



# Auditor's Annual Report

## Walsall Healthcare NHS Trust – year ended 31 March 2024

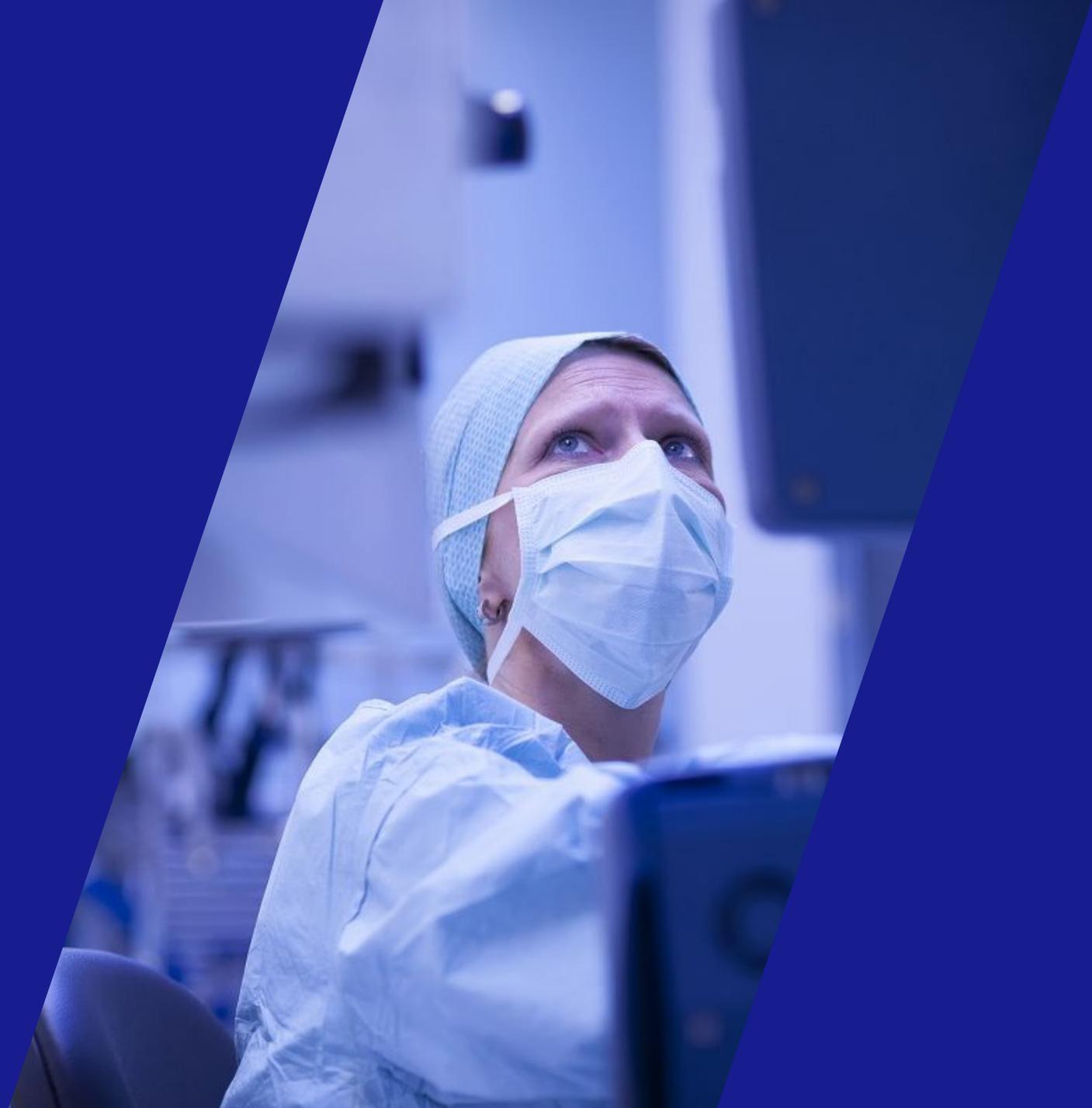
June 2024

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# 01

Introduction



# Introduction

## Purpose of the Auditor's Annual Report

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

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



### Opinion on the financial statements

We issued our audit report on 27 June 2014. Our opinion on the financial statements was unqualified.



### Value for Money arrangements

In our audit report we reported that we were not satisfied arrangements were in place for the Trust on financial sustainability, this is because we issued a recommendation in relation to a significant weakness in those arrangements. Section 3 provides our commentary on the Trust's arrangements and a summary of our recommendations and the weaknesses identified.



### Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 27 March 2024 we reported that the Trust's consolidation schedules were consistent with the audited financial statements.

We have issued a referral under Section 30 of the 2014 Act as a result of the Trust's financial position for the year ended 31 March 2024 leading to a cumulative deficit position, which is contrary to its financial break-even duty

