging efficiency programme was in place for 2023/24, with an efficiency target of £54m set, with the plan to achieve £42m of the savings through recurrent efficiencies. The

Trust delivered savings of £50m against the plan of £54m through a number of schemes with the largest pay efficiencies delivered through service re-design and establishment reviews and the most significant non-pay efficiencies delivered through non-clinical procurement and procurement of medical devices and clinical consumables. Of the £50m delivered savings, £20.1m was delivered through recurrent efficiencies, which was £21.9m less than planned. Whilst the non-recurrent efficiencies delivered of £30m were greater than the planned £12m. Non-recurrent savings identified in 2023/24 are one off savings and will not reduce pressure on the financial position going forwards into 2024/25.

The Trust's financial plans are under pinned by the national planning guidance and are also closely linked to the Trust's Strategy, which ensures that its financial plans are consistent with other plans (e.g. workforce and activity plans). We confirmed through observation that routine budget monitoring is in place and designed to identify short and long-term issues which are reviewed by the Performance and Finance Committee and Trust Board. The Trust is also linked to regional and national groups where emerging issues are raised and discussed. Planning arrangements include the Trust's financial plans being subject to review and approval – first by the Performance and Finance Committee and then by the Board. We confirmed through review of minutes this includes scrutiny and challenge of the key risks and assumptions and consideration of the plans to manage the risk including sensitivity analysis. The plans are then subject to approval by the Integrated Care System ('ICS') and NHS England which are designed to add a further layer of scrutiny and challenge.

The Trust submitted a financial plan for 2023/24 to achieve a £7.2m deficit. This was updated at month 11 following the receipt of additional funding from the ICB to a planned break-even position. At month 11 additional funding of £7.2m was provided by the ICB to facilitate achievement of a break-even position, along with an additional £1.9m of funding to cover the cost of industrial action in December, January and February. As reported in the financial accounts the Trust reported an adjusted financial performance position of £0.02m surplus, which was an improvement on the updated plan.

For 2024/25 Integrated Care Boards (ICBs) and NHS primary and secondary care providers were expected to work together to plan and deliver a balanced net system financial position in collaboration with other Integrated Care System (ICS) partners. System plans were triangulated across activity, workforce and finance. The Trust's final financial plan for 2024/25 was to be submitted to NHSE by 12 June 2024.

The Trust, along with other system providers, submitted its latest financial plan for 2024/25 in mid-June 2024, this superseded the initial plans submitted. The planning process for 2024/25 was an iterative one with each plan seeking to close the financial gap to achieve financial balance. The final financial plan submitted for the

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

Trust had a planned deficit of £13.3m, within an overall Humber and North Yorkshire (HNY) ICS deficit of £50m. The Trust plan includes delivery of efficiencies of £47.1m.

Review of the financial plan update to the Trust Board highlights that the planned financial position will be very challenging to achieve and includes a high level of savings to be actioned. The total efficiency target of £47.1m, is equivalent to 5.2% of the Trust's operating expenditure. The financial plan shows that plans are in progress to deliver £14.4m of efficiencies with opportunities identified for a further £20.9m and that at the time of plan submission £11.8m of efficiencies were unidentified. The Trust agreed to allocate the savings requirement so that corporate functions are set a 7% efficiency requirement and operational divisions are set a 3% efficiency requirement on their pay and non-pay budgets. The Trust has a Cost Improvement Plan (CIP) in place which is monitored and reviewed by the Performance, Estates and Finance Committee and the Trust Board.

It is likely that some of the efficiencies will be delivered non-recurrently and the Trust will start the year with an underlying deficit position of £55.7m. A plan to address this underlying position will need to be developed in year. Reporting of the 2024/5 financial plan to the Trust Board, along with a Productivity and Efficiency Challenge presentation the Chief Financial Officer presented to the Board clearly sets out the risks to achievement of the plan and also the need to look at all opportunities to improve the Trusts financial sustainability.

