



# Bradford Teaching Hospitals NHS Foundation Trust

**Auditor's Annual Report 2022/23**  
**7 September 2023**

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# Key Messages

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## Audit opinion on the financial statements

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We issued an unqualified opinion on the Trust's financial statements on 12 July 2023.

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## The Trust's arrangements to secure Value for Money

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### Commentary on the Trust's arrangements

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#### 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 2023 of £9.3m (2021/22: deficit of £8.9m). Its adjusted financial performance was a surplus of £0.2m (2021/22: £1.5m) and the Trust was able to deliver CIP to the level of the value included in the plan of £27.9m, although this included £8.2m of non-recurrent CIPs.
  - The Trust completes an annual planning process each year which aims to identify and capture all of the material financial and operational pressures that are relevant to the coming 12 months.
  - The Trust reports its financial position on a bi-monthly basis to the 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 a risk management strategy which sets out in detail the purpose and principles underlying the strategy as well as the risk scoring, monitoring and reporting processes.
  - NHS England has assessed the Trust under the Single Oversight Framework in segment 2, which is "Providers offered targeted support: there are concerns in relation to one or more of the themes".
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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 Finance & Performance Academy receives a balanced scorecard dashboard which includes financial metrics, e.g. income and expenditure, cash and capital, but also covers a wide range of performance metrics.
  - Many financial matters are now driven by decisions taken at a place or ICS level. The Trust is involved in a range of regular meetings covering quality, finance and performance and leadership.
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# Purpose of this report

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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 2023.

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

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

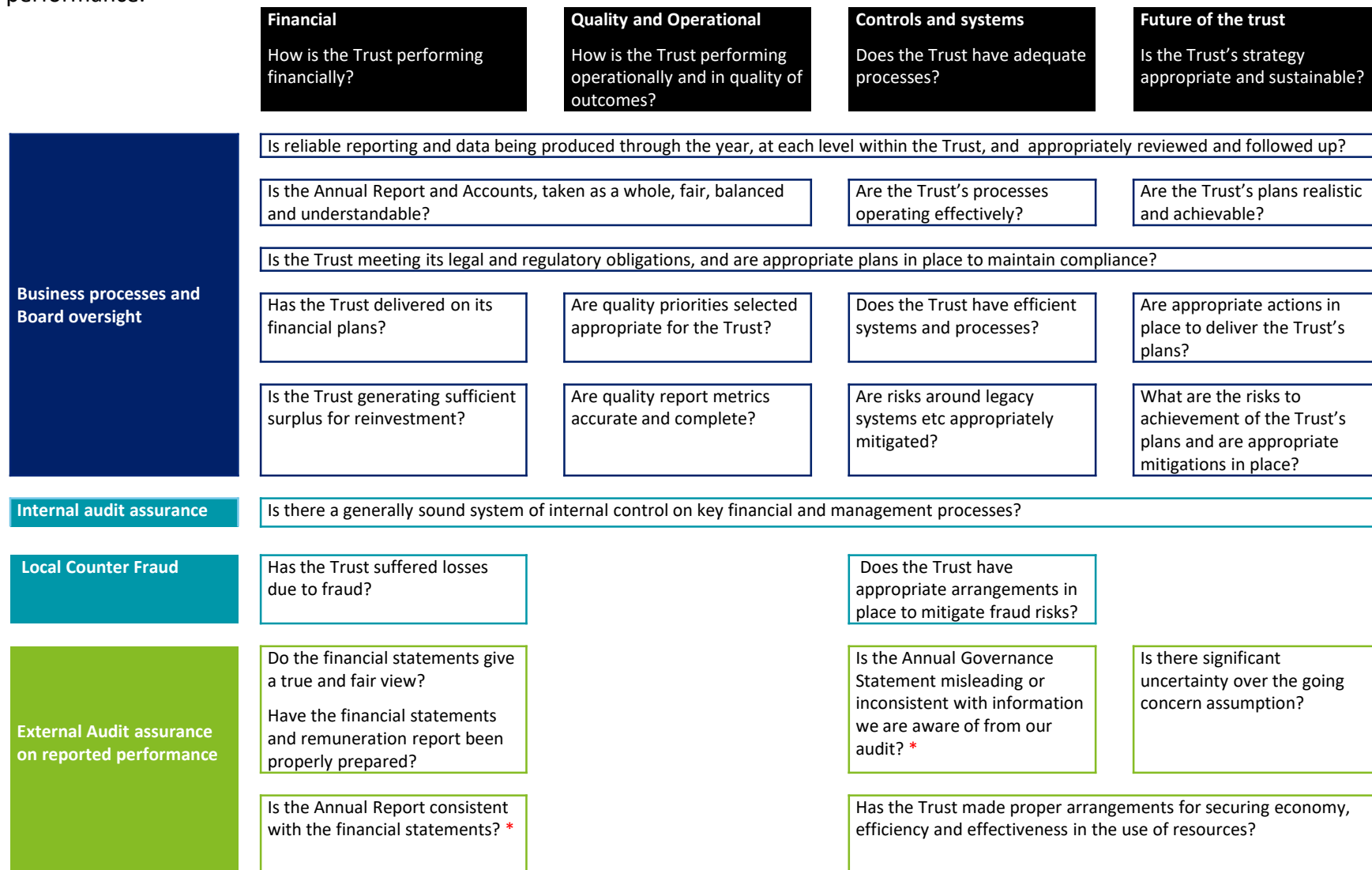
A key element of this report is our commentary on the Trust's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). Our work considering these arrangements is based on our assessment of the adequacy of the arrangements the Trust has put in place,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

