



Queen Victoria Hospital NHS Foundation Trust

Auditor's Annual Report

Year ended 31 March 2025

July 2025

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

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

- audit opinion on the financial statements for the year ended 31 March 2025
- audit findings (ISA 260) report to Those Charged with Governance

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

Key messages

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

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

Area of work	Our responsibilities	Conclusions
Financial statements	<p>We are required to audit the financial statements of the Trust and group under the National Health Service Act 2006. We express an opinion as to whether:</p> <ul style="list-style-type: none">the accounts give a true and fair view of the financial position of the Trust and group and of the expenditure and income for the year; andthe accounts have been prepared in accordance with proper practices and the requirements of the National Health Service Act 2006. <p>We confirm whether the financial statements have been prepared in line with the Group Accounting Manual prepared by the Department of Health and Social Care (DHSC).</p> <p>We are required to give a separate audit opinion on the Trust accounts' consolidation schedules (TACs) and to carry out specified procedures under group audit instructions.</p>	<p>We issued an unqualified audit opinion on the Trust and group's financial statements on 27 June 2025. This means that we consider the financial statements give a true and fair view of the financial performance and position of the Trust and group.</p> <p>The Trust was not selected as a sampled component in the group audit instructions issued by the National Audit Office. It was therefore subject to more limited group audit procedures. There were no unadjusted inconsistencies identified between the financial statements and the TACs which we were required to report in our independent auditor's statement on the Trust's consolidation schedules.</p>

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Key messages

Area of work	Our responsibilities	Conclusions
Annual report, annual governance statement and other information published with the financial statements	<p>We assess whether the annual report is consistent with our knowledge of the Trust.</p> <p>We perform testing of certain figures subject to audit (labelled in the remuneration report and the staff report) as prescribed by the Foundation Trust Annual Reporting Manual (the 'ARM'),</p> <p>We consider whether the Annual Governance Statement does not comply with the disclosure requirements set out in the ARM or is misleading or inconsistent with information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.</p>	<ul style="list-style-type: none"> • We did not identify any significant inconsistencies between the information presented in the annual report and our knowledge of the Trust. • Our audit opinion on the audited sections of the remuneration report and the staff report was unqualified. • We confirmed that the Governance Statement had been prepared in line with the requirements set out in the ARM..
Value for money	<p>We are required under Schedule 10 (1)(d) of the National Health Service Act 2006 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our commentary relating to proper arrangements.</p> <p>We assess the arrangements in place for securing economy, efficiency and effectiveness in the Trust's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.</p> <p>We are required to report our commentary under specified criteria: Financial sustainability, Governance and Improving economy, efficiency and effectiveness.</p>	<ul style="list-style-type: none"> • We reported a significant weaknesses in the Trust's arrangements for effective operation of internal controls due to instances of non-compliance with Trust policies during the 2024/25 financial year. • We have made one "other" recommendations to support the Trust's ongoing improvement.

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Key messages

Area of work	Our responsibilities	Conclusions
Public interest report	Under Schedule 10 (3) of the National Health Service Act 2006 the auditor of a foundation trust must consider whether to make a report in the public interest if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public.	<ul style="list-style-type: none"> We did not identify any matters for which we considered a public interest report to be required as part of our external audit for 2024/25.
Referral to NHS England	Under Schedule 10 (6) of the National Health Service Act 2006 the auditor of a foundation trust must consider whether to make a referral to a foundation trust's regulatory body (NHS England) if the auditor has reason to believe that the trust, or a director or officer of the trust is about to make, or has made, a decision which involves or would involve the incurring of expenditure which is unlawful, or is about to take, or has taken, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency.	<ul style="list-style-type: none"> We did not identify any matters for which we considered a referral to be required as part of our external audit for 2024/25.
Key recommendations	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the Trust. We consider these to be key, or essential, recommendations.	<ul style="list-style-type: none"> We have made a key recommendation that the Trust Board monitor delivery of the action plans designed to address the weaknesses in governance arrangements identified during 2024/25.
Other recommendations	We raise "other recommendations" in areas where we believe the weaknesses identified are not significant, or where arrangements are generally satisfactory but further improvement could be achieved.	<ul style="list-style-type: none"> We raised one other recommendation relating to clarity of reporting on efficiency plans to the Finance & Performance Committee and Trust Board.

