Auditor’s Annual Report

Barts Health NHS Trust – year ended 31 March 2025

19th June 2025

forvis mazars

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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 Barts Health NHS Trust (‘the Trust’) for the year ended 31 March 2025. 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 19th June 2025. 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 to secure economy, efficiency and effectiveness in its use of resources, this is because we issued a recommendation in relation to a significant weakness in those arrangements. Section 3 provides our commentary on the Trust’s arrangements.

Reporting to the group auditor
In line with group audit instructions issued by the NAO, on 19th June 2025 we reported that the Trust’s consolidation schedules were consistent with the audited financial statements. As part of the NAO’s group approach, the Trust was a sampled component meaning additional audit procedures were required to discharge all group reporting requirements. We have completed our work with respect to these group audit requirements.

Wider reporting responsibilities
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 Section 30 referral to the Secretary of State because we have reason to believe that the Trust has taken a course of action which has breached the Trust’s breakeven duty for the three-year period ending 31 March 2025.

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Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Trust and whether they give a true and fair view of the Trust's financial position as at 31 March 2025 and of its financial performance for the year then ended. Our audit report, issued on 19th June 2025 gave an unqualified opinion on the financial statements for the year ended 31 March 2025.

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

Qualitative aspects of the Trust's accounting practices

We have reviewed the Trust's accounting policies and disclosures and concluded they comply with Department of Health and Social Care Group Accounting Manual 2024/25, appropriately tailored to the Trust's circumstances.

With respect to the audit of the 2024/25 financial statements, we noted:

- draft accounts were received from the Trust on 25th April 2025 and were of a good quality;
- a draft of the Remuneration Report was received on 25th April 2025 and was of a good quality; and
- a substantially complete version of the Annual Report, including the Accountability Report sections which are covered by our auditor report, on 1st May 2025 and was of a good quality.

The Trust provided the supporting working papers required for the audit in line with the timeframes agreed prior to the audit commencing, and these were of a good quality. The finance team have been very responsive to dealing with our audit queries and throughout we have both maintained a collaborative approach to the audit.

Other reporting responsibilities

Reporting responsibility	Outcome
Annual Report	We did not identify any material unadjusted misstatements or significant inconsistencies between the content of the annual report, the financial statements and our knowledge of the Trust.
Annual Governance Statement	We did not identify any matters where, in our opinion, the Governance Statement did not comply with the guidance issued by NHS England. We also did not identify any matters where, in our opinion, the Governance Statement is misleading or is not consistent with our knowledge of the Trust and other information of which we are aware from our audit of the financial statements.
Remuneration and Staff Report	We report that the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the National Health Service Act 2006.

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Our work on Value for Money arrangements

VFM arrangements

Overall Summary

VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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

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

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

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

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

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

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

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

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

Phase 2 - Additional risk-based procedures and evaluation

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

We outline the risks that we have identified and the work we have done to address those risks later in this report.

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 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

Foreword

Barts Health NHS Trust is one of the largest healthcare providers in the country, delivering services to approximately 2.5 million people in its East London catchment area, with gross expenditure exceeding £2.5bn for the year ending 31st March 2025. The Trust operates four major hospital sites: The Royal London, St Bartholomew's, Whipps Cross and Newham and several community locations, with Mile End hospital being the most significant.

The Royal London in Whitechapel is a major teaching hospital providing both local and specialist services. St Bartholomew's is the Trust's oldest site in the City of London delivering specialist cardiac and cancer care. Buildings and infrastructure at the sites are funded through the Private Finance Initiative (PFI), a procurement method that makes use of private sector investment to deliver public sector infrastructure. This represents one of the largest individual PFI schemes in the country. Newham, a district hospital in Plaistow, is also partially funded through a smaller PFI scheme. PFI obligations for the two schemes totalled £1.69 billion at 31st March 2025. Whipps Cross is a large general hospital located in Leytonstone.

The Trust is also the 'host' of the NHS East and South East London Pathology Partnership and combines the Trust's pathology services with those of Homerton Healthcare NHS Foundation Trust and Lewisham and Greenwich NHS Trust. This partnership brings together the strengths of each of the three trusts' pathology services into a single NHS organisation, which will be entirely focused upon the provision of pathology. Its purpose is to provide patients and clinicians with a high-quality, cost-effective service that ensures the long-term sustainability of NHS pathology services in east and South East London.