# 02

Audit of the financial statements



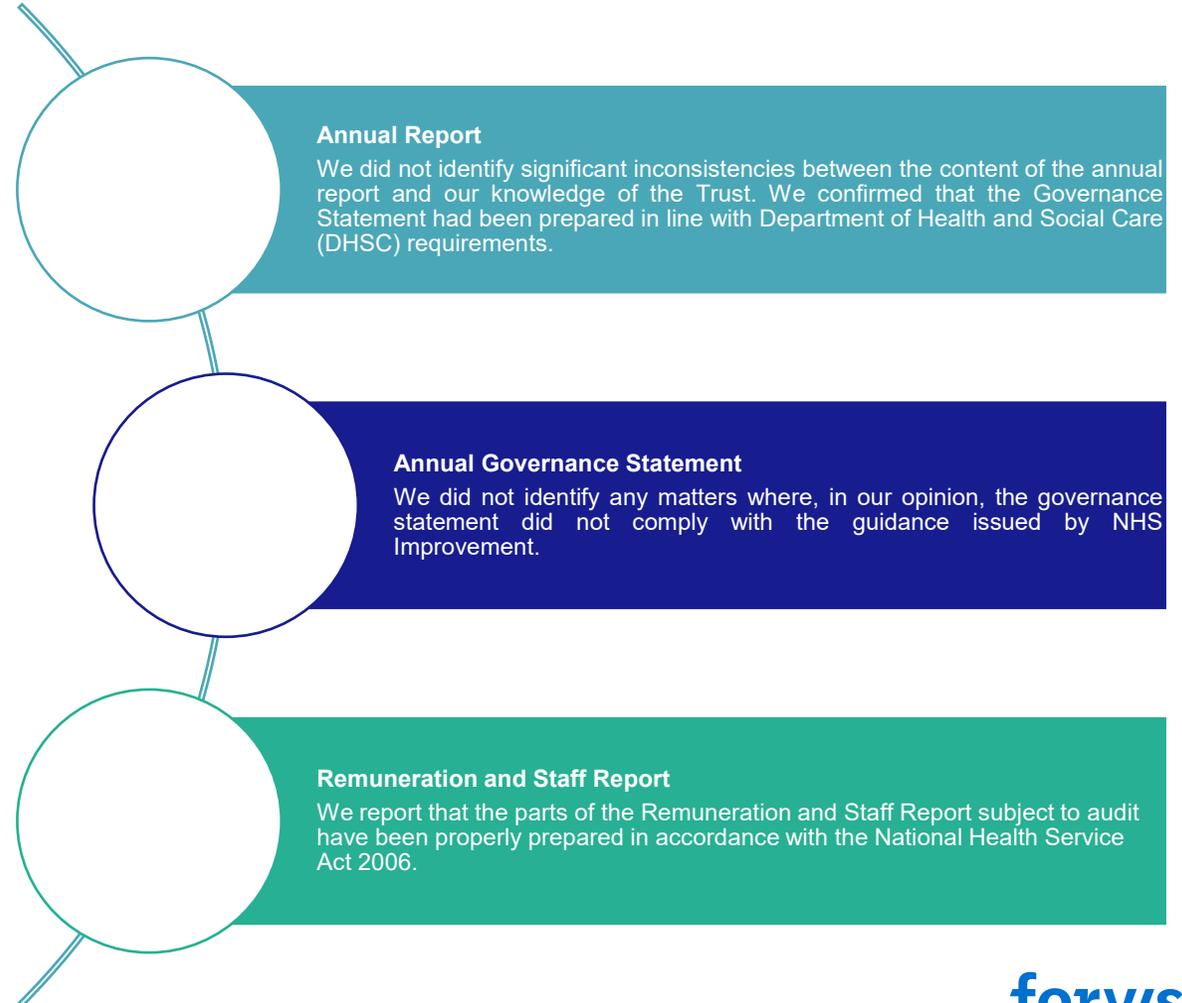
# Audit of the financial statements

## Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Trust and whether they give a true and fair view of the Trust's financial position as at 31 March 2024 and of its financial performance for the year then ended. Our audit report, issued on 27 June 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2024.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and a summary of internal control recommendations we made and presented to the Audit Committee in June 2024.

## Other reporting responsibilities



# 03

Overall summary



# VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

 **Financial sustainability** - How the Trust plans and manages its resources to ensure it can continue to deliver its services.

 **Governance** - How the Trust ensures that it makes informed decisions and properly manages its risks.

 **Improving economy, efficiency and effectiveness** - How the Trust uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

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

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

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

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

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

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

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

# VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	10-13	<b>Not a new matter arising in 2023/24</b> The Trust's financial sustainability matter from 2022/23 was brought forward for review in 2023/24.	<b>Not a new matter arising in 2023/24</b> The Trust's financial sustainability matter from 2022/23 was brought forward for review in 2023/24.	No
  <b>Governance</b>	15-18	<b>No new matters arising in 2023/24</b> The issues arising from inadequate financial reporting arrangements of the Trust from 2022/23 were brought forward for review in 2023/24.	No	As a result of the corrective measures taken by the Trust during the year, the significant weakness raised in 2022/23 has been sufficiently addressed, but there remains a need to embed and sustain that improvement which we have raised as an other observation, refer our commentary on slide 16
<b>Improving economy, efficiency and effectiveness</b>	20-24	No	No	No

## Financial Sustainability

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



# VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

<b>Significant weakness in 2022/23</b>	One significant risk was reported: the development and delivery of a sustainable financial position
<b>Significant weaknesses identified in 2023/24</b>	No new matters, but financial sustainability remains a significant weakness in arrangements.

### Position brought forward from 2022/23

As set out in the table above, there was one significant weakness in the Trust's arrangements for financial sustainability brought forward from 2022/23. Our follow up on the recommendations made are set out on pages 26 and 27

### Context to NHS spending

The 2021 Spending Review set Government departmental budgets and spending plans for the three years from 2022/23 to 2024/25. The NHS's settlement provided additional funding for elective recovery, but also assumed inflation would be 2% and pay settlements of 2%. The review announced that core day-to-day spending on the NHS would rise by 3.8% between 2021/22 – 2024/25, reaching a total of £152bn in 2024/25. However,

1. The Consumer Prices Index (CPI) rose by 3.2% in the 12 months to March 2024, down from 10.1% in March 2023.
2. The Government announced pay awards for Agenda for Change staff in England which included a 5% consolidated award for 2023/24.
3. The reformed pay scale for consultants; the new offer consisted of an extra £3,000 for senior doctors between four and seven years into their careers, equivalent to a 2.85 per cent uplift, in addition to a 6 per cent rise awarded last year. NHSE will fund the backdated pay relating to the 2023/24 for Providers.

The NHS is expected to plan and deliver further efficiency gains in local health systems of 2.2% in expenditure in 2024/25.

### Overall responsibilities for financial governance

We have reviewed the Trust's overall governance framework, including Board and Committee reports, the Annual Governance Statement, Annual Report and Accounts. Through this review we were able to confirm that the Trust Board are aware of its responsibility and are provided with sufficient information in order to be able to lead the Trust in making best use of financial resources and deliver the services people need to, to standards of safety and quality which are agreed nationally.

We have reviewed the Trust's overall governance framework, including Board and committee reports, the Annual Governance Statement and Annual Report and Accounts, to confirm the Trust Board has a responsibility to make the best use of financial resources and deliver the services people need, to standards of safety and quality which are agreed nationally. We have reviewed reports and minutes of the Board to confirm there are financial governance arrangements in place, including the role of the Finance and Productivity Committee to provide oversight on all aspects of financial management and operational performance on behalf of the Board.

We are satisfied overall arrangements are adequate.

# VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability - continued

### The Trust's financial planning and monitoring arrangements

Through our review of Board and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Trust's arrangements for budget monitoring remain appropriate, and these include:

- Standing Financial Instructions with relevant provisions for budgetary control and reporting, including arrangements for Finance Managers to provide reports and support to budget holders and teams to support effective financial management of those component parts of Trust financial performance.
- Oversight from the Trust Board and its committees receiving regular reports on financial performance and planning, through an Integrated Performance Report and detailed reports on finance.