Financial statements

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

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

- give a true and fair view of the financial position of the Trust as at 31 March 2025 and of its expenditure and income for the year then ended;*
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2024/25; and*
- have been prepared in accordance with the National Health Service Act 2006.*

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

Area of work	Conclusions
Audit opinion on the financial statements	We gave an unqualified opinion on the Trust and group's financial statements on 27 June 2025.
Audit Findings (ISA260) report	More details can be found in our ISA260 report, which was reported to the Trust's Audit & Risk Committee on 24 June 2025.
Whole of Government accounts	<p>To support the audit of consolidated NHS Provider accounts, the Department of Health and Social care group accounts and the Whole of Government Accounts (WGA), we are required to examine and report on the consistency of the Trust's consolidation schedules with its audited financial statements. This includes performing specified procedures under group audit instructions issued by the National Audit Office.</p> <p>Our work found that the WGA consolidation pack was consistent with the Trust's financial statements.</p>
Preparation of the accounts	The Trust provided draft accounts in line with the national deadline. The quality of the draft financial statements and supporting working papers was good, and we provided further detailed feedback to the Audit & Risk Committee in our ISA260 report.

Financial statements

Significant risks

Detailed findings from the audit of the 2024/25 financial statements are set out in our Audit Findings (ISA260) report, reported to the Trust's Audit & Risk Committee on 24 June 2025. Requests for this report should be directed to the Trust. This report set out the significant risks identified for the 2024/25 financial statements audit along with the procedures performed to address each risk and the conclusions reached following the performance of those procedures.

No material adjustments were made to the 2024/25 financial statements submitted for audit.

No significant recommendations have been made as a result of the financial statements audit. We raised a number of medium and low priority recommendations which are included in our ISA260 report.

We outline below the significant risks identified as part of our audit and the conclusions from our work.

Financial statements

Significant risks	Audit approach	Audit findings and conclusion
<p>Management override of controls</p> <p>Auditing standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk include manual journals, management estimates and judgements and one-off transactions outside the ordinary course of business.</p> <p>Risk of material misstatement: High</p>	<ul style="list-style-type: none"> • Documented our understanding of the journals posting process and evaluated the design effectiveness of management controls over journals; • Analysed the journals listing and determined the criteria for selecting high risk and/or unusual journals; • Tested high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Trust's journals policy; • Gained an understanding of the key accounting estimates and critical judgements made by management. We also challenged assumptions and considered them for reasonableness and indicators of bias, which could have resulted in material misstatement due to fraud; and • Evaluated rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>Our audit work did not identify any significant issues in respect of this risk</p>

Financial statements

Significant risks	Audit approach	Audit findings and conclusion
<p>Fraud in revenue recognition (Trust and Group)</p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>Having considered the nature of the revenue streams at the Trust, we consider that the risk of fraud in revenue recognition can be rebutted on fixed price patient care income that is based on block contract payments agreed in advance but cannot be rebutted on all other income streams due to these income streams being variable in nature and linked to the delivery of specific performance outcomes.</p> <p>This can be more complex when linked with activity. We have also identified significant risk in the existence of the associated receivables.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Expenditure recognition (Completeness): High • Accruals (Valuation & Existence): High 	<ul style="list-style-type: none"> • Documented our understanding of the Trust's systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements • Evaluated the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems; • Evaluated the Trust's accounting policies for recognition of income and compliance with the GAM. • Substantively tested material income streams using tests of detail by ensuring they can be traced to appropriate supporting evidence; and • Ensured that any revenue and receivables mismatches over the £300k NAO threshold can be supported and agreed with the Trust's entries in the WGA Agreement of Balances exercise 	<p>Our audit work did not identify any significant issues in respect of this risk</p>

