



Bradford Teaching Hospitals NHS Foundation Trust

**Auditor's Annual Report 2021/22
5 September 2022**

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Key Messages

Audit opinion on the financial statements

We issued an unqualified opinion on the Trust's financial statements on 21 June 2022.

The Trust's arrangements to secure Value for Money

Financial Sustainability

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

- The Trust recognised a deficit for the year ended 31 March 2022 of £8,975k (2020/21: surplus of £873k).
 - In a normal year the Trust has a thorough annual financial planning and forecasting process, however the process for the current year was again affected by changes to the national guidance due to the impact of Covid-19. The Trust has set out a financial plan for 2022/23 as well a long-term financial plan covering 2020/21-2023/24.
 - The Trust reports its financial position on a bi-monthly basis to Board which includes an analysis of the actual expenditure incurred compared to budget.
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Governance

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

- The Trust has in place a risk management strategy including a Board Assurance Framework and Risk Registers.
 - The Governance approach at the Trust has continued to develop during 2021/22, with the implementation of 'Academies' to replace certain Board sub-committees and the disbanding of the Regulation and Assurance Committee with its functions being transferred to the Board.
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Improving economy, efficiency and effectiveness

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

- The Trust assesses its performance regularly through meetings with the Executive team in which a balanced scorecard of performance is reviewed. This balanced scorecard reviews performance against Quality, Workforce, Performance and Financial metrics. This ensured a wide range of financial and non-financial metrics were considered in combination to fully understand the Trust's position.
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Purpose of this report

Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at Bradford Teaching Hospitals NHS Foundation Trust ("the Trust") for the year ended 31 March 2022.

This report is intended to bring together the results of our work over the year at the Trust, including commentary on the Trust's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). This report fulfils the requirements of the Accounts and Audit Regulations for an Annual Audit Letter.

In preparing this report, we have followed the National Audit Office's ("NAO") Code of Audit Practice and its Auditor Guidance Note ("AGN") 03, Value for Money, and AGN 07, Auditor Reporting. These are available from the NAO website.

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

We have not identified any significant weaknesses in the Trust's VfM arrangements, and so have not reported any recommendations in respect of significant weaknesses.

Assurance sources for the Trust

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



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

Opinion on the financial statements

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

- Give a true and fair view of the financial position of the Trust as at 31 March 2022 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by NHS Improvement; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006.

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

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

Audit opinion on the financial statements: We issued an unqualified opinion on the Trust's financial statements on 21 June 2022. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.

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

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

Annual Report: We reported that the information given in the Performance Report and Accountability Report for the year ended 31 March 2022 is consistent with the financial statements.

Reports in the public interest and reports to NHS Improvement: We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2022.

Reporting to the group auditor: In line with the group audit instructions issued by the NAO, we reported on 24 June 2022 that the Trust's consolidation schedules that feed into the Consolidated NHS Provider Account and Department of Health and Social Care's group accounts were consistent with the audited financial statements.

Audit Certificate We will certified completion of the audit upon acceptance of this report by the Trust.

Our financial statement audit approach

An overview of the scope of the audit

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

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit associate partner, Paul Hewitson. The audit team included integrated Deloitte specialists bringing specific skills and experience in property valuation.

Materiality

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

Based on our professional judgement, we determined materiality for the Trust to be £10.7m (2020/21: £9.9m), on the basis of 2% of revenue.

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

Procedures for auditing the Trust's financial statements

Our audit of the Trust's financial statements included:

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

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

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

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

Financial Statement Audit Significant risks

Management override of controls

Risk identified

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

The key judgement in the financial statements is what we have selected to be the significant audit risk on accounting for capital expenditure. This is inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Key judgements

Our audit work is designed to test for instances of management override of controls. We have summarised our work on key judgements around capital expenditure on page 9.

Deloitte response

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

- We tested the design and implementation of controls in relation to journals.
- We risk assessed journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.
- We tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting.
- We reviewed accounting estimates for biases that could result in material misstatements due to fraud.
- We did not identify any significant transactions that we considered to be outside of the normal course of business for the entity, or that otherwise appeared to be unusual, given our understanding of the entity and its environment.