### 2023/24 financial outturn

Financial performance is regularly reported and scrutinised by the Finance and Productivity Committee (FAPC) alongside the Audit Committee. There is regular integrated reporting of financial and performance information to the Board.

The Trust's draft financial statements showed:

- An Operating surplus from continuing operations of £7.72m in 2023-24 and an operating deficit of £16.60 in 2022-23 ;
- An Overall Deficit for the year of £22.13m (Prior Year - £26.87m deficit), against operating expenditure of £425.22m (Prior Year - £418.31m);
- As shown in the Cashflow statement, the Trust generated £16.50m positive cash inflow from operating activities (Prior Year = £11.68m positive cash outflow) and ended the year with cash and cash equivalents of £20.06m (Prior Year = £38.36m); and
- As shown in the Balance Sheet, the Trust's Income & Expenditure Reserve is a deficit of £261.27m (Prior Year = £189.44m deficit).

### 2023/24 financial plan vs outturn

The Trust's final plan for 2023/24 was to deliver a deliver £14m deficit after delivering £26.45m in savings. Throughout the year, the FAPC and the Trust Board, through an Integrated Performance Report, has received regular reports on financial performance and planning. The Trust has not been able met its financial target of break even for 2023/24 and closed the year with an overall deficit of £22.13m and under delivered on Cost Improvement Programmes (CIP), by £9.16m (savings delivered of £17.29m). The Trust has reported an underlying deficit and will need to operate a lower cost model in future years unless further funding is available.

### Breakeven duty of the Trust to 2022/23

Paragraph 2(1) of Schedule 5 of the National Health Service Act 2006 provides that each NHS trust must ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to revenue account. This duty is known as the 'breakeven duty'. The phrase 'taking one year with another' has been interpreted by the Department of Health and Social Care and HM Treasury as meaning that the duty is met if income equals or exceeds expenditure over a three-year rolling period.

Note 38 of the financial statements subject to our audit sets out the Trust's performance against the statutory break-even duty, which we have re-produced in the table below. Figures in brackets represent a deficit position:

	2021/22 (£'000)	2022/23 (£,000)	2023/24 (£'000)
Breakeven duty in-year financial performance	4,794	1,908	(4,843)
Breakeven duty cumulative position	(63,201)	(61,293)	(66,136)

# VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability - continued

### 2023/24 financial outturn

#### Efficiencies delivered 2023/24 and planned for 2024/25

The Trust is required to make financial efficiency savings through schemes known as Cost Improvement Programmes (CIP). The Trust assesses CIP savings each month against the cumulative Year to Date (YTD) planned savings. In 2023/24 the Trust has delivered 65% of its savings target.

We reviewed the FAPC Report of April 2024 shared with Board, which explained that the Trust's 2023/24 financial plan assumed an efficiency requirement of £26.45m. At the end of the financial year, the Trust would achieve savings of £17.29m.

We obtained and reviewed the 2024/25 financial plan, which is for an adjusted financial performance deficit of £24.97m, depending on £28.68m efficiencies (7% of operating expenditure), of which:

- the Trust has categorised £22.9m as 'High Risk' of delivery;
- £10.78m are either developed or have plans in progress;
- £17.90m are either opportunity or unidentified; and
- 55% are planned to be recurrent.

Given that a large portion (35%) of the planned CIPs saving for 2023/24 were not delivered by the Trust, and the quantum of savings for 2024/24 is even higher, in our view, there is a high risk the 2024/25 CIP plan is unlikely to be achieved.

Overall, our review of the 2024/25 financial plan (prior to any subsequent revision from NHSE, if any), shows that the cumulative effect of setting a deficit plan, with a significant sum CIPs with a large sum either unidentified or at the opportunity stage, is an indication that the Trust's arrangements to deliver deficit financial outturn present a significant weakness in arrangements to deliver financial sustainability.

### Overall view on arrangements in relation to Financial Sustainability

The Trust's financial plan for 2024/25 will not address the Trust's underlying deficit position and will not lead to a sustainable financial position, in addition the level of savings required are both so large and under-developed that, in our view, there is a significant weakness in arrangements on how the Trust plans to bridge its funding gaps and identifies achievable savings.

## Governance

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



# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

<b>Significant weakness in 2022/23</b>	In 2022/23 we have identified one further significant weakness in arrangements: <ul style="list-style-type: none"><li>• Ineffective processes supporting statutory financial reporting requirements</li></ul>
<b>Significant weaknesses identified in 2023/24</b>	Nil
<b>Other observation in 2023/24</b>	One – We have raised an observation on embedding the processes supporting statutory financial reporting, refer page 20

### Position brought forward from 2022/23

As set out in the table above, there was one significant weakness in the Trust’s processes supporting statutory financial reporting requirements brought forwards from 2022/23. Our follow up on the recommendation made is set out on page 26 and 27, where we conclude that Trust has taken actions during 2023/24 to partly address this significant weakness. However, the Trust will need to embed those improvements, and continue to build on quality control arrangements, into 2024/25 to ensure the improvements are sustained.

### Significant weakness identified in 2023/24

None

# VFM arrangements – Governance

## Overall commentary on the Governance - continued

### The Trust's arrangements to monitor and assess risk

The Trust's Governance arrangements are set out in the Annual Report and Annual Governance Statement. We reviewed these documents as part of our audit and confirmed they were consistent with our understanding of the Trust's arrangements.

Our review of the Trust's governance framework confirms arrangements are in place, with the Trust Board being accountable for the Trust's strategies, policies and performance. The Trust has established committees with responsibility for specific areas, such as finance and performance, clinical risk and patient safety, including:

- Audit Committee;
- Quality, Patient Experience and Safety Committee;
- Nominations and Remuneration Committee;
- Finance and Productivity Committee; and
- People Committee

We consider the committee structure of the Trust is sufficient to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

Through review of the papers submitted to the Board and Audit Committee meetings and minutes of such meetings, we are content that the level of details in the finance reports is sufficiently detailed and allows effective review and challenge by senior leadership.

