



Auditor's Annual Report

York and Scarborough Teaching Hospitals NHS Foundation Trust – year ended 31 March 2024

June 2024

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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 York and Scarborough Teaching Hospitals NHS Foundation Trust ('the Trust') for the year ended 31 March 2024. Although this report is addressed to the Trust, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the NHS Act 2006 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 21 June 2024. Our opinion on the financial statements was unqualified.



Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 21 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 recommendations and the weaknesses identified.

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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 in 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:

- 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. Management adjustments were made following the deadline and a second draft was received on 25 April 2024.
- During the audit, we did not encounter any significant difficulties and we have had the full cooperation of management

Other reporting responsibilities

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

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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 12.

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

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




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

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

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

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	13	Yes – see risk 1 on page 12.	No	Yes – see commentary on page 13.
 Governance	16	Yes – see pages 23.	Yes – see pages 23.	No
 Improving economy, efficiency and effectiveness	20	Yes – see page 23.	Yes – see page 23.	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 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>Financial Sustainability – how the Trust plans to bridge its funding gaps and identified achievable saving</p> <p>1 The Trust's financial plan at the start of the year was to deliver a £15m deficit. As at December 2023, the Trust were reporting a deficit of £28m, which was £12m adverse to plan. As at December 2023, the Trust had achieved savings of £23.9m against a plan of £30.3m. The total core efficiency programme requirement for 2023/24 is £49.5m. As at December 2023, 48% of the target has been achieved.</p> <p>Although the Trust is reporting it is on track to deliver its financial plan, there are a number of risks involved. There is a risk savings are not achieved, or costs are above expectations placing further financial pressures on the Trust.</p>	<p>Work undertaken</p> <p>To establish if there is a significant weakness in arrangements, we:</p> <ul style="list-style-type: none"> • Obtained and reviewed the in year, and year end, 2023/24 financial monitoring reports; • Obtained and reviewed the monitoring and delivery of 2023/24 savings targets; • Obtained and reviewed the financial plans for 2024/25 including savings targets; • Discussed the arrangements in place for financial sustainability with management and the finance team. <p>Results of our work</p> <p>Our work to address the risk has identified that the Trust has arrangements in place to identify plans to bridge funding gaps and identify achievable savings. No significant weaknesses has been identified in the Trust's arrangements.</p> <p>To deliver the Trust's financial plan for 2024/25 and achieve the NHS's core service recovery objectives, the Trust must achieve significant efficiencies. This has resulted in a Cost Improvement Programme target of £53.3m for 2024/25. This target represents a significant challenge for the Trust. As at May 2024, the Trust had identified plans for £41.5m of their agreed efficiency programme, leaving a funding gap of £11.8m.</p> <p>While no significant weaknesses have been identified in the Trust's arrangements, we recognise the significant challenge associated with delivery of the efficiency target. We have raised an 'other recommendation' in relation to this (see page 14).</p>

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

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

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, (ICs) 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.

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 on trusts. Historical PFI support payments were therefore wrapped up into system funding envelopes for 2022/23 onwards.

Funding for elective recovery has operated on a new basis during 2023/24. 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 payment and 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.

We have considered the Trust's governance framework, including review of Trust Board and Group Audit Committee minutes, the Annual Governance Statement, and Annual Report and Accounts to confirm the Trust has arrangements to meet its responsibility to make the best use of financial resources to deliver services.

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. Per the Trust's Standing Orders, the Board has established the Group Audit Committee, which is responsible for internal control (including compliance with Standing Orders and Standing Financial Instructions), reviewing the integrity of the Trust's Financial Statements and any significant financial judgements.

Our review of reports and minutes of the Board and Group Audit Committee, and attendance of Group Audit Committee provides assurance that financial governance arrangements have been in operation throughout 2023/24.