Financial statements

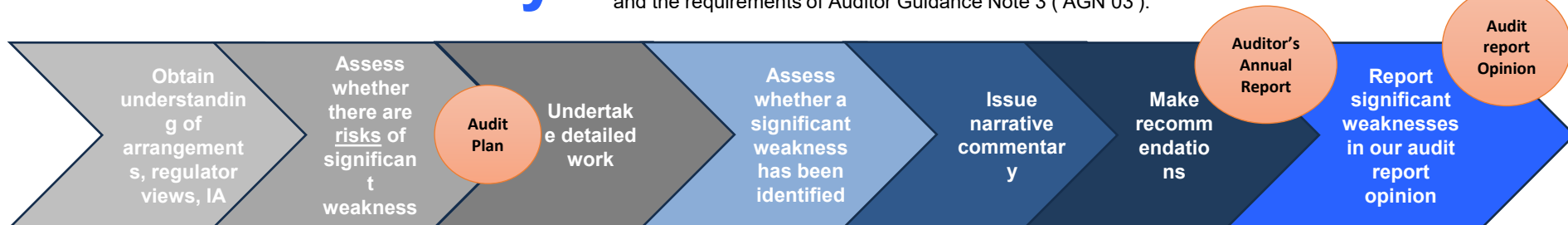
Significant risks	Audit approach	Audit findings and conclusion
<p>Fraud in expenditure recognition (Trust and Group)</p> <p>We have considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Trust. We consider that the risk can be rebutted on payroll expenditure, depreciation, amortisation and interest payable, but cannot be rebutted on other operating expenditure for the reasons set out above. We have also identified a significant risk in the valuation and existence of accruals liabilities</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Expenditure recognition (Completeness): High • Accruals (Valuation & Existence): High 	<ul style="list-style-type: none"> • Documented our understanding of the Trust's systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements • Evaluated the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems; • Evaluated the Trust's accounting policies for recognition of expenditure and compliance with the GAM. • Substantively tested material expenditure streams using tests of detail by ensuring they can be traced to appropriate supporting evidence; and • On a sample basis, we substantively tested accruals by agreeing to supporting evidence to gain assurance over the existence and valuation of the year end accruals. 	<p>Our audit work did not identify any significant issues in respect of this risk</p>

Financial statements

Significant risks	Audit approach	Audit findings and conclusion
<p>Valuation of land and buildings (key accounting estimate) (Trust and Group) The Trust undertakes a full revaluation of land and buildings on a five-year rolling basis.</p> <p>Management engage the services of a qualified valuer who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as at 31 March.</p> <p>The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore, identified the valuation of land and buildings as a significant risk.</p> <p>On receipt of the draft financial statements and the updated asset valuations, we will further pinpoint this risk to specific assets, or asset types, where the valuation movements falls outside of our expectations.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Land and Buildings (valuation): Very High 	<ul style="list-style-type: none"> • Evaluated management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • Evaluated the competence, capabilities and objectivity of the valuation expert; • Considered the basis on which the valuations are carried out and challenging the key assumptions applied; • Evaluated the reasonableness of the valuation movements for assets revalued during the year, with reference to market data; • For unusual or unexpected valuation movements, we tested the information used by the valuer to ensure it is complete and consistent with our understanding; • Ensured revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and • Evaluated the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value. 	<p>Management identified the need for an adjustment to the land and buildings figures included in the draft accounts submitted for audit due to use of an incorrect valuation figure – the impact of the adjustment was to reduce land and buildings valuations and the revaluation reserve balance by £1,570k.</p> <p>We identified classification and presentational amendments to the fixed asset note 16.1 which have been actioned by management. These had no impact on the closing valuation figure.</p> <p>We identified a further unadjusted misstatement in relation to the split of revaluation movements between revaluation reserve and SOCI.</p> <p>We have not identified any further issues which require reporting.</p>

Value for money

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



In undertaking our work we have identified a significant weakness in arrangements as set out in the table below. We have made a key recommendation in respect of this weaknesses.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	Yes	No	No	Yes
Governance How the body ensures it makes informed decisions and properly manages risk	Yes	Yes	Yes	No
Improving economy, efficiency and effectiveness How the body uses information about its costs and performance to improve the way it manages and delivers its services	No	No	No	No

Value for money

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

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

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

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

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

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

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

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

Summary of findings

Based on the audit work performed, we reported a significant weakness in the Trust's arrangements for effective operation of internal controls due to instances of non-compliance with Trust policies during the 2024/25 financial year.