The Trust records strategic risks in the Board Assurance Framework and our review confirms it is sufficiently detailed to manage the Trust's key risks, identify controls, gaps in controls and obtain the assurance required to work towards a targeted risk score. The Audit Committee considers the Board Assurance Framework, Annual Report and Annual Governance Statement and progress with internal and external audit plans. Our attendance at Audit Committee has confirmed there is an appropriate level of effective challenge. We attended audit committee meetings during 2023/24 where the Board Assurance Framework was presented and were satisfied that there was no evidence of a significant weakness in arrangements.

### The Trust's arrangements to gain assurance over the operation of internal controls and arrangements in place to prevent and detect fraud

The Trust has appointed internal auditors and local counter fraud specialists to provide assurance over the effective operation of internal controls, and arrangements in place to prevent and detect fraud. Risk based work plans are agreed with management at the start of the financial year and reviewed and challenged by the Audit Committee as part of final approval process. Internal audit completed their planned programme of work for 2023/24.

As part of our procedures, we have reviewed the internal audit planned work programme for 2023/24 alongside progress reports that are presented to each Audit Committee. These reports include detailed issues and recommendations arising from work completed. Review of reporting includes follow up review of recommendations to identify areas with delays in responding, which allows the Committee to hold management to account on behalf of the Board.

The 2023/24 internal audit plan included the delivery of 7 reviews and reports. 6 reviews have been completed and final reports delivered to the Trust and the report of 1 review is at the raft stage. The Trust has reviewed the reports and is following up actions through the Audit Committee. Internal audit raised 36 findings (including 4 high priority findings) in 6 reports issued under 2023/24 internal audit plan. The high priority finding relates to 'Effective Rostering and use of Temporary Staffing'.

Internal audit issued an overall '*The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.*' assurance opinion for 2023/24 annual internal audit report'.

Through our attendance at Audit Committee meetings, we have confirmed the Committee makes effective use of internal audit reports, and the associated findings, through detailed discussions on issues within the report area and the potential for associated issues within other aspects of the Trust's operations.

# VFM arrangements – Governance

## Overall commentary on the Governance - continued

### The Trust's arrangements for budget setting and budgetary control

The trust engages with the ICB and National Guidance for system wide development of the annual budget setting process. This includes a internal model (bottom up) approach to baseline and cost pressure identification. Developments are approved at system level (once agreed through the internal governance process). The annual plans are signed off both internally and at a system level.

Divisional Budgets are an end point in the Financial Planning process which is a bottom- up process built on Divisional submissions. This process is undertaken as part of the wider business planning process for the Trust. This ensures that the wider plans are fully triangulated.

The Financial Plan is developed to reflect the best available information and assumptions including funding growth, inflation costs, cost pressures, activity levels, efficiency plans and service priorities. The process itself is run by the Trust finance team working closely with divisional teams and the wider Black Country ICS.

There are monthly Divisional Performance Reviews where each Division presents on all metrics (finance, performance against constitutional standards, HR metrics and many others). Finance team works with Divisional Teams and Budget Holders to ensure that budget variances are explained, and appropriate corrective action taken, or concerns escalated where corrective action will not cover the entire variance.

The Financial risks are reviewed monthly by Executive and bi-monthly by F&P Committee. This reflects Directorate submissions and discussions; intelligence gathered from networks; and judgements of the Director of Finance and senior team. We have reviewed the Board and Committees minutes and supporting papers to confirm this.

### The Trust's arrangements to ensure appropriate statutory and ethical standards are met

In line with NHSE guidance, the Trust's Standards of Business Conduct Policy requires all staff to

declare interests, including offers of gifts and hospitality. The Policy also requires that declarations made by staff defined by the Trust as Decision Making Staff are made publicly available.

The Trust has a full suite of governance arrangements in place, as set out in the Trust's Annual Report and Annual Governance Statement. We have reviewed these arrangements as part of our audit and confirmed they were consistent with our understanding of the Trust's arrangements, in particular, that they were in place and operating. This includes arrangements such as registers of interests being maintained and published; and the Board completing an annual review..

### Statutory financial reporting

Based on our work in auditing the Trust's 2022/23 Annual Report and Accounts, we reported a significant weakness in the Trust's arrangements that support its statutory financial reporting requirements.

From our discussions with management and audit of the 2023/24 Annual Report and Accounts, we are aware that to address the capacity gap, the Trust hired new staff members in the finance team during 2023/24, which has improved stability over the year. An improved closedown timetable was implemented and draft financial statements 2023/24 were of an improved quality compared to 2022/23, although there remain issues in the production of the remuneration report as well as control findings dating back to 2021/22 not yet fully implemented.

As a result, we believe the significant weakness in the Trust's arrangements under the governance criteria reported in 2022/23 has been addressed. However, the Trust will need to embed those improvements, and continue to build on quality control arrangements, into 2024/25 to ensure the improvements are sustained. This has been raised as an 'other observation' on page 18.

### Overall view on arrangements in relation to Governance

As a result of the programme of work performed, we are satisfied that the Trust's arrangements in place relating to the Governance criteria are adequate.

# VFM arrangements – Governance

## Overall commentary on the Governance - continued

### Other observation - statutory financial reporting

#### Background

Based on our work in auditing the Trust's 2022/23 Annual Report and Accounts, we reported a significant weakness in the trusts arrangements to supports its statutory financial reporting requirements. There were issues arising reflecting both capacity and capability of finance team staff, including but not limited to:

- Poor quality financial statements presented for audit, with multiple errors throughout.
- No, or limited working paper supporting the financial statements and those that were provided were late and inaccurate leading to significant changes in the financial statements.
- Poor record management, particularly access to data within the estates team over floor plans needed to justify asset valuations (despite this being requested to be ready for audit review in August 2022).
- Lack of evidenced judgement for accounting decisions on significant accounting estimates (mainly lease accounting).
- High levels of staff turnover and vacancies, including significant reliance on interim staff with no knowledge retention on how to use the Trust's fixed asset system.
- Multiple versions of the annual report and numerous and repeated errors in the remuneration report, where guidance had neither been read or followed.

As a consequence of the above, the audit took substantially longer than it could be reasonably expected to.

#### Position for 2023/24

The Trust has increased headcount in the finance team and has experienced greater stability over 2022/23. The new team members are still gaining experience in both NHS finance and the Trust's systems, but we did not encounter the same challenges in obtaining information from them as the

prior year.

The Trust timely laid down a closedown timetable showing the time scales of different close down tasks and the same were monitored by the Trust's Operational Director of Finance.