2024/25 represented a challenging year for the Trust. Service demand continued to increase, with the Trust seeing more patients in its emergency departments in January and February 2025 than any other provider in the country. In the face of these challenges, the Trust managed its finances to report an adjusted financial performance (the NHS's performance metric designed to remove accounting adjustments) deficit of £11.7 million for the year, representing just 0.4% of the Trust's total turnover. This outturn was supported by the delivery of over £100 million of savings during the financial year.

Our review of the Trust's arrangements during 2024/25 to secure value for money identified a single weakness impacting two reporting criteria, as summarised below.

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Further comments
Financial sustainability	11	Yes – see risk 1 on page 12	No	N/A
Governance	16	Yes – see risk 2A on page 17	Yes – see recommendation 1 on page 25	Risk 2A and 2B are presently separately to show a single risk that affects 2 reporting criteria
Improving economy, efficiency and effectiveness	19	Yes – see risk 2B on page 21	Yes – see recommendation 1 on page 25	Risk 2A and 2B are presently separately to show a single risk that affects 2 reporting criteria

VFM arrangements

Financial Sustainability

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

VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements in relation to Financial Sustainability

<table>
<tr><th></th><th>Risk of significant weakness in arrangements</th><th>Work undertaken and the results of our work</th></tr>
<tr><td>1</td><td>

Financial sustainability - how the Trust plans to bridge its funding gaps and identifies achievable savings

The Trust reported a deficit of £43.9m for 2023/24. This was in line with the agreed target once adjusted for the unfunded impact of industrial action and a funding shortfall for Same Day Emergency Care (SDEC) expansion at Royal London and Whipps Cross Hospital.

For February 2025, the Trust reported a month 11 adjusted deficit of £11.7m against the plan to breakeven for the year. This was due to the impact of medical industrial action and additional costs to meet demands. There was also slippage against the efficiency savings target.

The North-East London Integrated Care System (ICS) reported an adverse position of £72.9m at Month 9.

Barts received an NHSE allocation accounting for deficits in submitted plans which moved the target to a balanced outturn position. This will prove challenging with the current pressures. At M9, Barts are forecasting an efficiency slippage of £3.5m at year end. In November 2024, the ICS set out a financial recovery plan (FRP). At Month 9, there were unidentified savings of £7m.

We identified a risk that the FRP will result in the Trust committing to unrealistic savings which will result in continued slippage against the budget. We deem there to be a risk in relation financial sustainability, specifically on how the Trust plans to bridge its funding gaps and identify achievable savings.

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Work undertaken

To determine if there was an actual weakness in the Trust's arrangements for 2024/25, we have performed the following procedures:

- Reviewed the Trust's savings commitments within its final 25/26 plan to identify the level of unidentified and high-risk savings;
- Determined if savings committed to are supported by appropriate plans; and
- Considered the level of savings committed to against those previously achieved.

Results of our work

As part of achieving a breakeven budget for 2025/26, the Trust has committed to total planned efficiencies of £168m for 2025/26 (6.5% of 2024/25 expenditure). This represents a £64m increase on the level of efficiencies delivered during 2023/24. Of the planned £168m efficiencies, the Trust has marked £56m (33%) as high risk. The Trust has fully or partially formed plans for all the savings committed to.

The Trust has a strong track record of delivering savings and the risk profile of those for 2025/26 is lower than identified in previous years as demonstrated by the follow profile of efficiencies:

Year	Planned (£'000)	High Risk (%)	Achieved (£'000)
2023/24	106,396	46.8%	113,608
2024/25	104,728	36.1%	104,565
2025/26	167,961	33.1%	*TBC*

We have also performed a deep dive on 5 savings programmes representing £106m of the total £168m efficiencies the Trust has committed to for 2025/26. We found that the plans were comprehensively, clearly outlining the area of spend to be reduced and the action plan to achieve the desired reduction.

As a result of the work we have completed, we have concluded that there is not a weakness in arrangements in relation to financial sustainability – specifically how the Trust plans to bridge its funding gaps and identifies achievable savings.

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VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

Background to the NHS finance regime

In 2020/21, NHSE established Integrated Care Systems (ICS) as the key unit for financial allocations. Moving into 2024/25, ICSs continued to be the key unit for financial planning purposes, with the aim of encouraging greater collaboration and collective responsibility for financial performance.

The North East London Integrated Care System has faced financial challenges in recent years resulting in a persisting system level deficit. As part of its financial recovery plan, the system has increasingly required its providers to identify savings and efficiencies to achieve financial sustainability.