The Trust's financial planning and monitoring arrangements

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's arrangements for budget monitoring remain appropriate. These include:

- Standing Financial Instructions with relevant provisions for budgetary control and reporting - including arrangements for the Finance Director to provide reports and to support budget holders and teams to deliver effective financial management. Clear responsibilities are outlined for budget holders and the Trust's Standing Financial Instructions include specific provisions for the preparation and approval of the Annual Business Plan and budget.
- Alignment of budgeting with other planning processes – The Trust has refreshed its financial plan, to ensure it aligns fully with its operational activity and workforce plans. As in previous years, there is an established business-case challenge process which scrutinises any changes which could have an impact activity and financial resources. We have also observed detailed reports presented at Directorate and Board level, including the Integrated Board Reports, which bring together financial and operational performance.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

- Oversight from the Trust Board and its Committees - throughout 2023/24 there has continued to be regular and sufficiently detailed reporting on financial performance and planning through the Integrated Business Reports. There is a reassessment of in-year forecasts and underlying run rate analysis throughout the financial year with bridge analysis provided to identify key changes. The Board Assurance Framework (BAF) identifies the specific risks and controls regarding the 'getting the basics right' theme in the Trust's Strategy.
- Established arrangements for effective year-end financial reporting - statutory deadlines have been met for 2023/24 and in previous years. No significant concerns which adversely impact on this commentary were reported in our Audit Completion Report and the final financial outturn was broadly in line with the forecast position during the year.

The Trust's arrangements and approach to financial planning

In 2023/24, the Trust reported an accounting deficit of £15.73m, with an adjusted regulator assessed position of £97k surplus. In 2023/24 the Trust delivered £21.5m against a plan of £21.4m of the Core Efficiency programme, giving an over delivery of £0.1m.

Since the National Planning Guidance was issued in January 2023, there have been several iterations of the financial plan, as NHS England (NHSE) central policy measures evolved. We have reviewed the Trust's 2024/25 financial plan submitted to NHSE in April 2024 and the supporting Board paper. The initial financial plan submitted by the Trust included a planned deficit of £27.7m. Following work across the Humber and North Yorkshire ICB, the final plan was submitted in April, reducing the Trust's planned deficit by £4.2m to £23.5m.

To deliver the Trust's financial plan for 2023/24 and achieve the NHS's core service recovery objectives, the Trust must achieve significant efficiencies. Although national guidance prescribes savings efficiencies of 1.1% for 2024/25 (£6.7m), to which is added the Group's share of the HNY convergence adjustment (£5.0m), it has been necessary to set the cost reduction CIP target at £53.3m (7.2%) for 2024/25. This target represents a significant challenge for the Trust. As at May 2024, the Trust had identified plans for £41.5m of their agreed efficiency programme, which leaves a funding gap of £11.8m. The Trust has also completed a risk rating analysis on its savings plans, which has rated 28% as high risk, 7.7% as medium risk and 27.7% as low risk, with the remaining either being delivered or part of the core efficiency programme gap. As at the end of May 2024, £7.6m of efficiency savings have been delivered.

While the Trust is making progress towards its efficiency target and expects to deliver its target efficiencies, 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 are no significant weakness in arrangements, recognising the significant challenge associated with delivery of the challenging efficiency target, we have raised the following 'other recommendation'.

Other recommendation

1	As at the end of May 2024, £7.6m of efficiency savings have been delivered, out of a target of £53.3m for 2024/25. While the Trust is making progress towards its efficiency target and expects to deliver its target efficiencies, delivery is challenging and could be a potential risk to the budgeted financial position for 2024/25.	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 plan are maintained throughout 2024/25.
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As in previous years, the Trust plans to undertake a significant capital programme. In April 2024, the Trust submitted its 2024/25 capital programme totalling £49.8m (£45.8m – 2023/24), which has been approved by the ICB. The programme is being funded through £21.8m in Central PDC funding, £0.8m in Charitable Funding, £7.9m in IFRS16 Internal funds and the remaining £19.3m from additional scheme allocations. 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.

Our enquiries and review of evidence, also provides assurance that the Trust continues to work with the ICB, to shape new management arrangements and deliver improved service configurations in the coming years.

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

VFM arrangements

Governance

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



VFM arrangements – Governance

Overall commentary on Governance

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

Overall Governance Arrangements

The Trust's Constitution along with other documents, detail the governance structure of the Trust. We confirmed that corporate governance includes clear and defined decision making and internal controls within the Trust. These include Standing Financial Instructions (SFIs), a Scheme of Delegation and Standing Orders. These are also set out in the Trust's Annual Report and Accounts and Annual Governance Statement. We reviewed these documents as part of our financial statements audit and confirmed they were consistent with our understanding of the Trust's arrangements.