We have identified further weaknesses in arrangements for financial sustainability, but do not consider these to be significant weaknesses.

We have made a key and other recommendations as set out on pages 23 to 24.

Financial sustainability

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

We considered the following areas:

- how the Trust identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into the plans;
- how the Trust plans to bridge its funding gaps and identifies achievable savings;
- how the Trust plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- how the Trust ensures that its financial plan is consistent with workforce, capital, investment, and other operational plans, which may include working with other local public bodies as part of a wider system; and
- how the Trust identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Consideration of potential risk of significant weakness

In our 2024/25 audit plan we identified a potential risk of significant weakness due to ineffective budget setting and monitoring arrangements.

We have completed our year end assessment and concluded that there was not a significant weakness in the Trust's arrangements for 2024/25. The Trust delivered its required efficiency target and break-even performance for the year. Of the £6.5m efficiencies delivered, £4.4m were delivered recurrently and £2.1m delivered through non recurrent means.

However, we have identified some weaknesses in arrangements including:

- 2024/25 budgets were not being fully signed off by budget managers until September 2024
- Lack of clarity in reporting to Finance & Performance Committee (F&P) on the arrangements for delivery of the efficiency plans at the start of the financial year

- Lack of clarity in reporting to F&P Committee on the extent to which 2024/25 savings were recurrent vs non recurrent, and the extent to achievement of a break-even performance was dependent on the non recurrent release of provisions.

We have raised recommendations in relation to these weaknesses but do not consider that these represent significant weaknesses which require reference in our audit report.

We set out further detail on our assessment in each area on the following pages.

Financial sustainability

Approval of annual budgets

The Trust set a break-even budget for 2024/25. Although the budgets were approved by Trust Board ahead of the start of the financial year, in some areas there were not formally signed off by budget holders until September 2024. This led to a potential lack of accountability for delivery of these budgets by some budget managers.

The Trust identified the need for improvement in this area and for 2025/26 set a formal requirement for all budgets to be signed off by budget holders by 30 April 2025. As at the time of our review, the vast majority of budgets had been formally signed off by this date with only minor issues on those which had not been formally signed off, indicating an improvement in arrangements for 2025/26.

We consider that there was a weakness in arrangements in this area for 2024/25 but do not consider that this had a significant impact on the effectiveness of the Trust's arrangements for 2024/25, and as such have concluded that this did not represent a significant weakness.

Delivery of 2024/25 budgets and efficiency plans

The Trust set a requirement for efficiencies of £6,510k for 2024/25.

The Trust delivered the planned total level of efficiencies in full and delivered a breakeven position. However, the profile of efficiencies delivered was different to the original plan and in particular the level of non-recurrent efficiencies was higher than originally planned, with £2,130k of the efficiencies being delivered on a non recurrent basis compared to an original planned level of non recurrent efficiencies of £1,200k. Whilst this was effective in delivering the financial position required in 2024/25, it will add to the pressure and levels of efficiencies required in future years.

The areas which contribution to the delivery of efficiency plans for 2024/25 were:

- Impact of Local Anaesthetic Unit - £2,200k (recurrent)
- Additional income - £2,116k (recurrent)
- Additional income - £505k (non recurrent)
- Release of provisions - £1,625k (non recurrent)

Financial sustainability

As in previous years, the efficiency plans identified for 2024/25 were due to be delivered through largely central initiatives such as provision of additional services (income) and through cost savings through the introduction of a new Local Anaesthetic Unit. The Trust took a “top down” approach to identification of efficiencies for 2024/25 which was in line with the approach taken in previous financial years.

Clarity of reporting of 2024/25 efficiency plans and delivery

As noted above, the Trust delivered the required level of efficiencies for 2024/25. However, in completing our assessment we have reviewed the way in which these plans have been reported to Finance & Performance Committee and Trust Board throughout the year to assess the clarity of reporting.

Our conclusion based on this review is that there was a lack of clarity in reporting to Finance & Performance Committee on the arrangements for delivery of the efficiency plans at the start of the financial year and the extent to which they would be delivered via cost savings vs increases in income.