Review of the month 1 monitoring reported to the Performance, Estates and Finance Committee shows a reported deficit of £3.4m, which is £1.7m worse than the plan, however due to timing the Trust have the ability to address this variance in year. The Trusts CIP reporting shows delivery in month 1 is £1.5m adverse variance to plan. The report highlights the key actions going forward are to reduce cost pressures, maximise planned care activity and delivering a challenging CIP programme, converting non-recurrent savings into recurrent delivery schemes and identifying new schemes.

Review of 2024/25 financial reporting to date highlights that the Trust is closely monitoring the progress against plan to date, is aware of where the risks and uncertainties are, the financial pressures that exist and the need for ongoing work to ensure that the required efficiencies are delivered. Previous year arrangements have delivered the required financial plan and as such we have not identified a significant weakness in arrangements.

The Trust is making progress towards delivering the CIP; however, delivery is challenging and could be a potential risk to the budgeted financial position for 2024/25. Consistent with our reporting in the previous year,

whilst we are satisfied there is no evidence of a significant weakness in arrangements, in 2024/25 we recognise the significant challenge associated with delivering a challenging efficiency target, we have therefore raised the following 'other recommendation'.

Other recommendation

1	Achievement of the 2024/25 efficiency target - totalling £47.1m, 5.2% of operating expenditure - will be a significant challenge for the Trust.	The Trust should ensure it continues its arrangements to identify how it will deliver un-costed efficiency savings included in the financial plan. It should also ensure that its scrutiny arrangements, to monitor and deliver its efficiency savings plans are maintained throughout 2024/25. This should be reported regularly to the trust Board.
---	---	--

The Trust have set a capital plan of £36m. The Capital Department Expenditure Limit CDEL allocation for 2024/25 is £32.8m. As with any capital programme of this size, the Trust will need to ensure it has sufficient resources to project manage and achieve programme delivery, while mitigating inherent risks present in the programme.

Given the ongoing pressures within the NHS to restore services and reduce care backlogs following the impact of the COVID-19 pandemic, the Trust have continued to adapt their arrangements during the year. The financial position going forwards is challenging and the Trust is aware of the challenges it faces and the potential risks to delivery of the 2024/25 financial plan and longer-term financial stability. We confirmed that this has been reported to appropriate stakeholders.

Conclusion

Given the above, we are satisfied there is not a significant weakness in the Trust's arrangements in relation to the financial sustainability reporting criteria.

VFM arrangements

Governance

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



VFM arrangements – Governance

Risks of significant weaknesses in arrangements in relation to Governance

We have identified no risks of significant weaknesses in arrangements in relation to Governance.

Overall commentary on Governance reporting criteria

We have reviewed the Trust's Board and committee reports during the year as well as key documents in relation to how the Trust ensures that it makes informed decisions and properly manages its risks. Through this review we note that the Trust's governance arrangements are consistent with prior years. As a result, our commentary on those arrangements is also consistent with our commentary as reported through our Auditor's Annual Report (AAR) for 2022/23.

From 1st April 2024 a new operational structure has been established across Hull University Teaching Hospitals NHS Trust and Northern Lincolnshire and Goole NHS Foundation Trust whereby the two Trusts are led by one Group Chief Executive and Executive Leadership team. The two trusts remain separate sovereign organisations, and as such have separate accounts, CQC registrations and annual reports.

The Trust's arrangements for budget setting and budgetary control

Through our review of Board and Committee reports, meetings with Management, review of key documents and relevant work performed on the financial statements, we are satisfied that the Trust has established systems for budget monitoring.

The Trust reports on a monthly basis through its budgetary control system to the Chief Financial Officer, Performance and Finance Committee and Trust Board. Review of budget monitoring reports at the Health Group level shows detailed analysis of year-to-date budget, actual spend and variances, along with explanations for areas of over or under spending. Where appropriate, action required to address overspending is identified. The reports also provide an update on delivery of the Health Group CRES plan and work in progress to identify and deliver the required efficiencies.