Our review of the Trust's governance framework confirms arrangements are in place, with the Trust's Board being responsible for the overall performance of the Trust and having a clear set of strategic and supervisory roles. The Trust has three main assurance Committee's to support these roles, including;

- The Group Audit Committee
- The Resource Committee
- The Quality and Safety Committee.

The Trust carries out an annual review of the Board and its Committees; each sub-committee completes an annual review of its effectiveness and performance against their terms of reference, with the results and any priorities for improvement reported to the Trust Board. We consider the Trust's committee structure to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

The 2023/24 Annual Report and Accounts and Annual Governance Statement set out the steps taken in the year to strengthen compliance with NHSE's Well-Led framework.

As in previous years, the Annual Report and Accounts sets out the arrangements in place for the Council of Governors (CoG) to carry out its roles and meet its responsibilities as set out in the Trust Constitution. These include the arrangements for making the Trust accountable for the services it provides and to represent the interests of members of the public. The Annual Report and Accounts confirms that the Chair of the Trust is also the Chair of the CoG and has the responsibility of updating the Board regularly on matters arising from the CoG.

The Trust records strategic risks in the Board Assurance Framework (BAF), with the Corporate Risk Register

subject to regular review by the Risk Committee. Our review of the BAF confirms it is sufficiently detailed to manage the Trust's key risks, identify controls, gaps in controls and obtain the assurance required to work towards a targeted risk score. The Audit Committee programme includes regularly assessing whether these arrangements are in place and are effective. However, some inadequacies do exist for the risk management arrangements, identified by the CQC inspection, specifically at the corporate level with regards to the Board Assurance Framework. The inspection identified some risks which were duplicated and did not have clear actions for mitigation. This is linked to the significant weakness in arrangements raised on page 23.

The BAF and Corporate Risk Register are used to inform the agenda of the Trust Board with our review of agendas confirming the relevant risks being reviewed regularly. Our review of Board and Committee reports as well as attendance at Group Audit Committee meetings confirms the BAF is regularly updated and in sufficient detail to allow for review including primary risk controls, gaps, plans to improve controls and any additional actions required.

The Group Audit Committee considers the BAF, Annual Report and Accounts and Annual Governance Statement and monitors progress with internal and external audit plans. It also regularly receives updates on losses and compensation payments, single tender waivers. Our attendance at Group Audit Committee has confirmed there is an appropriate level of effective challenge.

We reviewed the 2023/24 Annual Governance Statement and are satisfied it fairly reflects the arrangements in place. The Statement identifies significant matters that the Trust is focused on addressing but these are not identified as significant gaps in control in relation to the delivery of the Trust's strategic objectives and we are satisfied that they do not represent significant weaknesses in the Trust's VFM arrangements.

The Trust also publishes their Building Better Care Together strategy which gets reviewed every three years. The strategy documents the clinical and organisational priorities for the period and what arrangements are in place to meet them. The current strategy published covers the period from 2021 – 2023. The strategy available to the public on the Trust's website is therefore outdated. We have reviewed the Trust's progress to date with regards to updating this and plans are in place to have a revised 2024-2027 strategy approved by the Board by the end of September. The Trust's Board had a Strategy Development Day in October 2023, where the Board, partner organisations and senior leadership came together to review and produce proposals for a refreshed strategy and vision. This evidences that the Trust are actively working towards updating their strategy and ensuring it actively reflects their key risks and objectives, one of which is the Trust's financial constraints.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

The Trust engages Audit Yorkshire to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. Audit Yorkshire are also engaged by the Trust to provide Counter Fraud Services. Regular progress reports on the agreed annual counter fraud plan are provided to the Group Audit Committee who then provide oversight and challenge as necessary.

The Annual Internal Audit Plan is agreed in conjunction with management and subject to approval by the Group Audit Committee at the beginning of each financial year. Progress reports are presented to each Audit Committee meeting including follow up reporting of recommendations not fully implemented by agreed due dates. This allows the Committee to effectively hold Management to account on behalf of the Board. Our attendance at Audit Committees throughout the period confirms the significance placed on internal audit findings.