Conclusion

We have not identified any significant bias in the key judgements made by management.

The control environment is appropriate for the size and complexity of the Trust.

In our view, the authorisation and review processes for journals could be strengthened, as it was noted from our work that journals can be prepared and reviewed by the same person. A monthly report is extracted and analysed retrospectively but we have raised an insight for the current year to consider a system update to prevent self-authorised journals from being processed. No other recommendations or insights have been raised from our work.

Financial Statement Audit Significant risks (continued)

Accounting for capital expenditure

Risk identified We identified a significant risk in relation to the accounting for capital expenditure and specifically the risk that assets were incorrectly capitalised either due to cut off or incorrect application of the definition of a capital item, this is based on the errors documented in the prior year work and the continued higher levels of capital expenditure and the level of subjectivity involved in whether to capitalise or expense transactions.

In the current year the Trust has an extensive capital programme, with forecast spend for the year of £37m. Due to the continued impact of the Covid-19 pandemic on Trust operations there has been delays in delivery of the capital budget and there is forecast to be a significant proportion of the overall programme delivered in Q4. This increases the risk of amounts being incorrectly capitalised, or of incorrect recognition in the current period.

Key consideration The recognition of capital items including around year end, as £18.2m (47%) (2020/21: £18.1m, 62.5%) of the Trust's capital expenditure for the year was recognised during March 2022.

Deloitte response

- We have reviewed the Trust's capital plans.
- We have tested the design and implementation of controls around the capitalisation of costs.
- We have tested spending on a sample basis to confirm that it complies with the relevant accounting requirements.
- We have tested the validity of year-end capital accruals to test cut-off of expenditure.

Conclusion From our testing we have identified judgemental misstatements in the recognition of capital additions in year:

- we judge that there is an overstatement in relation to the accrual of costs in relation to the major capital projects of £2,173k which is badged as an Extension of Time liability for which we do not consider there is sufficient evidence to support recognition.
- we judge it overly prudent to recognise all of the "worst case" estimate of liability as relating to works already completed when there remains work to be completed to finish the project, we estimate the overstatement to be between £118k and £449k.
- we have identified an overstatement in capital additions of £2,986k in relation to a project where management have been unable to provide sufficient evidence to confirm the value of the proportion of the project that was delivered pre year end. As this project was funded via Public Dividend Capital (PDC) there is also an adjustment of the same value to the PDC that has been recognised in year.
- we have identified an overstatement of £300k in relation to the incorrect recognition of an asset which had not been delivered pre year end.
- based on the misstatements identified above we have calculated an extrapolated overstatement of £1,696k in relation to the untested capital additions balance.

The effect of the uncorrected misstatements are considered to be immaterial both individually and in aggregate (£6,973k) to the financial statements as a whole.

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

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

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

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

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

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

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. As a result of the Covid-19 pandemic, there have been changes in nationally led processes, changes in expectations around Trust's arrangements, and events occurring outside of the Trust's control, which affect the relevance of some of these indicators. We have still considered whether these indicators are present, but have considered them in the context of the circumstances of 2021/22 in assessing whether they are indicative of a risk of significant weakness.

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



Interviews with key stakeholders, including Matthew Horner, Director of Finance, Michael Quinlan, Deputy Director of Finance, and Jacqui Maurice, Head of Corporate Governance.



Review of Board and committee reports and attendance at committee meetings.



Reviewing reports from third parties including Care Quality Commission and internal audit.



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



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

VfM arrangements: Financial Sustainability

Approach and considerations

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

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

Commentary

The Trust recognised a deficit for the year of £9.0m (2020/21: surplus of £0.9m), this included the receipt of £6.0m of top-up and reimbursement funding (2020/21: £22.3m) which was provided by NHS England in 2021/22 to assist trusts to meet the additional costs of the Covid-19 pandemic. It also includes £10.6m of net impairments to property, plant and equipment (2020/21: £0.8m) which if removed would mean that the Trust delivered a surplus of £1.6m (2020/21: surplus of £1.7m).