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.

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# 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

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

- Give a true and fair view of the financial position of the Trust at 31 March 2023 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by NHS England; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006.

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

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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.

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<b>Audit opinion on the financial statements:</b>	We issued an unqualified opinion on the Trust's financial statements on 12 July 2023. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.
<b>Remuneration and Staff Report:</b>	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.
<b>Annual Governance Statement:</b>	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.
<b>Annual Report:</b>	We reported that the information given in the Performance Report and Accountability Report for the year ended 31 March 2023 is consistent with the financial statements.
<b>Reports in the public interest and reports to NHS England:</b>	We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2023.
<b>Reporting to the group auditor:</b>	In line with the group audit instructions issued by the NAO, we reported on 1 August 2023 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.
<b>Audit Certificate</b>	We will certify completion of the audit upon acceptance of this report by the Trust.

# Our financial statement audit approach

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## **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 valuations and Information Technology systems.

## **Materiality**

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

Based on our professional judgement, we determined materiality for the Trust to be £11.5m, 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 were used as part of audit testing, in particular in journal testing, using our Spotlight data analytics platform.

## **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 next page.

We have made recommendations in our Audit Committee reporting and 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

## Accounting for capital expenditure

<b>Risk identified</b>	<p>The Trust has an extensive capital programme, with spend for the year of £21.5m, as detailed in notes 7 and 8 to the financial statements. Accounting for capital expenditure can involve significant judgement. Whether expenditure is capitalised, and the period it is recognised in, can significantly impact against the budgetary control totals the Trust is assessed against by NHS England.</p> <p>The continuing high level of expenditure in the current year, and the annual cut-off of capital budgets and requirements of PDC funding increase the risk of amounts being incorrectly capitalised, or of incorrect recognition in the current period. This has been identified as a significant risk due to fraud in light of these factors.</p>
<b>Deloitte response</b>	<ul style="list-style-type: none"><li>• We reviewed the Trust's capital plans as part of the planning process and discussed with management potential risks or issues identified.</li><li>• We tested the design and implementation of controls around the capitalisation of costs.</li><li>• We tested spending on a sample basis to confirm that it complies with the relevant accounting requirements.</li><li>• We also identified and tested a sample of vesting certificates to assess whether they were appropriately accounted for, and also considered from a Value for Money perspective whether their use was in accordance with the requirements of Managing Public Money (which requires bodies not to make payments in advance of need or solely for the purposes of managing performance against spending controls).</li><li>• We followed up on our control recommendations from the 2021/22 audit and reported on the actions taken to address the findings.</li></ul>