The Head of Internal Audit Opinion is reflected in the published Annual Governance Statement. In respect of the 2023/24 period, Internal Audit provided a rating of 'significant assurance' that there is a good system of governance, risk management and internal control designed to meet the Trust's objectives and that controls are being applied consistently.

Regulator assessments

Following inspection work carried out in the period from November 2022 to March 2023, the Care Quality Commission (CQC) issued its inspection report to the Trust in June 2023. The Trust's overall combined quality rating was 'Requires improvement', with the domain scores from the latest and previous published reports shown in the table below:

Theme	2019 rating	2023 rating
Overall rating	Requires improvement	Requires improvement
Are services safe?	Requires improvement	Requires improvement
Are services effective?	Good	Requires improvement
Are services caring?	Good	Good
Are services responsive?	Good	Requires improvement
Are services well-led	Requires improvement	Inadequate

The report highlighted the key differences between the 2019 and 2023 rating to be:

- A deterioration in operational performance, including safety and quality concerns;
- Failings in performance and risk management arrangements; and
- A deterioration of staff relations and behaviours, which could lead to retention and recruitment issues.

Beyond the issues identified in the CQC report, we have found no other concerns with the Trust's performance and risk management arrangements in 2023/24.

In 2022/23, we reported a significant weakness regarding the CQC's inspection and the rating received. While progress has been made, the matters identified above are relevant to the financial year 2023/24 and, in our view, are evidence that the significant weakness in arrangements still remains.

Group Audit Committee

The Committee met six times in 2023/24 and its membership included four Non-Executive Directors. The terms of reference remain in place for the Audit Committee and were reviewed during the year. The Committee provides the Trust Board with an independent and objective reviews of financial and organisational controls, integrated governance and risk management systems across the whole of the organisation's activities (both clinical and non-clinical). The Audit Committee Chair reports into the Trust Board after each meeting and an Annual Report of the work of the Committee is produced and presented to the Board. We have attended all Audit Committee meetings held during the year. In our view the Committee meetings are focused on its terms of reference, members understand their role, and discharge it in a supportive, but challenging manner, to ensure they have assurance on the operation of the Trust's internal control framework.

Performance management

The Trust's performance is monitored in detail by the Resources Assurance Committee. We have confirmed the Committee met regularly during the year and that the Committee reported to the Trust Board on a regular basis.

Operational and financial performance was also reported to the Trust's Board monthly via the Trust's Priorities reports. These reports illustrate the pressures faced by the Trust in delivery of performance targets, through detailed metrics and key performance indicators for specific areas, e.g. infection control and patient safety.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

To strengthen the arrangements the Trust has established a new Efficiency Delivery Group. This is a sub-committee of the Executive Committee dedicated to the delivery of the Trust's efficiency and waste reduction programme. We have reviewed the minutes from the first of these meetings held in April 2024 and confirmed the arrangements are in place

As highlighted on page 23, we have identified a significant weakness in arrangements against the Governance reporting criteria as a result of the matters arising from CQC inspections of the Trust.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

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



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

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

Overview

We have confirmed the Trust has strong performance monitoring systems in place, to ensure they consistently meet all the national performance targets, as well as delivering a high quality and safe service to all, except for in the areas highlighted by the CQC report (see recommendation raised in page 23).

In June 2023, the CQC issued its full inspection report, highlighting weaknesses in the Trust's performance management arrangements. In response, the Trust have undertaken a detailed review of the weakness and actions included in the inspection report. Actions identified through review of the inspection report have been linked to seven Trust Improvement Workstreams, delivery of which will be overseen through the Trust's Journey to Excellence: Focussed Improvement Programme chaired by the Trust Chief Executive. The Trust improvement plan was submitted to the CQC on 20 July 2023, and approved without amendment. We have concluded that the CQC findings in this area, are evidence of a significant weakness in the Trust's economy, efficiency and effectiveness arrangements as highlighted on page 23 of this report.