We confirmed through review of minutes that monthly performance meetings are held by the Trust's Executive Management Committee with the Health Group leaders and key support staff to review financial and non-financial performance.

On a monthly basis the Trust have reported their performance against the required NHS standards to the Performance and Finance Committee. The reports detail the Trust's performance against the target for all standards, as well as highlighting the key concerns, most improved and most deteriorated. As part of the

reporting, peer comparison is included to assess the Trust's performance against its peers. Mitigating actions are also reported to show how poor performance will be improved.

The Trust's risk management and monitoring arrangements

We confirmed a risk management policy is in place which describes the organisation's approach to risk and risk management. The Trust Board is responsible for setting the risk management policy for the organisation. The policy defines the leadership roles within the Trust for risk management. The Trust has a well-established process for entering risks on to its risk register and we confirmed risks are regularly reviewed.

Risks which are entered on the Trust risk management system (DATIX) are assigned an initial, current and target risk rating. Controls are identified to mitigate the level of risk and where there are gaps in the controls, action plans are developed. Risks are identified and reviewed on an ongoing basis across Health Groups and corporate services, including finance. Risks are identified from a variety of sources, including day to day operational working practices and trends arising from incidents, complaints and regulatory compliance. Service managers are responsible for on-going investigation and assessment of risks.

We confirmed Board Assurance Reports, including risks relevant to the committee's remit, are taken to the Performance and Finance Committee and Quality Committee, with overall reporting to the Trust Board. Reports detail risks and associated risk ratings, as well as a risk appetite score. Reporting also provides details of actions taken in the current quarter and planned actions to mitigate risks going forward. Reporting details, where appropriate, any proposed changes to risk ratings. Assurance outcomes/gap analysis are used to assess whether sufficient actions are being taken to achieve the target risk ratings.

The Trust's decision-making arrangements and control framework

The Trust has an established governance structure in place which is set out within its Annual Governance Statement. This is supported by the Trust's Constitution and Scheme of Delegation. Executive Directors responsibilities are linked to their roles and the Board sub-committee structure in place at the Trust is designed to allow for effective oversight of the Trust's operations and activity.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Despite the change in governing structure to a shared Board of Directors, the Committees have remained the same throughout 2023/24. Our review of the Trust's governance framework confirms the Trust had established committees with responsibility for specific areas, such as finance and performance, and the quality of care, including:

- Performance and Finance Committee;
- Audit Committee;
- Quality Committee;
- Remuneration Committee; and
- Charitable Funds Committee

Throughout 2023/24 the Trust continued to operate its Board meetings and sub committees as in prior years. The papers and minutes from the committee meetings demonstrate challenge from committee members. The information presented to the committees is timely and sufficiently detailed to support properly informed decision making.

The Trust has approved Terms of Reference for the Board and each sub-committee. These are designed to ensure each committee works within the approved remit and that responsibilities are clear. The Trust has Standing Orders and Standing Financial Instructions in place which are available to staff via the intranet. Review of the Trust's Standing Financial Instructions confirms that the Trust's Board has overall responsibility for financial supervision and control, and does this by formulating the financial strategy, approving budgets and by ensuring the Trust achieves value for money. They are sufficiently detailed to ensure appropriate standards are adhered to.

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. This includes arrangements such as a register of interests and gifts and hospitality being maintained which are regularly reviewed and updated and considered by the Audit Committee on a regular basis.

To provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Trust has appointed internal auditors and has entered into a collaborative counter fraud

service with a number of other local Trusts which is hosted by Northern Lincolnshire and Goole Hospitals NHS FT (NLAG). The LCFS for the Trust performs a full range of counter fraud activities including the provision of staff training and awareness sessions with targeted awareness in higher risk areas such as procurement and recruitment.

Work plans are agreed with management at the start of the financial year and reviewed by the Audit Committee prior to final approval. We have reviewed the Internal Audit Plans for 2023/24 and 2024/25 and confirmed the Audit Committee is satisfied the planned work is reasonable and relevant to the Trust. We confirmed through attendance at meetings that progress reports are presented to each Audit Committee meeting. This includes 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. Members of the committee actively request management attendance at committees to discuss findings from internal audit reports.