<b>Key observations</b>	<p>The Trust's use of vesting certificates was £2.5m at 31 March 2023. We understand that the Trust has not made use of vesting certificates during the year, and only made use of them towards the end of the year. Vesting certificates are legal agreements that are intended to transfer legal title ahead of receipt of goods, in exchange for payment in advance. Vesting certificates can be a legitimate risk management tool if advance payments are required for commercial reasons to secure orders for goods in high demand or with long lead times. However, in these cases, their use is driven by the underlying commercial circumstances to provide protection to a buyer making payments in advance of delivery, rather than any considerations on accounting treatments. Managing Public Money states that public sector organisations should not make payments in advance of need, or use interim payments to circumvent spending controls, such as to avoid underspending the capital budget for the year. Whilst the Trust's application of the vesting certificate approach appears compliant, we have raised a recommendation in our report to the Audit Committee that management ensure that the Trust has in place appropriate procedures to confirm that the use of any vesting certificates is compliant with the requirements of Managing Public Money.</p> <p>We raised a recommendation in the prior year relating to the Trust improving the process for assessing which costs should be capitalised. From our testing, which is now complete, we have not identified any similar errors in the current year.</p>



# Financial statement audit significant risks

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## Property valuations

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<b>Risk identified</b>	<p>The Trust held £170.5m of property assets within Property, Plant and Equipment, which it is required to hold at a current valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions (including the floor areas for a Modern Equivalent Asset, the basis for calculating build costs, the level of allowances for professional fees and contingency, and the remaining life of the assets) and which can be subject to material changes in value. As detailed in note 8 to the financial statements, the Trust has undertaken a full revaluation in the current year. The net valuation movement on the Trust's estate shown in note 8 is an impairment of £8.4m.</p> <p>We have therefore concluded that there is a risk of fraud in the valuation of the foundation trust's estate, as a result of the judgemental nature of the key assumptions.</p>
<b>Deloitte response</b>	<ul style="list-style-type: none"><li>• We tested the design and implementation of key controls in place around the property valuation and specifically the supervision of the valuer appointed by management and the review of the report prepared by the valuer.</li><li>• We tested the inputs to the valuation, including the Gross Internal Area provided by the Trust to the valuer, back to supporting documentation.</li><li>• We used our valuation specialists, Deloitte Real Asset Advisory (DRAA), to review and challenge the appropriateness of the assumptions used in the year-end valuation of the Trust's Land and Buildings, including considering movements compared to those of other trusts performing valuations for 2022/23. The review resulted in a range of questions being put to the valuer and additional explanations in support of the observed movements being obtained before our specialists concluded upon the reliability of the valuation.</li><li>• We performed an overall reconciliation of the underlying fixed asset records to the financial statements and the analysis of the asset movements within the performance statement.</li><li>• We further selected a sample of assets to confirm that the calculation of the valuation movement was correctly performed and correctly recorded in the underlying fixed asset records.</li></ul>
<b>Key observations</b>	<p>From our work on the implementation of key controls we identified that management had not undertaken a detailed review of the valuers report at year end to confirm that the assumptions and methodology used were consistent with their knowledge and expectations before the figures were brought into the financial statements.</p> <p>Our valuation specialists were able to confirm, following enquiry, that the values opined by the Trust's appointed valuer were acceptable for the purposes of financial reporting. However, they identified some best practice recommendations in terms of the detail included in their valuation report.</p>

# Financial statement audit significant risks (continued)

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## Management override of controls