We confirmed the Trust reports on their performance in several different ways, including:

- The Trust's Finance and Integrated Business reports, reported to Board, include sufficient information to understand performance trends and highlight any potential issues. Our review of the published Board minutes also demonstrates sufficient challenge from non-executive directors on the Trust's costs, performance and service delivery;
- Performance Report to the Trust Board – a monthly 'Priorities' performance report is received by the Trust Board which sets out the Trust's performance against a variety of operational and financial measures; and
- The publication of the Annual Report and Accounts, and the Annual Governance Statement, which are reviewed by the Audit and Governance Committee before adoption by the Trust board.

The Trust has established a Corporate Efficiency Team (CET). The team reviews financial performance in the context of delivering efficiency. CET also work with partners in the Integrated Care System (ICS) to develop cross system efficiencies and work with care groups to improve efficiency and productivity. They are also active participants in the NHS National Efficiency Exchange.

CET also undertake performance management through The Getting It Right First Time (GIRFT) programme, Model Health System and Patient Level Information Costing System (PLICS) data to identify opportunities for improvement and efficiency saving. The CET has two Model Hospital ambassadors, who oversee this benchmarking. A member of the CET is also the programme manager for the Trust's

GIRFT programme and liaises both within the Trust and regionally, to identify areas of improvement and reduce unwanted variations in performance.

Partnerships

The Trust has well-developed mechanisms for engagement with third party bodies at all levels across the organisation. We have confirmed through review of minutes that there has been regular engagement with partners during the year.

The Trust is a member of the Humber and North Yorkshire Integrated Care System (ICS). The Trust remains fully engaged with all system partners, in terms of both financial planning and developing future plans for activity recovery. We have confirmed the Trust is an active participant in ICS arrangements, this includes:

- The Trust's CEO Chairs the Strategic Estates Board;
- Membership of the following - ICS Committee of Acute Providers Board, Community Services Collaborative Board and the Clinical and Professional Executive Committee;
- Active involvement developing and implementing the ICS Planned Care Strategy; and
- Membership of the York, North Yorkshire and East Riding ICS Place and Health & Wellbeing Boards.

The Trust has worked with the ICS partners in the financial planning submission. This required the Trust to work with ICS partners in developing a financial plan within the funding allocated.

The Trust continues to develop partnership working and alliances with other NHS providers, such as Hull University Teaching Hospitals NHS Trust and Harrogate and District NHS Foundation Trust, to support and improve hospital services across the ICS's geographic area.

Procurement

The Trust has established procurement arrangements, including procurement policies and procedures. The Procurement Policy in place details the tendering process requirements for contracts, as well as the Trust's waiver approval procedures. We have confirmed through attendance that there are regular waiver reports to the Audit Committee. The Trust's Standing Financial Instructions set out the procedures, controls and authorising sign offs that are required for the commissioning or procurement of services. Framework Agreements are used where appropriate and there are instructions in place regarding the levels for delegated approval of expenditure. The Trust also has policies in place regarding expected standards of business conduct, and gifts and hospitality, to mitigate the risk of conflicts of interests arising.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

In 2023/24, the Humber and North Yorkshire Procurement Collaborative organisation was established, hosted by Hull University Teaching Hospitals NHS Trust, in order to provide procurement and supply chain services to the three partner trusts: Hull, Northern Lincolnshire and Goole and York and Scarborough. This partnership has an objective of creating a single procurement function to support the sustainable provision of clinical and non-clinical services. The partnership operates through a Procurement Board which reports to the Trust's Board of Directors. Our review of minutes confirms that this process is in place.

Based on the above considerations, we are satisfied that there is no other significant weakness in relation to the improving economy, efficiency and effectiveness criteria, other than the CQC weakness detailed on page 23.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements – Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses 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.

Identified significant weakness in arrangements	Financial Sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
<p>1</p> <p>Care Quality Commission (CQC) inspection The Trust has a ‘Journey to Excellence’ improvement programme to address weaknesses reported by CQC in their inspections. The Trust has not yet completed the actions in the improvement programme and we identified a significant weakness in the Trust’s arrangements for governance (how the Trust monitors and assesses risk) and securing economy efficiency and effectiveness in the use of its resources (how the Trust evaluates the services it provides to assess performance and identify areas for improvement).</p>		●	●	<p>We recommend the Trust should deliver the actions in its Journey to Excellence programme and ensure actions are fully embedded and deliver sustainable improvements.</p>	<p>We have reviewed the update presented to the Board of Directors in place and the improvements made since the CQC Report was published in June 2023.</p> <p>In 2023/24, the Trust’s Board of Directors have agreed seven improvement workstreams providing a framework for the Trust’s 12-month quality recovery programme; The Journey to Excellence. Each of the workstreams includes actions to deliver each of the CQC’s Must and Should actions.</p> <p>We have reviewed the report and noted that 11 actions were considered ‘off-track’ meaning the original target date for delivery had not been met.</p>