The Trust develops a risk based internal audit programme each year; the results of the internal audit reviews are reported to the responsible officers

Internal Audit produce a Head of Internal Audit Opinion at year end which gives their overall assessment on the adequacy and effectiveness of the organisation's risk management, control and governance process. The Head of Internal Audit Opinion for 2023/24 taken to the June 2024 Audit Committee was that the Trust had an 'adequate and effective' framework for risk management, governance and internal control.

Conclusion

Given the above, we are satisfied there is no evidence of a significant weakness in the Trust's arrangements in relation to the governance reporting criteria.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

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



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Risks of significant weaknesses in arrangements in relation to Improving Economy, Efficiency and Effectiveness

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
<p>1 Care Quality Commission (CQC) Inspection</p> <p>Progress in responding to findings from the previous Care Quality Commission (CQC) inspections that were reported in our 2022/23 audit.</p> <p>Following the weaknesses identified in the previous year in relation to CQC inspections, we have identified that there is a potential risk that the Trust has not responded appropriately to the actions suggested in order to resolve the issues identified, or that they have not made sufficient progress against the findings.</p>	<p>Work undertaken</p> <p>We have considered the work that the Trust has carried out to address the issues raised in the CQC inspections that were reported in our 2022/23 audit.</p> <p>We have discussed with management their latest assessment of the extent to which the previously identified significant weakness in arrangements and recommendation have been addressed.</p> <p>We have reviewed implementation of the actions set out within the CQC action plan for Emergency Care and Maternity Services, along with the reporting to the Quality Committee, Quality Improvement Group and Trust Board.</p> <p>We have considered whether the significant weakness and recommendation remains for the 2023/24 audit or has been fully addressed.</p> <p>Results of our work</p> <p>We have concluded that while the Trust has made progress in implementing the recommendations made by CQC, given to date the CQC have not reinspected the Trust we are unable to conclude that the Trust has fully addressed the issues raised in the CQC inspections.</p>

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness reporting criteria

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

The Trust has access to a number of sources of data to identify areas for improvement, this includes the Use of Model Hospital data and Trust Patient Level Costing Data (PLICS) data, National Cost Collection Index (NCCI), Scan for Safety data and Benchmarking data. This data is used by the Trust to assess its performance and identify areas for improvement. The Productivity and Efficiency Board are responsible for co-ordinating activities for driving improvements across the Trust. An action tracker to monitor actions and output is maintained and updated regularly. Health Groups are involved in this process to ensure maximum engagement and efficiencies are achieved.

The Trust has a Quality Committee that considers lessons learned and supports the development of a learning culture and safety culture, particularly following Serious Incident Investigations. The Board is advised of any escalation issues following each meeting by the Non-Executive Quality Committee Chair. This escalation process is designed to ensure issues are communicated and addressed across the Trust. Lessons learned are also communicated throughout the Trust via a monthly 'Lessons Shared' newsletter. The newsletter's includes clear actions to be taken, points to remember and provide links to further support and guidance.

The latest full Care Quality Commission (CQC) inspection of the Trust was undertaken in late 2022 and published in March 2023. The Trust was rated as 'requires improvement' overall. The Trust received the following ratings against each of the sub-criteria:

Criteria	Rating
Are services safe?	Inadequate
Are services effective?	Requires Improvement
Are services caring?	Good
Are services responsive?	Requires Improvement
Are services well-led?	Requires Improvement

Overall CQC identified 4 Trust wide 'must do' actions to improve, along with a number of 'must do' actions in Urgent and Emergency Care Services, Medicine and Surgery, as well as a number of 'should do' actions to improve services.

The report highlighted the following positive aspects of the Trust's services:

- staff treated people with compassion and kindness;
- the service had a good understanding of quality improvement methods and the skills to use them. Leaders encouraged innovation and participation in research; and.
- leaders and staff actively and openly engaged with patients, staff, equality groups, the public and local organisations to plan and manage services.