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<b>Risk identified</b>	<p>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.</p> <p>The key judgments in the financial statements are those which we have selected to be the significant audit risks – capital expenditure, and valuation of the Trust's estate. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.</p>
<b>Deloitte response</b>	<ul style="list-style-type: none"><li>• We tested the design and implementation of controls relating to journals and accounting estimates.</li><li>• We made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li><li>• We tested the appropriateness of journals and adjustments made in the preparation of the financial statements. We used our Spotlight data analytics tools select journals for testing, based upon identification of items of potential audit interest.</li><li>• We reviewed accounting estimates for biases that could result in material misstatements due to fraud and perform testing on key accounting estimates as discussed above.</li><li>• We obtained an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.</li></ul>
<b>Key observations</b>	<p>The judgements that we identified, being property revaluations and capital expenditure, were examined in the course of our testing of the significant risks in those areas and we identified the recommendations noted above.</p> <p>We did not identify any misstatements in relation to management override.</p>

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# Our approach to 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:

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

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

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. Our assessment of potential indicators has been performed in the context of the structural changes in the NHS during 2022/23, and the on-going impact of changes in national processes.

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, and Michael Quinlan, Deputy Director of Finance.



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

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## 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.

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## Commentary

In the financial statements the Trust recognised a deficit for the year of £9.3m (2021/22: £8.9m deficit), however its adjusted financial performance was a surplus of £0.2m (2021/22: £1.4m surplus), due mainly to the removal of the £9.2m of net impairments to property, plant and equipment (2021/22: £10.6m) which is adjusted for reporting to NHS England.

At 31 March 2023, the Trust had net assets of £196.7m (31 March 2022: £201.9m), net current liabilities of £1.1m (31 March 2022: net current assets £4.9m) and cash of £73.1m (31 March 2022: £81.1m).

The Trust has in place a Budgetary Management Framework that sets out the operational rules and processes which management rely 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 plan includes consideration of the high level planning parameters set at the national level by NHS England i.e. inflation and funding reductions, the Integrated Care System (ICS) also communicates funding assumptions to all providers and there are regular meetings with ICS and local provider colleagues via weekly “Place” planning meetings throughout the planning process to ensure that there is alignment across the ICS. To ensure consistency between the budgets and the Trust’s other plans, communication is provided by the central finance team to the departments which sets out the base assumptions which tie back to the overall budget in relation to efficiency targets, establishment, vacancy and investments in the service. The planning assumptions are approved by the Executive Team who also have a responsibility and overview of all aspects of planning to ensure consistency and linkage between plans and the overall corporate strategy.

In the current year the Trust’s CIP programme the focus was on managing operational pressures, while the Trust delivered CIP to the value of £27.8m this included a large reliance on non-recurrent measures with 72% of total savings being delivered non-recurrently and 100% of the non-pay savings (£8.2m) being non-recurrent.

# VfM arrangements: Financial Sustainability (continued)

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## Commentary (continued)

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For 2023/24 the Trust is forecasting a deficit of £336k and breakeven on a control total basis after the required adjustments are made. This includes total planned savings of £29m, of which £16.1m are expected to be recurrent and £12.9m will be non-recurrent. Of the efficiency plans identified the Trust considers £22.9m to be either 'Fully developed' or 'Plans in progress'. The Trust's approach in identifying and developing its plans is a combination of centrally managed plans and the bottom up development of plans by service managers and clinicians. While the Trust is forecast to improve the proportion of CIPs that are delivered recurrently we recommend that the Trust should focus on the identification, development and delivery of recurrent schemes as non-recurrent savings increase pressure on the budget in future years.

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 Board and Academies. During the year an internal audit review was undertaken to review if the Board Assurance Framework was fit for purpose and is being effectively utilised by the Board. The report had an overall opinion of 'Significant' assurance and found that '...the Foundation Trust's Board Assurance Framework (BAF) and supporting risk management processes (Risk Management Strategy, Clinical Service Unit governance minutes) provide adequate assurance to the Board and to the Executive Team Meeting (ETM) that key risks to its Strategic Objectives are effectively managed and controlled. The BAF document contains all the essential elements expected and the Board and the ETM are appropriately engaged in the BAF process.'