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>Care Quality Commission (CQC) inspection of York Hospital</p> <p>In June 2023, the Care Quality Commission (CQC) issued an inspection report, covering the period of November 2022 to March 2023. The Trust's overall combined quality rating was 'Requires Improvement', which is no change from its previous rating from 2019, however three of the domain scores have deteriorated since then, and the 'well-led' domain is rated as inadequate. The report identifies the action that the Trust must take to improve, highlighting 11 legal requirements across 6 services. Unless the trust addresses these issues there is a risk that further action will be taken by the CQC.</p>	Governance	The findings from the CQC inspection are evidence of a significant weakness in the Trust's arrangements to deliver value for money in relation to the Governance reporting criteria. In response to the CQC report the Trust should carry out a detailed review of identified weaknesses and determine, and implement, the actions required to address those weaknesses.	<p>In 2022/23, we reported two significant weaknesses to the Trust in relation to the CQC inspection report. It is the audit team's judgement that a single weakness and recommendation, covering all CQC findings, would provide greater clarity.</p> <p>We have therefore closed the two previous significant weaknesses and raised a subsequent significant weakness and recommendation in 2023/24 that is focused on the Trust's current position. See page 23 for further detail.</p>	This recommendation has been replaced with a new recommendation specific to the Trust's position in 2023/24. See page 23 for further detail.

VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year (continued)

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>2</p> <p>Care Quality Commission (CQC) inspection of the Trust's Emergency Departments</p> <p>In January 2020, the CQC carried out an unannounced focused inspection of the Trust's Emergency Departments. In their report, published in March 2020, the CQC rated the service as 'inadequate' and set out a number of areas for improvement that the Trust must address to comply with the conditions of registration.</p> <p>In June 2021, the CQC removed five of the seven conditions of registration originally imposed. However, two conditions of registration (in relation to patients who present to the emergency departments at York and Scarborough Hospitals with mental health needs) were not removed and remain in place.</p> <p>The Trust recognises that a failure to continue to address the weaknesses identified by the CQC could adversely impact upon services provided to users of the emergency departments (particularly those with mental health needs) and has developed an action plan to address the continuing conditions of registration and established additional internal oversight arrangements to drive the required improvements.</p>	<p>Governance</p>	<p>The Trust should implement and embed the action plans it has developed to address the patient care issues identified by the Care Quality Commission in order to deliver sustainable improvements for patients.</p> <p>The Trust should ensure that robust monitoring and reporting processes are maintained, and that challenge, scrutiny and escalation arrangements drive the required improvements for patients and maintain the progress made to-date in implementing the actions to address the remaining issues raised by the CQC.</p>	<p>In 2022/23, we reported two significant weaknesses to the Trust in relation to the CQC inspection report. It is the audit team's judgement that a single weakness and recommendation, covering all CQC findings, would provide greater clarity.</p> <p>We have therefore closed the two previous significant weaknesses and raised a subsequent significant weakness and recommendation in 2023/24 that is focused on the Trust's current position. See page 23 for further detail.</p>	<p>This recommendation has been replaced with a new recommendation specific to the Trust's position in 2023/24. See page 23 for further detail.</p>

Other reporting responsibilities and our fees

Other reporting responsibilities and our fees

Other reporting responsibilities

Public interest reports

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

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

Schedule 10 referrals

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

We have not identified any issues through our work in 2023/24.