Specific concerns were raised about the Urgent and Emergency Care Services. The well led inspection of this service highlighted that there was no evidence found to support that senior leaders had a sufficient oversight and understanding of where the department was failing to meet standards in care. CQC saw staff failing to provide the required standard of care on multiple occasions. As a result, the CQC issued a Section 31 letter of intent requesting urgent action to address these concerns. In response the Trust provided an action plan to address the concerns raised. Following up on the service to see if the actions had been implemented the CQC found the improvements detailed in the Trust's action plan had not been adequately actioned. The CQC found that despite assurances from the senior leadership in the department, actions detailed in the plan had not been effective in demonstrating an improvement in patient care and experience nor had the trusts own systems identified the lack of progress.

The CQC completed an inspection of maternity services at Hull Royal Infirmary during March and April 2023. The report was published in August 2023. Overall, the service was rated 'inadequate' including in the 'are services safe' criteria. A Section 31 notice was issued which required the Trust to take immediate action to address concerns. Our view is that the maternity CQC inspection result does not present an additional significant weakness in arrangements but supports the significant weakness we have already identified. Therefore, we have considered the Trust response to the CQC recommendations we have confirmed incorporates the maternity services findings.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

In our 2023/24 work we have considered the Trust response to the CQC inspections through the review of relevant reports and discussions with key officers. The Trust response includes:

Development of CQC Action Plan, including action for Emergency Care and Maternity Services. As at 31 March 2024 the Trust is reporting delivery of 78% of the actions. This includes progress being made in actions to address mandatory training, nurse staffing, patient safety and investigations of incidents.

The Trust provided evidence they have continued to meet the CQC regularly during the year. The Trust have submitted their Action Plan on a regular basis for regular review by the CQC. Other reporting to the CQC includes maternity services submissions.

Internally the Trust has assessed performance through the Quality Committee which in turn reported to the Trust Board. Since the establishment of group arrangements in 2024 with Northern Lincolnshire and Goole NHS FT (NLAG) the CQC progress has been reported to the Group Quality and Safety Committee. We have been provided evidence to demonstrate this group has met and received CQC updates.

Externally the Trust has reported to the Quality Improvement Group which is attended by representatives of NHS Humber and North Yorkshire Integrated Care Board (ICB), NHS England and the CQC.

We are satisfied based on our work there is sufficient evidence of the Trust having taken appropriate steps in response to the CQC findings. Therefore, there is no evidence of an additional weakness in arrangements. The evidence we have seen indicates the Trust has made progress in addressing the matters raised by the CQC however many actions are yet to be fully implemented and others will require time to become embedded. The CQC have not completed a formal follow up of the Trust and as such they have not formally concluded that the Trust have addressed their concerns and are no longer in the 'inadequate' category for safety. Therefore, it is our judgement that we cannot conclude the Trust have fully addressed the actions required by the CQC and as such the weakness continues to exist for the year ended 31 March 2024.

In our view, the CQC's 'inadequate' rating in relation to 'are services safe', specifically in relation to urgent and emergency care services and maternity services at Hull Royal Infirmary, and the matters identified in the Section 31 letter of intent are evidence of a significant weakness in the Trust's arrangements for evaluating the services it provides to assess performance and identify areas for improvement (improving economy, efficiency and effectiveness).

The Trust's arrangements for effective partnership working

The Trust has demonstrated strong partnership working with key stakeholders across the Humber Coast and Vale (HCV) Integrated Care System (ICS) during 2022/23 and 2023/24. The Trust has continued to be a member of several groups across the Humber region including the HCV Partnership Board, HCV Provider Collaborative Board, Cancer Alliance Board and HCV Local Maternity System.