From review of meeting minutes and risk registers we have seen that risks are reviewed, the ratings tracked and updated throughout the year. The risks are RAG rated with assigned responsibilities to individual directors, a risk lead and board committees where relevant. From the updates made throughout the year we noted that there has been progress made in reducing the impact or likelihood of the risks due to the application of the mitigating actions. But there have also been increases in risks where additional factors have been identified such as renewed or increased pressure on the Trust. We also note that the Trust have included risks with appropriate actions plans for the areas we would have expected specifically for 2022/23 i.e. impact of industrial actions, staffing levels in maternity and impact of increases in the price of electricity and gas.

We concluded that there was not a significant weakness in the Trust's arrangements in relation to financial sustainability.

# VfM arrangements: Governance

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## Approach and considerations

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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.

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## Commentary

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The Trust has a risk management strategy which sets out in detail the purpose and principles underlying the strategy as well as the risk scoring, monitoring and reporting processes. Along side this the Trust has a risk assessment handbook which provides additional guidance to the individuals on identification, assessment and managing of the risks.

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 management's action plan. The Committee also provides challenge to ensure the timely implementation of agreed actions in relation to previous recommendations.

The Trust uses its internal audit function to provide independent, objective assurance, and it is designed to add value to and improve operations. 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. The Trust received 2 limited assurance opinions, which related to IT systems & software management and Safer procedures: Nat SSIPs.

Budget setting combines elements of top down planning and modelling at a corporate level and bottom up intelligence gathering and forecasting in which individual departmental budget holders contribute. The top down part ensures that issues such as inflation rates, commissioner contracts and demographic changes are factored in while the bottom up methodology considers capacity or quality issues, new clinical standards or service specific issues.

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.

# VfM arrangements: Governance (continued)

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## Commentary (continued)

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For operational matters to ensure that the budget holders have sufficient appropriate information to make informed decisions the finance team provide budget reports in line with the month end timetable and all budget holders have access to the Business Intelligence ('BI') reporting suite which is available 24/7 and allows month by month analysis to take place. The budget reports in the BI system include a drill down functionality which allows budget holders to review their position at Group, Specialty and cost centre level or to review expense type or subjective level performance and drill down to individual transaction level. At a higher level the Finance & Performance Academy also receives a balanced scorecard dashboard which includes financial metrics, eg I&E, cash and capital, but also covers a wide range of performance metrics such as 'Emergency Care standards', 18 Week RTT, elective waiting list and diagnostic waits. For context the report also includes trend information covering the past 4 years, narrative on the current 'Challenges and Successes' and benchmarking of the Trust's performance against the national targets in comparison to the 'Yorkshire and Humber' region.

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 26 May 2023 in relation to Bradford Royal Infirmary rated the Trust as Good. NHS England's has assessed the Trust under the Single Oversight Framework in segment 2, which is "Providers offered targeted support: there are concerns in relation to one or more of the themes" (quality of care, finance and use of resources, operational performance, strategic change and leadership and improvement capability).

The new NHS Provider Code of Governance is effective from 1 April 2023. Although not part of the arrangements for 2022/23, we have considered the Trust's preparation for the implementation of the new Code, and note that the Board discussed the Trust's assessment of the impact of the new Code in the meeting on 19 January 2023, how it was currently performing and the areas where actions were required are included with in the action plan with appropriate members of management allocated as leads to ensure action is taken in line with set deadlines.

As part of its recognition of its staff, the Trust made additional, non-contractual, payments to staff as a "thank you" of £100 each (£0.7m in total). As they were non-contractual, these payments technically were "special payments" and over the Trust's delegated authorities. As such, they should have received prior approval from HM Treasury. We have recommended the Trust request retrospective approval for these payments, and request advance approval future such payments so that it is compliant with relevant regulations.

The Trust entered into vesting certificates with certain of its capital suppliers ahead of year-end, with £2.5m of capital expenditure recognised. These agreements are intended to transfer legal title ahead of receipt of goods, in exchange for payment in advance. Vesting certificates can be a legitimate risk management tool if advance payments are required for commercial reasons to secure orders for goods in high demand or with long lead times. Managing Public Money states that public sector organisations should not use interim payments to circumvent spending controls, such as to avoid underspending the capital budget for the year. We have recommended that the Trust put in place approval processes to check that any use of vesting certificates reflects genuine commercial requirements.