At 31 March 2022, the Trust had net assets of £201.9m (31 March 2021: £195.3m), net current assets of £4.9m (31 March 2021: £16.8m), and cash of £84.6m (31 March 2021: £75.0m). While the Trust has increased the amount of cash that it is holding there has also been an offsetting increase in current liabilities and therefore there has been no significant change in the Trust overall financial position.

The Trust has in place a Budgetary Management Framework that sets out the operational rules and processes which are relied upon to ensure sound financial management. The annual budget setting is conducted as part of the annual planning exercise for which the Director of Finance has executive responsibility. The annual budget setting exercise for 2021/22 was suspended nationally in response to Covid-19 and therefore management has adapted its approach. NHS organisations were not asked to produce a full 12 month annual plan for 2021/22. Instead the Trust was required to prepare separate 6 month plans for the first and second halves (H1 and H2) of the financial year. The national planning focus for 2021/22 also placed a much greater emphasis on the Integrated Care System's (ICS) aggregate financial and operational performance and required providers to submit figures for inclusion in the overall ICS finance, activity and workforce plans. This means that the Trust has had to work more closely with the other providers in the ICS to deliver an overall balanced position rather than operating independently.

To a large extent the funding envelope was set externally by NHS England and the ICS based on rolled forward figures from the prior year and therefore the Trust's focus had to be on controlling expenditure, although as noted on the following page the delivery of cost savings was more limited in the current year as well. Current year performance is evaluated with notable variances explained to determine any ongoing impact. The budget seeks to explain year on year movements and any pressures are identified. There is a clear process in place to set the annual budget, from the preparation by the budget holders through to the approval by the Board.

Due to the constantly changing operational environment driven by the pandemic, accurately predicting expenditure at a detailed service level was extremely challenging. To mitigate these challenges as far as possible, the Trust performed a detailed bottom up budget setting exercise which was complemented by a high level top down forecasting exercise to determine the overall expenditure plans for H1 and H2.

VfM arrangements: Financial Sustainability - continued

Approach and considerations

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

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

Commentary

For the year ended 31 March 2022, the national guidance also suspended the expectation that the Trust would identify, report and deliver cost savings. In line with this revised guidance the Trust suspended its processes concerning the delivery of a cost savings programme at the start of the year. Notwithstanding this, as the high level H2 forecasting exercise, outlined on the previous page, identified an expected funding gap, the Trust therefore undertook a more centralised process to develop non recurrent cost savings to bridge the expected gap. The Trust will need to ensure that it focuses on identifying recurrent savings as it restarts its cost savings programme in 2022/23.

The Trust Board reviews its strategic risks on a bi-monthly basis and, where appropriate, updates are made to risk scores and mitigating actions are discussed, agreed and documented.

The Trust has a detailed Risk Management Strategy which sets out the arrangements for assessing and monitoring risk. This includes a Board Assurance Framework and Risk Registers, the risk registers are regularly reviewed and challenged by the Executive Team and Academies. From the pre year end strategic risk register, there were a number of red rated risks in relation to the following areas: mental health care for children and young people; 'safe staffing levels as a result of sustained Covid-19 pandemic' and operational pressures due to Covid-19; 'Backlog maintenance of estate'; and the Trust's capacity to provide some specialist services, for which the Trust has identified mitigating actions and delivery of which are monitored by the Board, through the Executive Team and relevant Academies.

Integrated performance reports are discussed at each Board meeting detailing the financial performance and also metrics on a range of areas that are considered most relevant i.e. Covid-19, emergency procedures, quality, national metrics, locality, finance / contracts and workforce.

Based on the above, we are satisfied the Trust has sufficient arrangements in place to ensure financial sustainability.