The abolition of CCG's and the introduction of the Humber and North Yorkshire ICB means that financial performance is now measured at an ICS level and the organisations of the Humber and North Yorkshire (HNY) Health and Care Partnership have the collective aim of delivering services within the agreed financial envelope. This shared responsibility is discharged through timely and transparent sharing of data and regular joint meetings to develop a consensus on approach and risk mitigation across the ICS. This is an example of how the Humber and North Yorkshire organisations, including the Trust, are working together at an ICS level.

During 2023/24 the Trust has continued to jointly lead a Humber Acute Services Review within the ICS together with Northern Lincolnshire and Goole NHS Foundation Trust and the Humber and North Yorkshire ICB. The Trusts now operate under a shared management structure with one CEO across both Trusts. The aim of the collaboration is to establish new and sustainable arrangements within priority service areas across the Humber to ensure they can continue to operate safely, as well as addressing the significant challenges in terms of staffing and infrastructure across the two Trusts. The Humber Acute Services Programme is reaching its final stages and has recently closed its statutory consultation. The process is subject to an annual independent evaluation and the outcome of the consultation is expected from the ICB Board in July 2024.

The Trust recognises the importance of partnership working to deliver its own and the wider ICS objectives and this is demonstrated through the long-term goals of the Trust which include partnership and integrated working. The Trust identifies the failure of partnerships and integrated services as a risk to the achievement of its strategic objectives and this is reported and monitored in accordance with the BAF process outlined above.

The Trust's arrangements for commissioning services

The Trust has a dedicated, professionally qualified procurement team in place. The team is led by the Director of Procurement and sits centrally within the Trust and provides procurement expertise to health groups. Procurement policies and procedures are set out within the Trust's Standing Financial Instructions and Contracts Department Procedure Manual. Each tender has a service specification that is drawn up in consultation with the health group and sets out the requirements for the contract. A selective questionnaire

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

sets out the minimum requirements and confirms compliance with the Modern Slavery Act, outlines contingency planning and specifies other mandatory questions that form part of the core selection process. Evaluation teams are set up, including representatives from the relevant health group. The evaluation team assess the bids against the award criteria and recommend who should be awarded the contract. Approval thresholds are set out within Standing Orders, which specifies that all contracts over £1m have to be approved by the Performance and Finance Committee and all contracts over £3m have to be approved by Trust Board. Based on review of minutes we are not aware of any non-compliance with these limits in 2023/24.

Conflicts of interest are monitored, and the evaluation team are asked to declare any interests, which are documented as part of the overall procurement process. Any waivers to Standing Financial Instructions are subject to approval. Our attendance at the Audit Committee confirms it receives regular reports on any breaches of Standing Financial Instructions and Single Tender Waivers to assure the Board that the Trust is working in accordance with relevant legislation, professional standards and internal policies. Sufficient information is provided to enable an adequate level of review and we have observed an appropriate level of challenge from committee members through the year.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year

As part of our 2022/23 audit work, we identified the following significant weaknesses, and made recommendations for improvement in the Trust’s arrangements to secure economy, efficiency and effectiveness in 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 2023/24 year.