The original efficiencies plan as presented to F&P Committee in June 2024 presented all £6,510k as being delivered through pay, non pay and “other efficiencies”. The reporting to F&P then changed in August 2024 to include £1,200k as planned additional income, rather than additional efficiencies. The level of planned additional income then increased further in reporting to F&P in October 2024.

As such based on review of the reporting on the plans for the year, we consider that the extent to which the Trust was relying on generation of additional income, rather than on reductions in cost, was not clear to members of the F&P Committee. The level of risk attached to generation of additional income would generally be different to that attached to delivery of costs savings, and as such it is essential that F&P Committee members, including Non Executive Directors, are clear on the extent to which efficiency plans include both additional income and cost savings.

Financial sustainability

In addition, efficiency plans as reported to F&P Committee throughout the year did not make it clear whether the planned efficiencies would be delivered on a recurrent or non recurrent basis. There was some reference to the use of non-recurrent savings in reporting from October 2024 onwards, but specific detail on the nature of the non-recurrent savings was not included in reporting to the F&P Committee.

As such we do not consider that the extent to which the Trust was reliant on non-recurrent means to meet the efficiency requirement for 2024/25 was made clear to members of the F&P Committee, and the nature of these non-recurrent means (such as the release of provisions) was also not made clear in reporting.

We consider that the lack of clarity of reporting on the nature of the planned efficiencies and the extent to which these were non recurrent represents a weakness in the Trust's arrangements for 2024/25. However, given the overall performance in achieving the required level of efficiencies, we do not consider that this represented a significant weakness.

Agreement of 2025/26 budgets and efficiency plans

For 2025/26 the Trust has set a break-even budget which relies on delivery of total efficiencies of £7,460k.

The Trust has changed its approach to the identification and delivery of savings for 2025/26 after a recognition that it needed to widen arrangements and engage with Directorates across the Trust in order to deliver the requirement going forward, particularly given the extent to which non-recurrent means were used to deliver the required efficiencies in 2024/25.

For 2025/26 the Trust has established an Efficiency Steering Group (ESG) to oversee identification and delivery of 2025/26 efficiency requirements. This group was established in April 2025 and reports regularly in to the Executive Leadership Team, F&P Committee and Trust Board. It has developed a range of schemes to deliver efficiencies in 2025/25, which each have a designated Senior Responsible Officer who reports in to the ESG on progress.

As at April 2025, schemes with a value of £6.2m had been identified, representing 92% of the total 2025/26 requirement.

Governance

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

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

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

Consideration of potential risk of significant weakness

In our 2024/25 audit plan we identified a potential risk of significant weakness in internal controls due to a culture of non-compliance with processes and procedures.

We have completed our year end assessment and concluded that there was a significant weakness in the Trust's arrangements for 2024/25.

The significant weakness as reported in our auditors opinion relates to:

A significant weakness in 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. This was in relation to instances of non-compliance with Trust policies during 2024/25.

We set out further details on the basis of this assessment on the following pages.

We have made a key recommendation that the Trust Board monitor delivery of the action plans designed to address the weaknesses identified.

Governance

Significant weakness identified

At the planning stage we had identified a potential risk of significant weakness due to concerns being raised through the Audit & Risk Committee that policies and procedures in place within the Trust, including Standing Financial Instructions and Standing Orders, were not always being followed.

Specific areas where weaknesses were identified by the Trust and reported through Audit & Risk Committee during the third quarter of 2024/25 included:

- Weaknesses in contract management controls and processes which were originally identified during 2023/24. This led to an internal audit being completed on contract management which concluded partial assurance. During 2024/25, a follow up internal audit was completed which concluded that little progress had been made against the actions of the original audit.
- Weaknesses in recruitment and establishment controls, in response to which Internal Audit completed an advisory review related to recruitment to certain posts during the period.

Internal Audit also completed a number of audit reviews during 2024/25 on which a rating of partial assurance was provided. These related to:

- Planned waiting lists
- Project management & benefits realisation
- Performance management of sickness absence
- Cash flow management and payroll
- Risk management.