VfM arrangements: Governance

Approach and considerations

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

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

Commentary

During 2020/21, due to Covid, the Trust had suspended some Committee meetings and implemented a streamlined governance process with the introduction of a Regulation & Assurance (R&A) Committee. Following an in year review the R&A Committee was disbanded and its functions were transferred to the Board of Directors.

In the current year the Trust has continued with implementation of a new structure, a process which commenced in 2020/21, which has involved replacing a number of the Board sub-committees with the 'Quality Academy', 'People Academy' and the 'Finance and Performance Academy'. These Academies have a broader membership than the Committees that they replaced, so that there is wider input from across the Trust and their role is to seek assurance, ensure learning and drive improvements in relation to their areas of responsibility. Following the dissolution of the R&A Committee outlined above, the Academies report directly to the Board and are all chaired by a Non Executive Director.

The Audit Committee reviews the adequacy of the risk management arrangements and has oversight of the Trust's system of internal control, including arrangements to prevent and detect fraud. The Audit Committee receives regular progress reports from the Local Counter Fraud Specialist in relation to any proactive and reactive work undertaken, and progress against the Counter Fraud work plan. The Trust has an Anti-Fraud, Bribery and Corruption Policy which is developed in conjunction with the LCFS. Counter fraud services are provided by Audit Yorkshire.

The Trust's Audit Committee approves the annual Internal Audit Plan and Counter Fraud Plan, and receives updates at committee meetings through the year, where there is consideration of any recommendations raised and managements action plan as well as challenge to ensure the timely implementation of agreed actions in relation to previous recommendations.

The Trust uses an internal audit function to provide independent, objective assurance, designed to add value to and improve operation. The Trust's Head of Internal Audit opinion for the year was "Significant Assurance" that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently. In the current year the Trust's Internal Auditors have been able to undertake a full audit plan as there has not been such a large impact from Covid compared to the prior year.

VfM arrangements: Governance - continued

Approach and considerations

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

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

Commentary

As part of the Internal Audit review of Capital projects, Audit Yorkshire identified that the Trust has appropriate controls in place to manage the review and approval of business cases for the funding and tendering of capital projects. Furthermore that project monitoring upon commencement of building works was generally found to be subject to appropriate governance oversight and scrutiny. From our work we have noted that where there have been increases in projects costs the Trust has put in place a process to challenge the increases and has obtained expert input. In relation to the approval of capital projects we recommend that further consideration should be given as to the level of detail included in the supporting documentation to improve the challenge and transparency before projects are approved.

The financial reporting process focuses on identifying key financial risks and higher level financial reporting. The Finance & Performance Academy report on the year end financial position and performance alongside the liquidity and cash position of the Trust. Further consideration of Capital spend and plans is performed by the Academy, all of which is reported to the Board.

The Trust has Standing Financial instructions in place to ensure it makes properly informed decisions, these include approval process for the activities undertaken by the Trust for example investment and financing decisions, which includes approval by finance personnel, and other senior officers.

For operational matters to ensure that the budget holders have sufficient appropriate information to make informed decisions the finance team provide a suite of management information to each business unit on a monthly basis. The information provided is based on the needs of the budget holder and can include areas such as contract income, activity, expenditure and forecasts. Further detail on the budget setting process is included on page 11.

The Trust has a number of staff policies in place including a code of conduct and conflicts of interest. These are readily available for all staff to access. Declarations of interest are maintained for all senior members of staff and decision making officers and are publicly available.

The “Well Led” element of the last CQC report issued on 9 April 2020 rated the Trust as Good.

Based on the above, we are satisfied the Trust has sufficient governance arrangements in place for the size and function of the Trust.