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>1 Care Quality Commission (CQC) Inspection</p> <p>In 2022 the CQC completed an inspection of Hull University Teaching Hospitals NHS Trust (the Trust). The Trust was rated as ‘inadequate’ in the ‘are services safe’ criterion. This rating reflects the ‘inadequate’ rating that CQC gave the urgent and emergency care service at the Hull Royal Infirmary. The Trust was also issued with a section 31 letter of intent which requested the Trust take urgent action to address the significant concerns the CQC identified.</p> <p>In our view, the CQC’s ‘inadequate’ rating in relation to ‘are services safe’, the ‘inadequate’ rating for urgent and emergency care services at Hull Royal Infirmary, and the matters identified in the Section 31 letter of intent, are evidence of a significant weakness in the Trust’s arrangements for evaluating the services it provides to assess performance and identify areas for improvement specifically in the improving economy, efficiency and effectiveness reporting criteria.</p>	<p>Improving the 3Es</p>	<p>The Trust needs to fully address the weaknesses identified by the CQC. The Trust must ensure there is appropriate attention and resource is allocated to deliver the Action Plans it has developed to address the matters of concern raised by the CQC. It must ensure delivery of the Plans are monitored regularly by the Trust Board and relevant sub-committees.</p>	<p>We have considered the Trust response to the CQC inspection through the review of relevant reports and discussions with key officers.</p> <p>We note that the Trust actions include:</p> <ul style="list-style-type: none"> • establishing a CQC action plan, including for Emergency Care and maternity services. The Trust is reporting delivery of 78% of identified actions. • The Trust has met and reported regularly to the CQC. • CQC progress reported into the Trust Quality Committee. • Externally the Trust has reported to the Quality Improvement Group, established by the ICB and include representatives from NHS England and CQC. 	<p>Based on our work we are satisfied there is evidence of the Trust having taken appropriate steps in response to the CQC findings. Therefore, there is no evidence of an additional weakness in arrangements. The evidence we have seen indicates the Trust has made progress in addressing the matters raised by the CQC however many actions are yet to be fully implemented and others will require time to become embedded. The CQC have not completed a formal follow up of the Trust and as such they have not formally concluded that the Trust have addressed their concerns and are no longer in the ‘inadequate’ category for safety. Therefore, it is our judgement that we cannot conclude the Trust have fully addressed the actions required by the CQC and as such the weakness continues to exist for the year ended 31 March 2024.</p>

Other reporting responsibilities and our fees

Other reporting responsibilities and our fee

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 2023/24.

Section 30 referrals

Under Section 30 of the Local Audit and Accountability Act 2014, 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 that the Trust has submitted is consistent with the audited financial statements.

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

Fees for our work as the Trust's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee on 25 April 2024. Having completed our work for the 2023/24 financial year, we can confirm that our fees are as follows:

Area of work	2023/24 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	£85,000	£85,000
Additional fees arising from additional audit work*		
• PFI IFRS 16 implementation	£6,000	£3,500
• VFM Significant Weakness	£2,500	£5,300
Audit of the Hull and East Yorkshire Hospitals NHS Trust General Purposes Charity	TBC	£3,500
Total fees	£93,500	£97,300

*to be agreed with management

Fees for other work

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

Appendices

A: Further information on our audit of the financial statements

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

Significant risks and audit findings

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

Risk	Our audit response and findings
<p>Significant Risk 1: Management override of controls</p> <p>This is a mandatory significant risk on all audits 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. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> Accounting estimates impacting amounts included in the financial statements; Consideration of identified significant transactions outside the normal course of business; and Journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements <p>Conclusion</p> <p>There are no matters to report in respect of management override of controls.</p>
<p>Significant Risk 2: Risk of fraud in revenue recognition</p> <p>The risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues.</p> <p>For the Trust we deem the risk to relate specifically to the recognition of income around year end (revenue cut off) and year end receivables.</p>	<p>How we addressed this risk</p> <p>We evaluated the design and implementation of any controls the Trust has in place which mitigate the risk of income being recognised in the wrong year. In addition, we undertook a range of substantive procedures including:</p> <ul style="list-style-type: none"> testing receipts in the pre and post year end period to ensure they have been recognised in the correct year; testing year end receivables to ensure they exist and are recorded at the correct value. <p>Conclusion</p> <p>We identified three sampled items where income was recognised in the incorrect period. In line with our audit approach, we have extrapolated these errors across the population and the net extrapolated error is £3,871k. This unadjusted misstatement is shown on page 33.</p>

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
<p>Significant Risk 3: Risk of fraud in expenditure recognition</p> <p>The risk of fraud in expenditure recognition is a significant risk due to the potential to inappropriately shift the timing and basis of expenditure recognition as well as the potential to record fictitious expenditure or fail to record actual expenditure.</p> <p>For the Trust we deem the risk to relate specifically to the recognition of expenditure around the year end (expenditure cut off) and year end accruals.</p>	<p>How we addressed this risk</p> <p>We evaluated the design and implementation of any controls the Trust has in place which mitigate the risk of expenditure being recognised in the wrong year. In addition, we undertook a range of substantive procedures including:</p> <ul style="list-style-type: none">• testing payments in the pre and post year end period to ensure they have been recognised in the correct year;• testing year end accruals to confirm they are complete and are recorded at the correct value;• testing to identify potential unrecorded liabilities. <p>Conclusion</p> <p>There are no matters to report in respect of fraud in expenditure recognition.</p>