We concluded that there were no significant weaknesses in the Trust's arrangements in relation to governance.



# VfM arrangements: Improving economy, efficiency and effectiveness

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## 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.

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## Commentary

Finance and performance is monitored and reviewed by the F&P Academy. There has been a new F&P Academy report developed in year which is based on the HFMA best practice Board reporting checklist. This report shows variances at Clinical Services Unit (CSU) level on a month by month basis, alongside high level explanations for these variances from the financial management team. This report also identifies recurrent and non-recurrent items of income and expenditure to enable focus on the underlying run rates.

The F&P Academy also receives a balanced scorecard dashboard which includes financial metrics, e.g. I&E, cash and capital, but also covers a wide range of performance metrics such as 'Emergency Care standards', 18 Week RTT, elective waiting list and diagnostic waits etc. The dashboard also includes trend information covering the past 4 years, narrative on the current 'Challenges and Successes' and benchmarking of the Trust's performance against the national targets in comparison to the 'Yorkshire and Humber' region. All of the metrics have a responsible executive director allocated and are RAG rated to highlight areas that require additional focus. The same report, with slightly different levels of detail, goes to Executive Team Meeting (ETM) and Board.

Many financial matters are now driven by decisions taken at a place or ICS level. To ensure that relevant information is fed back into the Trust's processes relevant executive directors, deputies and clinicians are involved in a range of regular meetings at Place committees covering quality, finance and performance and leadership as well as ICS meetings for 'Leadership and oversight', Finance Directors and Delivery Programmes.

During the year, to evaluate its processes, the Trust has completed the 'Improving NHS financial sustainability' HFMA self assessment and had internal audit undertake a general review of the Trust responses and specifically look at the NHS England specified questions. For which internal audit agreed with the Trust's assessment while suggesting some minor improvement to strengthen the proposed actions.



# VfM arrangements: Improving economy, efficiency and effectiveness (continued)

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## Commentary (continued)

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The Trust's most recent CQC inspection was published on 26 May 2023. The inspection looked Bradford Royal Infirmary including a review of the maternity service as part of their national maternity inspection programme. In the current round of inspections we are aware that there has been an increase in the number of units being rated as 'required improvement'. The Trust was rated 'Good' overall, but the maternity services rating was 'Requires Improvement' which is consistent with the previous inspection. There were 2 'must do' actions identified in relation to 'safe and proper use, administration, recording and storage of medicines' and 'ensure medical staffing for maternity triage is reviewed so there are sufficient numbers of suitably qualified, competent staff to deliver the service in line with national guidance', this was a significant decrease in the number of actions in comparison to the previous inspection and were not indicative of areas that the Trust had failed to address from the previous report. The Trust has quickly responded to the findings and has taken a detailed action plan to Board which sets out the 'must do' and 'should do' findings, the intended actions, the responsible individuals and deadlines for completion. Which shows that the Trust is responding appropriate to the identified findings.

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.

We concluded that there was not a significant weakness in the Trust's arrangements in relation to improving economy, efficiency and effectiveness.

# Purpose of our report and responsibility statement

## What we report

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

## What we don't report

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

Also, there will be further information the Board of Directors and 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.

## 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.

**Deloitte LLP**

Newcastle upon Tyne | 7 September 2023

# Appendix 1: Trust's responsibilities

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

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

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

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

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

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

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

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

# Appendix 2: Auditor's responsibilities

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## **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](http://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 [April 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 2021/3. Other findings from our work, including our commentary on the Trust's arrangements, are reported in our Auditor's Annual Report.

## **Auditor's other responsibilities**

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

- make a referral to NHS England if we believe that the Trust or an officer of the Trust is:
  - about to make, or has made, a decision which involves or would involve the Trust incurring unlawful expenditure; or
  - 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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