Reporting to the National Audit Office (NAO)

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

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

Fees for our work as the Trust's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Group Audit Committee in March 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	£95,000	£74,750
Additional fees in respect of IFRS 16 (Implementation)	-	£6,000
Additional fees in respect of ISA 315 (Revised)	-	£3,000
Total fees	£95,000	£83,750

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 (Trust and Group)</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 there is a risk of material misstatement due to fraud on all audits.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> Accounting estimates impacting on amounts included in the financial statements. Consideration of identified significant transactions outside the normal course of business. Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. <p>We completed our planned procedures and have no matters to report in respect of the risk of management override of controls.</p>
<p>Significant Risk 2 - Risk of fraud in revenue recognition (Trust)</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:</p> <ul style="list-style-type: none"> Cut-off of revenue around the year end; Existence and valuation of receivables recognised in the balance sheet 	<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 year end income (March, April, May and as close to the reporting deadline in June) and year end receivables to ensure they relate to 2023/24; testing receipts in the pre and post year end period to ensure they have been recognised in the right year; testing year end receivables to confirm they exist and are recorded at the correct value; reviewing intra-NHS reconciliations and data matches provided by the Department of Health. <p>We completed our planned procedures and have no matters to report in respect of the risk of fraud in revenue recognition, with the exception of an unadjusted misstatement which is detailed on page 32. However, this error is not indicative of a fraud risk.</p>

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

Significant risks and audit findings (continued)

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

Risk	Our audit response and findings
<p>Significant Risk 3 – Risk of fraud in expenditure recognition (Trust)</p> <p>The risk of fraud in expenditure recognition is presumed to be 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:</p> <ul style="list-style-type: none"> • Cut-off of expenditure around the year end; • Completeness and valuation of accruals recognised in the balance sheet. 	<p>We evaluated the design and implementation of controls the Trust has in place which mitigate the risk of income being recognised in the wrong year. In addition we undertook a range of substantive procedures including:</p> <ul style="list-style-type: none"> • Testing year end expenditure (March, April, May and as close to the reporting deadline in June) and year end accruals to ensure they relate to 2023/24; • testing payments in the pre and post year end period to ensure they have been recognised in the right year; • testing year end accruals to confirm they are complete and are recorded at the correct value; • reviewing intra-NHS reconciliations and data matches provided by the Department of Health. <p>We completed our planned procedures and have no matters to report in respect of the risk of fraud in expenditure recognition.</p>
<p>Significant Risk 4 – Valuation of property assets (Trust)</p> <p>Management engage the District Valuer, as an expert, to assist in determining the value of property to be included in the financial statements. Changes in the value of property may impact on the Statement of Comprehensive Income depending on the circumstances and the specific accounting requirements of the Group Accounting Manual.</p>	<p>We evaluated the design and implementation of any controls which mitigate the risk. This included liaising with management to update our understanding on the approach taken by the Trust in its valuation of land and buildings. We:</p> <ul style="list-style-type: none"> • Obtained an understanding of the skills, experience and qualifications of the valuer, and considered the appropriateness of the instructions to the valuer from the Trust. • Obtained an understanding of the valuation basis applied by the valuer, including understanding and challenging the methodology applied to estimate the gross replacement cost of the Trust’s operational land and buildings on a modern equivalent asset basis. We evaluated the Trust’s application of a ‘single site’ valuation methodology which covers its existing hospital sites. • Sample tested the completeness and accuracy of underlying data provided by the Trust and used by the valuer as part of their valuations. • Used relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2024. <p>We completed our planned procedures and have no matters to report in respect of the risk of valuation of property, plant and equipment, with the exception of an unadjusted misstatement. There was also a control recommendation raised which is detailed in the Audit Completion Report.</p>

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

Summary of uncorrected misstatements

Details of adjustment	SOCNE/SOCI		SOFP	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
<p>CR: Property, Plant and Equipment</p> <p>DR: Impairments charged to SOCI</p> <p>DR: Impairments charged to Revaluation Reserve</p> <p>DR: Revaluation increase charged to Revaluation Reserve</p> <p>An error was identified during our valuations testing of land & buildings. The incorrect BCIS Location Factor had been used by the valuer for the Bridlington estate. The valuation was overstated by £1,125k with understatements to impairments and revaluation changes in the SOCI and SOFP.</p>	140		934	1,125
<p>DR: Payables</p> <p>CR: Operating income from patient care activities</p> <p>As part of our Trade and Other Payables testing, we identified an error in a private patient sample totalling £9k. The sample relates to a payment that had been received in February 2024, for a service that occurred in March 2024 and therefore no liability should have been recognised as at 31 March 2024. We extrapolated this balance against the rest of the population which resulted in an error of £461k.</p>		461	461	