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
<p>Significant Risk 4: Valuation of property, plant and equipment</p> <p>Management engages Cushman and Wakefield as an expert to assist in determining the fair value of land and buildings to be included in the financial statements. Changes in the value of land and buildings, including the use of modern equivalent valuation, may impact on the Statement of Comprehensive Income depending on the circumstances and the specific accounting requirements of the Group Accounting Manual.</p>	<p>How we addressed this risk</p> <p>Our approach included:</p> <ul style="list-style-type: none"> liaising with management to update our understanding of the approach taken by the Trust in obtaining valuations; assessing the scope and terms of engagement of management’s valuation expert and the competence, skills and objectivity thereof; reviewing the work of management’s valuation expert and how these have been incorporated into the financial statements; reviewing the valuation methodology used, including the appropriateness of the modern equivalent asset valuation basis and testing the underlying data and assumptions; considering the reasonableness of the valuation by comparing the valuation output with market intelligence and challenging the Trust and the valuer. <p>Conclusion</p> <p>We identified an error in the accounting treatment for an asset impairment arising from a clear consumption of economic benefit. The total value of the error is £320k.</p>

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
<p>Significant Risk 5: Implementation of IFRS 16</p> <p>IFRS 16 has been applicable from 1 April 2023 in respect of PFI 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.</p> <p>The Trust is required to re-classify PFI arrangements in line with this new standard for the first time in the 2023/24 financial statements. Application of a new accounting standard to these significant balances will require judgement and presents a significant risk to the material accuracy of the financial statements.</p>	<p>How we addressed this risk</p> <p>We reviewed the work that the Trust has carried out for the implementation of IFRS16 to PFI contracts on 1 April 2023.</p> <p>We substantively tested PFI lease balances using a higher risk factor and sought evidence to support that they have been correctly classified and accurately measured under the new standard. This involved targeted review of the models the Trust have applied to derive balances for presentation in the financial statements.</p> <p>Conclusion</p> <p>There are no matters to report in respect of the risk in relation to the implementation of IFRS 16 to PFI contracts.</p>

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

Summary of uncorrected misstatements

Details of adjustment	SOI		SOFP	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Stock Cr: Operating Expenses Inventory testing identified a difference in price of £59k in our sample population between the price used to value inventory and the supporting evidence provided to support the price used. The value of £6,293k reflects the value of the extrapolated error across the sampled population.		6,293	6,293	
Dr: Operating Income Cr: Deferred Income As part of our income cut-off testing, we identified three sampled items where income was recognised in the incorrect period. In line with our audit approach, we have extrapolated these errors across the population and the net extrapolated error is £3,871k. The majority of the extrapolated error relates to one income item of £48k that was recorded in 2023/24 but which related to 2024/25.	3,871			3,871
Aggregate effect of unadjusted misstatements	3,871	6,293	6,293	3,871

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

Internal control observations

We made three internal control recommendations in relation to the following areas:

- Inventory working papers
- Inventory stock count procedures
- Accruals working papers and supporting evidence

In all cases management have accepted the recommendations made and agreed actions to address them.

Follow-up on previous years recommendations

There were three internal control recommendations made in the prior year. Our audit work in 2023/24 confirmed that one of the three recommendations had been implemented.

Contact

Forvis Mazars

James Collins

Director

Tel: +44 (0) 788 128 3527

james.collins@mazars.com

Louise Stables

Audit Manager

Tel: +44 (0) 113 394 7044

louise.stables@mazars.com

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

© Forvis Mazars 2024. All rights reserved.