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations

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

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

Commentary

The Trust's most recent CQC inspection was published on 9 April 2020. The Trust was rated "Good" overall, although it was given a "requires improvement" for both Effectiveness and for the Maternity service. The overall "Good" rating is an improvement on the previous inspection published on 15 June 2018 of "Requires Improvement" but the Effectiveness and Maternity service ratings are consistent. In relation to the action plan that was developed to respond to the recommendations from the report, progress has been regularly reported to Board and the only ongoing actions are in relation to Maternity. CQC undertook an inspection of the 'Urgent and emergency services' at Bradford Royal Infirmary (BRI) on 20 April 2022 as part of a wider review of the service across West Yorkshire, with the report being published on 17 August 2022. No rating of the service was provided as part of the inspection and therefore the previous rating of good remains but there were recommendations for BRI raised in relation to certain areas: gaps in patient records; oversight of sepsis management; designated mental health rooms; long waits for patients in mental health crisis for appropriate onward care pathways; and lack of staff due to increased absence rates. In relation to the care provided across West Yorkshire the CQC found that the services were under continued pressure and people were experiencing difficulties in access care. While the resolution of this issue is not wholly within the Trust's remit it will need to consider its role within the ICS in addressing the points raised.

The Trust has made use of a number of tools to benchmark their operational and financial performance against other Trusts, these include the use of the Model Hospital, the NHS benchmarking network which provides general information to the Trust as well as bespoke reports on specific areas, and the GIRFT reviews which are clinically led reviews of the relative efficiency and effectiveness of clinical services at a specialty level across all acute providers in the NHS. From this the Trust has identified several areas of potential cost savings and is performing additional assessments to better understand whether real opportunities exist or if there are specific reasons that the Trust has a reportedly higher levels of expenditure such as coding issues.

Planning, Performance and Expectations for the trust continue to be increasingly reliant and driven on a system basis. The Trust's engagement with place and ICS based forums and utilising the information and knowledge from these partnerships is vital for effective planning and a fundamental tool for effective horizon scanning. For the Trust this means co-ordinating plans with local NHS partners in the Bradford and Airedale place, West Yorkshire Association of Acute Trusts and ultimately with the West Yorkshire Integrated Care System (ICS). The Trust plays an active part in the local ICS and has key local partnerships.

VfM arrangements: Improving economy, efficiency and effectiveness - continued

Approach and considerations

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

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

Commentary

Despite the continuation of the Covid-19 pandemic during 21/22 partners agreed to maintain the Act as One programme, whilst also establishing a series of local groups to provide strategic leadership. As the Trust moves forwards with ever closer partnership working within the ICS and the increasing focus on system wide objectives, it is important that the Trust adapts its arrangements appropriately to incorporate new duties and responsibilities whilst maintaining the existing rigour over the its current arrangements.

The Trust continues to monitor its partnerships on a regular basis through discussions and monitoring of partnerships dashboards at board meetings. In doing so an understanding of the various trends, challenges and successes of the Trusts main partnerships are understood and can be carried forward. This complements the Trusts risk strategy whereby the assessment of risks around partnerships are assessed.

The Trust has a procurement function who are appropriately qualified and develop the Trust's procurement strategy in line with the procurement policy. The policy's aim is to ensure that the Trust operates in an open and transparent manner and achieves value for money. It focuses on ensuring that an appropriate level of competitive tendering is used in each case and that any use of the options to waive the tendering requirements are appropriately approved by senior officers and reported to the audit committee.

Based on the above, we are satisfied the Trust has sufficient arrangements to improve economy, efficiency and effectiveness in place for the size and function of the Trust.

Purpose of our report and responsibility statement

What we report

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

The scope of our work

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

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

Use of this report

This report is made solely to the Council of Governors and Board of Directors ("the Boards") of Bradford Teaching Hospitals NHS Foundation Trust, as a body, in accordance with the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Boards those matters we are required to state to them in our Auditor's Annual Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Boards as a body, for our audit work, for this report, or for the opinions we have formed.

What we don't report

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

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

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



Appendix 1: Trust's responsibilities

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

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

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

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

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

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

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

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

Appendix 2: Auditor's responsibilities

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in December 2021, as to whether the Trust has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Trust a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022. Other findings from our work, including our commentary on the Trust's arrangements, are reported in our Auditor's Annual Report.

Auditor's other responsibilities

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

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



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