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

Summary of uncorrected misstatements (continued)

Details of adjustment	SOCNE/SOCI		SOFP	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
CR: Property, plant and equipment – Assets under construction DR: Property, plant and equipment - Additions An error was identified during our additions testing of property, plant and equipment. A sample was incorrectly recorded as assets under construction when it was completed in 2023/24. We have extrapolated this across the population of assets under construction that we are uncertain of their completion date, which has resulted in an error of £3,040k.			3,040	3,040
CR: Accrued Income DR: Income As part of our testing around the agreement of balances, we have identified an error of £1.334m which was incorrectly accrued for by the Trust.	1,334			1,334
Aggregate effect of adjusted misstatements	1,474	461	4,486	5,499

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

Summary of corrected misstatements

Details of adjustment	SOCNE/SOCI		SOPF	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
DR Intangibles – Assets under construction			1,797	
CR Property, plant and equipment – Assets under construction				1,797
As part of our testing on property, plant and equipment additions, we identified a sample which was incorrectly classified as an asset under construction in the property, plant and equipment note, when it should have been recognised as an intangible. From a review of the fixed asset register, this error has been isolated to £1.8m. There were also corresponding changes to the cash flow statement as a result of this adjustment.				
Aggregate effect of adjusted misstatements	0	0	1,797	1,797

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

Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

- Note 2.2 Income from patient care activities (by source) – The Trust reclassified £4,668k from NHS England Income to ICB and Non-NHS Other Income resulting in revised figures of:
 - NHS England £97,444k
 - ICB £635,880k and
 - Non-NHS: Other £396k.
- Note 7 Impairments – The impairment figure attributable to the York ED scheme has been updated from £13m to £14.9m to be consistent with the Annual Report.
- Note 12 Trust income statement and statement of comprehensive income - The narrative for the Group's subsidiary company SOCI refers to the 'Trust'. The Trust have updated this to say 'YTHFM LLP'.
- Note 19 Inventories – The Trust amended their inventories recognised in expenses for the year from £80,269k to £107,779k.
- Note 20 Receivables – Total receivables of which are from NHS and DHSC group bodies has been updated from £17,491k to £20,515k.
- Note 22.1 and 23 – The Trust has reclassified £747k from Receipts in Advance to Deferred Income.
- Note 28.4 Carrying values of financial liabilities – The Trust amended 'Trade and Other Payables excluding non financial liabilities' to exclude the Annual Leave accrual. This resulted in a revised figure of £64,608k (Group) and £42,246k (Trust).
- Note 28.7 Maturity of financial liabilities – The Trust amended the maturity of financial liabilities for one year or less from £78,643k (Group) to £75,091k (Group).
- Annual Report: Staff Numbers – The Trust omitted 8 employees from the table. 4 of these were allocated the Administration and Nursing lines (permanent), and the remaining 4 to Nursing, Midwifery and Health Visiting Staff (3 permanent, 1 temporary).
- Annual Report: Remuneration Report – The Trust amended the bandings for various senior officers' salaries and wages. They also added a disclosure around the public service pensions remedy scheme.
- Annual Report: Fair Pay Disclosures – The Trust amended the number of employees remuneration exceeding the highest paid director from 8 to 6. The Trust have also amended the disclosure to separate out the salary component of pay. The disclosure was also updated to exclude the non-consolidated pay award and include the consultants pay award.
- Annual Report - The Trust have updated a reference to year-end cash to reflect the 2023/24 balance.

In addition to the above, we also identified a number of minor presentational issues and management adjustments during our audit of the financial statements.

We identified the following disclosure misstatements during our audit that have not been corrected by management:

- Note 1.24 Sources of estimation uncertainty – Sensitivity analysis has not been included in the note.

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

Internal control recommendations

We raised two recommendations to improve the Trust's internal control environment in 2023/24. One recommendation from 2022/23 has also remained in place. All recommendations were accepted by the Trust's management.

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