The Head of Internal Audit Opinion for 2024/25 concluded that there were weaknesses in the framework of governance, risk management and internal control such that it could become inadequate and ineffective.

Of particular relevance to our VFM assessment are the Internal Audit findings in relation to Cash flow management and payroll, and risk management. We commented in our 2023/24 Auditors Annual Report that the Trust had been working to develop and strengthen its risk management framework and risk management strategy. However the findings reported in 2024/25 suggest that, whilst the Trust has the required systems and processes in place for risk management, these were not working effectively across all directorates.

The Trust reflected the issues identified in 2024/25 in its Annual Governance Statement, which reported weaknesses in governance arrangements in line with the areas set out above.

Governance

Since the various governance issues were identified during the third quarter of 2024/25, the Trust has acted promptly to take action to address them. The Audit & Risk Committee has received regular updates on management actions take to address the areas of weakness identified and has been provided with assurance and evidence that there have been significant improvements in arrangements during quarter four of 2024/25.

The Trust has continued to take further action in 2025/26 to strengthen arrangements including a full review of the Scheme of Delegation and Reservation of Powers, and Standing Financial Instructions.

However, as our assessment is on the effectiveness of arrangements across 2024/25 as a whole, we have concluded that the level of issues identified during 2024/25 represents a significant weakness in arrangements across the year.

We have made a key recommendation that the Trust Board monitor delivery of the action plans designed to address the weaknesses identified.

Improving economy, efficiency and effectiveness

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

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

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

Trust Strategy

As noted in our 2023/24 Auditors Annual Report, the Trust have put in considerable work in the last 12 months to develop a clear Trust strategy which was ratified by the Board in November 2024, supported by other enabling strategies.

The development of this strategy has been a key focus for the Trust following the decision not to proceed with merger in 2022, and a need for the Trust to set out a clear strategy for the future which has support of all relevant stakeholders. The strategy now in place represents a significant step for the Trust in articulating its long term strategy and vision and demonstrating a unity of this vision across the Council of Governors, the Trust Board and Trust clinicians.

Procurement

The Trust has taken action to strengthen procurement arrangements since the appointment of a new head of procurement in March 2024. This has included:

- The implementation of a new Procurement Policy and Contract Management policy
- Strengthening of the Procurement Team to enable them to provide more support to Directorates who under procurement activity
- Development of a formal contracts register maintained using the Artemis system

The Head of Procurement has identified areas for further action which includes the use of KPIs to monitor procurement performance.

Based on our review we are satisfied that the Trust has adequate and effective arrangements for securing economy, efficient and effectiveness.

Key recommendations

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

Criteria	Recommendation	Observation and implication / impact	Management response
Governance	The Trust Board should monitor delivery of the action plans designed to address the weaknesses in governance arrangements identified during 2024/25.	A range of governance issues have been identified and reported through Audit & Risk Committee during 2024/25, and action plans put in place to address them. It is essential that the Trust Board maintain an oversight of the progress made in implementing agreed actions.	Implemented from Q4 2024/25. Ongoing review will be undertaken quarterly via the A&R Committee.

Other recommendations

These recommendations relate to less significant deficiencies or opportunities for improvement we have identified during the course of our work. Progressing the actions management has identified to address the recommendations made will support the Trust in realising the improvement opportunities identified from our work.

Criteria	Recommendation	Observation and implication / impact	Management response
Financial sustainability	<p>The Trust should ensure the reporting on delivery of efficiency savings in 2025/26 to the F&P Committee and Trust Board includes clarity on:</p> <ul style="list-style-type: none">• The extent to which plans are split between delivery of additional income and achievement of cost savings• The split of recurrent vs non recurrent efficiency savings, which specific detail on the nature of any non recurrent efficiency savings.	<p>It is essential that members of the F&P Committee, and Trust Board, are clear on the nature of the Trust's efficiency plans in place and the extent to which these are delivered on a recurrent vs non recurrent basis in order to fully understand the associated risks and be able to exercise appropriate review and challenge of the plans.</p>	<p>Implemented from Q1 2025/26. Ongoing review will be undertaken bi-monthly via the F&P Committee.</p>