The draft 2023/24 financial statements shared with the audit team were of an improved quality compared to 2022/23, there not all working papers were prepared for the start of the audit and some included errors that should have reasonably been prevented through quality control measures. Underpinning the issues identified was the sickness of a key member of the finance team and other team members being new and not having significant and relevant experience.

Overall, the Trust's financial reporting arrangements during 2023/24 have improved compared to previous years, evident from:

- Fewer internal control recommendations being raised.
- Fewer misstatements and errors arising compared to 2022/23.
- Less disclosures adjustments to the financial statements and annual report of 2023/24
- More timely provision of the Annual Report and the Remuneration Report (although there were still more than 10 revisions of the Remuneration Report required).

### Conclusion

As a result, we believe the significant weakness in the Trust's arrangements under the governance criteria reported in 2022/23 has been addressed to the point at which we do not believe it is a significant weakness. However, there remain both control recommendations dating back more than one year, ongoing issues with the Remuneration Report and incomplete working papers.

### Recommendation

The Trust needs to embed the improvement in arrangements made in 2023/24 and continue to build on quality control arrangements into 2024/25 to ensure its improvements are sustained.

## Improving Economy, Efficiency and Effectiveness

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



# VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

Significant weakness in 2022/23	Nil
Significant weaknesses identified in 2023/24	Nil.

### Position brought forward from 2022/23

As set out in the table above, there was no significant weakness in the Trust’s arrangements for governance brought forwards from the prior years.

### Overall arrangements

We have reviewed key reports issued by the Board and confirmed the Trust reports its performance in several different ways:

- an Quality and Performance Report to each Board meeting; and
- the publication of the Annual Report and Accounts, and Annual Governance Statement, which are reviewed by the Audit Committee before adoption by the Board.

Our review of Trust Board and committee reports and minutes confirms that regular Integrated Performance Reports have been received. Performance is summarised in format which shows performance against target and over time. Board members are also able to triangulate information from this report with the assurance summaries from supporting committees, where committee chairs draw attention to assurances provided or matters escalated for the full Board’s attention.

Our review confirms the reports provide sufficient detail to understand performance and published minutes demonstrate sufficient challenge from non-executive directors on the Trust’s costs, performance and service delivery. In our view, the Trust’s reports are adequately laid out and sufficiently detailed to monitor performance and take corrective action where required, which may include updating the Board Assurance Framework.

# VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

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

We have reviewed key reports issued by the Board and confirmed the Trust reports its performance in several different ways:

- an Integrated Performance Report to each Board meeting; and
- the publication of the Quality Report, Annual Report and Accounts, and Annual Governance Statement, which are reviewed by the Audit Committee before adoption by the Board.

Our review of Trust Board and committee reports and minutes confirms that regular Integrated Performance Reports have been received. Performance is summarised in format which shows performance against target and over time. Board members are also able to triangulate information from this report with the assurance summaries from supporting committees, where committee chairs draw attention to assurances provided or matters escalated for the full Board's attention. Our review confirms the reports provide sufficient detail to understand performance and published minutes demonstrate sufficient challenge from non-executive directors on the Trust's costs, performance and service delivery. In our view, the Trust's reports are adequately laid out and sufficiently detailed to monitor performance and take corrective action where required, which may include updating the Board Assurance Framework.

### Data quality issues

From our attendance at Audit Committee and review of relevant reports, supported by discussions with management, there are long-standing issues most notably in:

- Data quality on VTE (Venous thromboembolism) assessments; and
- Data quality issues and significant backlogs in clinical record in the Care Flow System

In our experience, long-standing issues in data quality typically arise from poor attitudes to addressing basic issues. The Trust needs to address these data quality issues to be assured that

accurate and informed decisions are being made with regard to the performance and effectiveness of service delivery in these areas.

### Consideration of regulatory oversight

We have reviewed board reports and minutes during the year, including those of the Quality Committee. This Committee receives a monthly update on the CQC Action Plan, with evidence of oversight and challenge on actions. We reviewed the CQC's website and confirmed the Trust's rating of "Requires Improvement" has not changed since the last published Inspection from prior years which took place in September to November 2022 with findings published in January 2023.

As of 31 May 2024, 17 actions remain open from a total of 108 and 2 of which are CQC 'MUST Do' actions. These are:

- Compliance with the Statutory Duty of Candour. Auditing of compliance with the SDoC continues monthly and is monitored via the Learning Response Panel.
- The design, maintenance and use of facilities in the medicine division. The refurbishment programme continues as per the trust schedule of works. The specific ward areas identified in the report were completed following receipt of the report.

The CQC placed a MUST DO requirement of the trust to bring compliance with Regulation 20 - Statutory Duty of Candour (SDoC) under the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014. It stated, "the provider must ensure they act in an open and transparent way with people receiving care or treatment from them and apply the duty of candour for notifiable safety incidents."

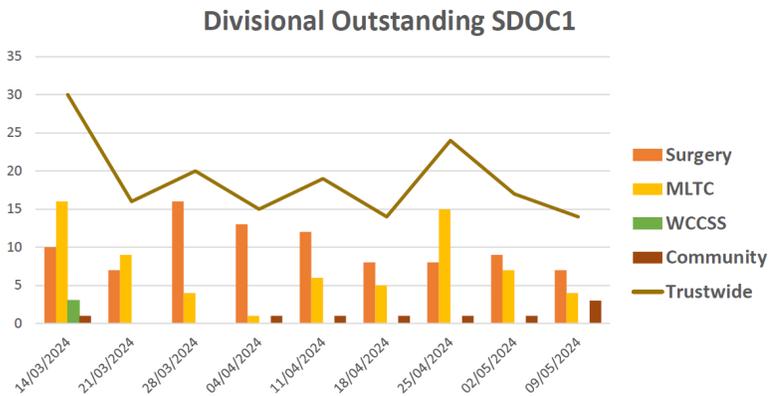
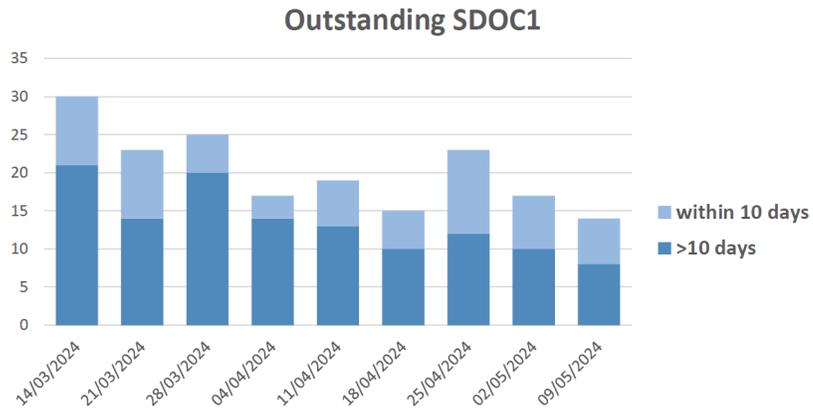
The agreed compliance date for the trust was 31 December 2023, although progress has been made towards compliance, the agreed compliance date has been exceeded. The central Assurance Team monitor compliance to the statutory duty via the Safeguard system. Central compliance against the SDoC is not marked as compliant until the written record is uploaded to the system to evidence compliance.

# VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

### Consideration of regulatory oversight

Since March 2024 weekly oversight of reported compliance is provided at the weekly Learning Response Panel (LRP) with each division presenting their locally known compliance. This has demonstrated >50% reduction in outstanding > 10 days SDoC stage one between 14/3/24 and 9/5/24 as shown in the charts below:



We were informed during the audit that CQC had undertaken the following two unannounced inspection of the Trust:

- First on 29 January 24 in relation to concerns raised regarding the Trusts compliance with the Mental Health Act.
- An improvement notice was received following a CQC Ionising Radiation (Medical Exposure Regulations (IR(ME)R) inspection – this relates to the oversight and maintenance of equipment, namely 2 digital x-ray machines. Actions are taking place following consideration by the Capital Review Group.

Though no report has been published and issued by CCQC to this effect, we were informed that evidence had been shared with the CQC of the actions that were in progress and no actions had been raised by the CQC and they were satisfied with the Trusts progress.

We have reviewed board reports and minutes during the year, including those of the Quality Committee. This Committee receives a monthly update on the CQC Action Plan, with evidence of oversight and challenge on actions. We reviewed the CQC's website and confirmed the Trust's rating of "Requires Improvement" has not changed since the last published Inspection from prior years which took place in September to November 2022 with findings published in January 2023.

From our review of reports and discussions with management, we are aware of concerns raised regarding the Trust's failure to fully address issues reported by the CQC regarding compliance with the Duty of Candour.

From our review there is no indication of a risk of significant weakness in arrangements

# VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

### Workforce indicators: NHS Staff Survey

We obtained the 2023 NHS Staff Survey published in March 2024 and reviewed Trust Board and committee papers, confirming the survey results received an appropriate level of scrutiny. The overall theme scores are shown in the table below, with the Trust showing improvement in all the parameters compared to previous year. Whilst scores have improved in some areas, the Trust's relative position has deteriorated.

	WHC (22/23)	WHC (23/24)	Best	Average	Worst	WHC position (22/23)	WHC position (23/24)	Benchmarked Trend
We are compassionate and inclusive	7.1	7.1	7.7	7.2	6.9	Below Average	Below Average	Same
We are recognised and rewarded	5.8	6.0	6.4	5.9	5.5	Above Average	Above Average	Same
We each have a voice that counts	6.6	6.6	7.2	6.7	6.2	Average	Below Average	Same
We are safe and healthy	5.9	6.0	6.6	6.1	5.8	Average	Below Average	Worse
We are always learning	5.4	5.6	6.1	5.6	5.1	Average	Below Average	Worse
We work flexibly	6.1	6.2	6.9	6.2	5.6	Above Average	Above Average	Same
We are a team	6.7	6.8	7.2	6.8	6.4	Above Average	Above Average	Same
Staff engagement	6.7	6.8	7.3	6.9	6.3	Below Average	Below Average	Same
Morale	5.7	5.9	6.5	5.9	5.5	Average	Below Average	Worse

Overall, we are satisfied the results do not indicate a significant weakness in arrangements.

# VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

### The Trust's arrangements for working effectively within partnerships

The increasing national move towards greater integration of services across the health and social care sector and away from the more service focused internal market, has been reflected in the way that the Trust has worked with partner organisations across the Black Country ICS to deliver a sustainable financial position for the wider area, while also addressing the Trust's overall financial sustainability.

During 2023/24, the Trust actively contributed to working within the Black Country ICS, which enabled shared learning and the effective delivery of both an individual and a system plan. Our review of Board minutes and discussions with management confirms the Trust continues to work in close partnership with other health and social care organisations in the area. This is evidenced through the ongoing group arrangement with Royal Wolverhampton NHS Trust.

### The Trust's arrangements for commissioning services

The Trust follows normal procurement policies and processes, overseen by professionals in this area. There will be a robust specification and a process to ensure that the selected option/ supplier gives best value for money. The Scheme of Delegation sets out the various levels for approval of expenditure. The procurement has financial targets set each year for savings and negated inflation forcing decrease in price. The Trust SFIs force compliant procurement processes and any waivers require senior finance sign off and above £50k are reported to Audit Committee.

In line with NHSE guidance, the Trust's Standards of Business Conduct Policy requires all staff to declare interests, including offers of gifts and hospitality. The Policy also requires that declarations made by staff defined by the Trust as decision making staff are made publicly available. This includes providing a Nil Return where they have nothing to declare to mitigate the risk of conflicts of interests arising, with conflicts of interest being monitored prior to completion of procurement and evaluations to ensure there is transparency in decision making. Our review of Board and Audit Committee meeting papers and minutes confirms these are up to date and published on a regular basis.

### Overall view on arrangements in relation to improving economy, efficiency and effectiveness

We have not identified a significant weakness in arrangements in respect of improving economy, efficiency and effectiveness.

## VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



# VFM arrangements – Prior year significant weaknesses and recommendations

## Progress against significant weaknesses and recommendations made in the prior year

As part of our 2022/23 audit work, we identified the following significant weaknesses, and made recommendations for improvement in the Trust’s arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Trust’s progress against the recommendations made, including whether the significant weakness is still relevant in the 2023/24 year.

Identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p><b>Deliverability of the financial plan</b></p> <p>The Trust agreed a financial plan that would result in a £14m deficit for 2023/24, developed collaboratively with the Integrated Care System for 2023/24</p> <p>A £14m deficit is reliant on £26m of efficiencies being delivered, equivalent to c7% of the Trust’s annual operating expenditure. The Trust’s financial plan categorises £23m of the required savings as either an “opportunity” or as “unidentified”, which indicates there is substantial difficulty in achieving these savings. Our judgement is also informed by the Trust’s track record in savings delivery, where £4.7m against a £6.3m planned requirement was achieved in 2022/23, of which 70% was on a non-recurrent basis. The target for 2023/24 is more than 4 times that delivered in 2022/23 and, in our view, is both unrealistic and unachievable and therefore a risk to the deliverability of the financial plan as a result of under-developed cost improvement plans.</p> <p>In our view, this exposes the Trust to significant financial loss or risk; and/or could reasonably be expected to lead to a significant impact on the quality or effectiveness of service or on the Trust’s reputation. As a result, we believe there is significant weakness in arrangements for financial sustainability in how the body plans and manages its resources to ensure it can continue to deliver its services, including how the body plans to bridge its funding gaps and identifies achievable savings.</p>	Financial sustainability	The Trust should continue to work collaboratively with its Black Country ICS partners and NHS England to explore and agree sustainable, long-term plans to bridge its funding gaps and identify achievable savings.	<p>For 2023/24 the Trust closed the financial year with an overall deficit (control total basis) of £8.65m against the targeted surplus of £10.76m (PY- surplus of £428k against the statutory breakeven duty). For 2024/25, the Trust submitted its financial plan to deliver a deficit of £24.95m, which is dependent on the achievement of efficiency savings of £28.62m, of which £15.78m are recurrent.</p> <p>We have noted that the planned deficit is depending on achieving savings which represent c.10% of employee costs incurred during the year (PY - 6%), if these are not achieved the Trust will have to identify other ways to recoup the funds. Furthermore, the financial plan categorises £18m of the savings as either an opportunity or as unidentified suggesting there will be substantial difficulty in achieving these savings. Therefore, whilst the Trust has developed a collaborative plan with the Integrated Care System, there remains a risk to its deliverability as a result of under-developed cost improvement plans.</p> <p>We also considered the Trust’s track record in savings delivery in the previous years, the trust missed to achieve the target both in 2022-23 and 2023-24 by a significant margin c. £9.5m in 2023-24 and £1.6m in 2022-23.</p> <p>As a result, we believe there is a risk of significant weakness in arrangements arising from the need to develop and deliver significant levels of savings that would still lead to a breach in the Trust’s statutory break-even duty.</p>	<p><b>ONGOING</b></p> <p>Under increasingly challenging socio-economic pressures, the Trust’s financial sustainability remains at risk and therefore the significant weakness in arrangements and associated actions remain in place for 2023/24.</p>

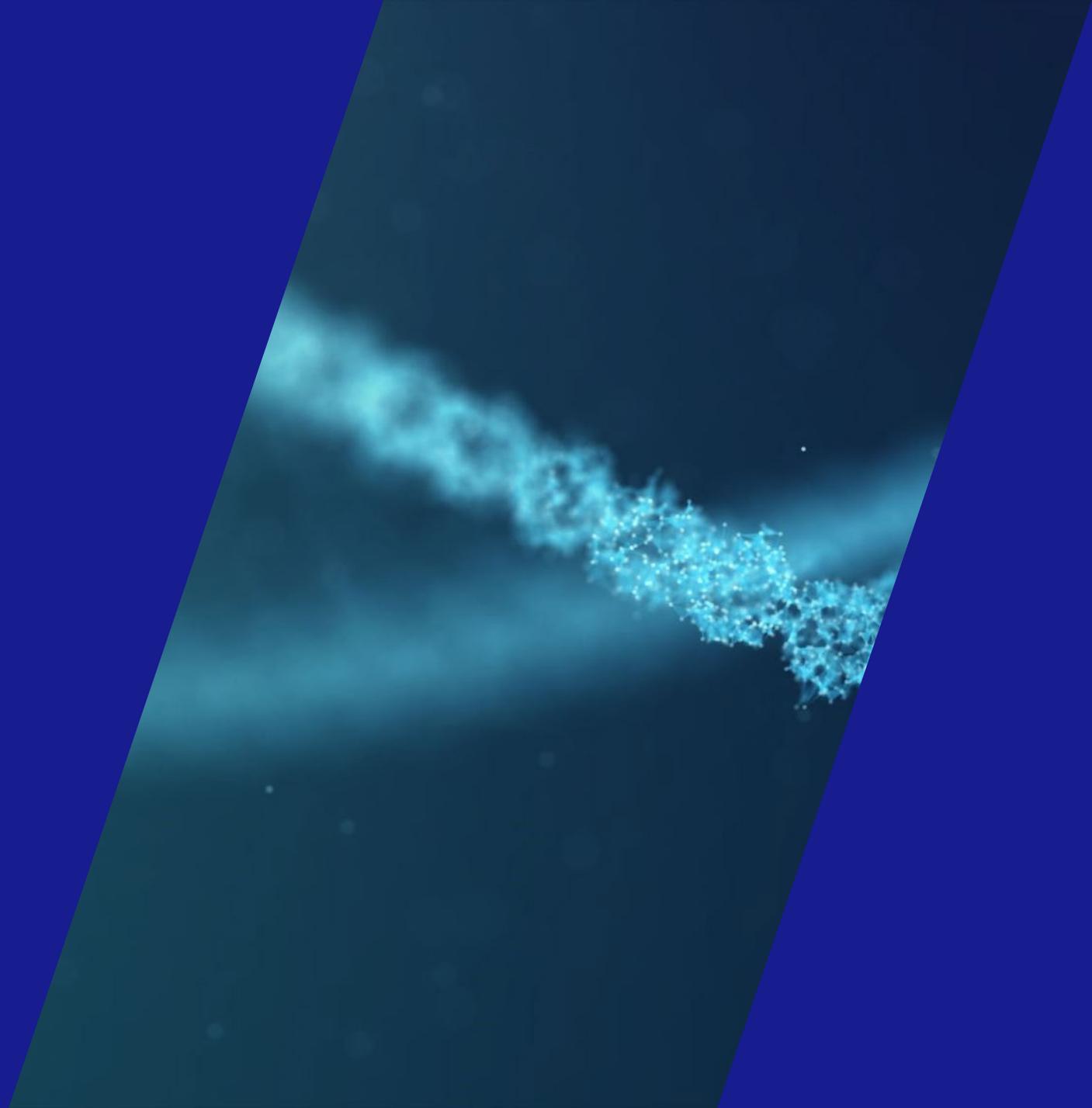
# VFM arrangements – Prior year significant weaknesses and recommendations

## Progress against significant weaknesses and recommendations made in the prior year

Identified significant weakness in arrangements	Reporting criteria	Recommendation(s) for improvement	Our views on the actions taken to date	Overall conclusions
<p><b>Arrangements for Statutory Financial Reporting</b></p> <p>Whilst the financial statements for the Trust were received and submitted in line with the NHS statutory deadline they were of an extremely poor quality. Inadequate quality of working papers were prepared to support the production of the financial statements, as evidenced by the fact that when working papers were provided for the audit, late, these showed financial statements disclosures needed revision in the majority of cases.</p> <p>In addition to this, we encountered issues including, but not limited to:</p> <ul style="list-style-type: none"> <li>• poor maintenance and availability of supporting books and records for asset valuations;</li> <li>• poor evidenced accounting judgements, including incorrect application of accounting principles leading to errors to be adjusted;</li> <li>• late Annual Report and a materially inaccurate Remuneration Report that went through more than seven iterations.</li> </ul> <p>Underpinning the issues identified is a shortage of both capacity and capability/ experience of the finance team in part caused by high turnover of staff over the last few years affecting teams' knowledge about systems and processes.</p> <p>In our view, this can reasonably be expected to lead to a significant impact on the quality or effectiveness of service or on the Trust's reputation. As a result, we believe there is a significant weakness in the Trust's arrangements under the governance criteria for informed decisions and properly managing its risks, including ensuring effective processes and systems are in place to support its statutory financial reporting requirements.</p>	Governance	<p>The Trust needs to address the capacity and capability gap in the financial reporting team, to include appropriate recruitment and training on accounting standards, particularly capital, leases and accruals</p> <p>The Trust needs to agree a financial reporting closedown plan and timetable for 2023/24, one that includes appropriate measures for quality control and review. Oversight of the plan should be escalated to the Audit Committee in good time for preparations for March 2024.</p>	<p>As mentioned in our commentary on the governance arrangements of the Trust on page 15 to 18, the Trust has taken sufficient action to remove this as a significant weakness in arrangements.</p>	<p><b>Cleared</b></p> <p>We believe the significant weakness in the Trust's arrangements under the governance criteria reported in 2022/23 has been partly addressed.</p> <p>The Trust will need to embed those improvements, and continue to build on quality control arrangements, into 2024/25 to ensure the improvements are sustained.</p>

# 04

Other reporting responsibilities and our fees



# Other reporting responsibilities and our fees

## Other reporting responsibilities

### Statutory recommendations and public interest reports

Under section 7 of the Local Audit and Accountability Act 2014, auditors of an NHS body can make written recommendation to the audited bodies. Auditors also have the power to make a report if they consider a matter is sufficiently important to be brought to the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue any statutory recommendations or exercised our power to make a report in the public interest during 2023/24.

### Section 30 referrals

Under Section 30 of the Local Audit and Accountability Act 2014, auditors of an NHS body have a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate.

We have issued a referral under Section 30 of the 2014 Act as a result of the Trust's financial position for the year ended 31 March 2024 leading to a cumulative deficit position, which is contrary to its financial break-even duty

### Reporting to the National Audit Office (NAO)

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

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

### Fees for our work as the Trust's auditor

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

Area of audit work	2023/24 fees
Planned fee in respect of our work under the Code of Audit Practice	107,500
Additional fees for extra time spent on reviewing numerous versions of the Remuneration Report	2,100
<b>Total fees</b>	<b>109,600</b>

### Fees for other work

We have been appointed to perform the independence examination of the Charitable Funds. The fee for this assurance related service (below £5,000) is not significant in relation to the audit fee.

# Appendix – Significant Risks

## Significant risk and findings

The significant findings from our audit include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements.;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and

Significant Risk	Audit Conclusions
Management override of controls	We have completed our planned procedures, and our work has provided the assurance we sought in this area. During our testing, we identified journals with self- authorisations due to a system configuration issue.
Valuation of property, plant and equipment	Our work on the valuation and impairment of PPE is complete and we identified a misstatement of £1.2m, which we have reported in the summary of unadjusted misstatement
Risk of fraud in expenditure recognition	We have completed our planned procedures, and our work has provided the assurance we sought, and we have no significant matters to report.

## Appendix - Summary of misstatements

We set out below and on the following pages a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of £255k. .

The first table in this section sets out the misstatements we identified which management has assessed as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. The second table outlines the misstatements we identified that have been adjusted by management.

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Summary Memorandum, issued on 20th May 2024

### Unadjusted misstatements

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Details of adjustment	SOCNE/SOCI		SFP	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Revaluation reserve / I&E reserve Cr: PPE			1,228	1,228
Adjustment proposed to account for the extrapolated misstatement arising on account of inconsistencies identified in the floorplan areas (both positives and negatives) compared to the area considered by valuer for the valuation of PPE.				
<b>Aggregate effect of unadjusted misstatements</b>			<b>1,228</b>	<b>1,228</b>

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

## Appendix - Summary of misstatements

### Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe Audit Committee should be made aware of.

Details of adjustment	SOCNE/SOCI		SOFP	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Payables Cr: Receivables			4,568	4,568
Adjustment proposed to move the credit to receivables from payables back to receivables account.				
<b>Aggregate effect of adjusted misstatements</b>			<b>4,568</b>	<b>4,568</b>

# Appendix – Internal Controls

## Other reporting responsibilities

During the course of our audit, we may identify areas for improvement in the Trust's internal control environment. These were presented for review and agreement to the Audit Committee as part of our Audit Completion Report in June 2023. The table below summarises the control weaknesses reported.

Area of control weakness	First raised in which year?
Payroll reconciliations not reviewed	2023/24
Self-authorized journals passed due to system configuration issue	2023/24
Ensuring completeness leases during the year-end financial closure process	2023/24
Year-end stock sheets sued for management counts not retained	2023/24
Floor areas per floor plans not updated in the valuation report	2022/23
Accuracy and completion of the Annual Report including disclosures in the Remuneration Report	2022/23
Up to date formal documented Estates Strategy not in place	2022/23
Missing lease agreements in certain cases	2022/23
Payroll reconciliations not prepared	2021/22
Classification errors in accounting disclosures	2021/22

# Contact

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