Barts Health NHS Trust are the largest provider of acute services within the North East London(NEL) ICS. Most of the the Trust's income is commissioned by the North East London Integrated Care Board (£1.47 billion during 2024/25) and directly by NHS England (£884 million during 2024/25). The main mechanism for commissioning is using Aligned performance and incentive contracts. These contracts contain:

- A fixed element: funding that is based on the delivery of an agreed level of activity based on expected demand on services; and
- A variable element: funding that can increase or reduce payments based on elective activity levels and performance against quality measures.

These contracts have been implemented to support the delivery of system plans and encourage collaboration to agree the best way to use the resources available to systems.

The Trust's financial monitoring and planning arrangements

Throughout the financial year, the Trust has monitored its progress against the 2024/25 plan. Reports, detailing planned performance and actual outturn were issued to the Trust Board and the Finance, Investment and Performance Committee (FIPC) throughout the year via the Trust's integrated reporting process. The Board, FIPC and individual Hospital sites make use of these monthly reporting packs to monitor financial performance and identify any areas of potential overspend or general poor practise. Appropriate action is then taken to address areas of slippage to ensure delivery against budget.

We reviewed reports that had been presented for 2024/25, noting these contained a clear summary of the Trust's performance, together with detailed variance analysis and supporting details in respect of the Trust's key finance metrics. The reports also included updated forecasts to the end of the financial year.

This monitoring process resulted in the Trust delivering a total adjusted deficit of £11.7m for 2024/25 against an initially planned breakeven position. This initial breakeven plan for 2024/25 was however revised during the year as part of the system wider recovery plan to a planned deficit of £14.2m. £11.7m represents 0.4% of total annual turnover.

Review of the Trust's monitoring arrangements confirms that efficiencies are tracked closely during the year. Reporting to FIPC and the Trust Board highlights year to date progress against savings plans and enables mitigating action to be taken to address areas of pressure but also emerging opportunities for efficiency. This resulted in the Trust delivering £104.6m of its planned £104.7m efficiency savings.

From January to April 2025, the Trust prepared forecasts for the 2025/26 financial year as part of the planning process. The Trust has committed to a breakeven plan, requiring £168m of efficiency savings to be made. As part of its preparation of financial plans, the senior finance team reviewed national financial guidance. They ensured the implications of changes to this guidance, and the knock-on impact this may have on the Trust, were fully captured in the budgeting process. FIPC are briefed throughout the financial planning process.

The Trust's arrangements for the identifying, managing and monitoring funding gaps and risks to financial resilience

The Trust's annual savings targets are developed based on the national efficiency requirement. The development of savings plans to achieve these targets is supported through site performance review meetings and fortnightly Financial Recovery Board meetings and reported to FIPC. To support the savings process:

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability - continued

- A central Transformation team and site project management support is established.
- Trust-wide savings programmes workstreams are established with Executive Director leads.

During 2024/25, as part of the NEL system Investigation & Intervention process, the ICS engaged external consultants to support the identification and specific savings opportunities. For Barts, the external consultants identified only a minimal level of additional savings that the Trust had not already identified and committed to.

To achieve a breakeven budget for 2025/26, the Trust has had to commit to plan of £168m in efficiency savings. This broadly represents an increase of £60m in efficiency savings based on the average level achieved in the previous two years. However, the Trust has a strong track record in identifying and achieving savings. Through completion of the annual savings identification process, the Trust has prepared an efficiencies plan that marks only 33% of the planned efficiencies as high risk (36% in 2024/25 and 47% in 2023/24). All budgeted efficiencies are fully identified and supported by either a full plan or a plan that is under development. We have performed a deep dive on five of the Trust's major savings programmes (representing a total of £106m of the budgeted efficiency savings) and concluded that they are clear, comprehensive and clearly outline planned actions to achieve the desired efficiency.

The Trust is aware that to ensure longer term financial sustainability and resilience, there is a need to ensure the effective management of the ongoing payments for the Private Finance Initiative (PFI) schemes at The Royal London and St Bartholomew's, and Newham University hospitals. On 31 March 2025, total future payments committed to in respect of PFI schemes were calculated as £3.6bn and are payable until 2048.

The Trust's arrangements to ensure financial plans support sustainable delivery and wider planning

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 the 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. In the previous financial years the Trust has failed to meet this requirement over a three-year rolling period. The Trust once again failed to meet this requirement, resulting in our referral to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014.

The Trust plans its finances to ensure they support the required level of operational delivery. The operational plan for 2024/25 incorporated the requirement to work to a balanced financial budget, building in specific funding requirements as per NHS revenue financing and contracting guidance. In forming this plan, the Trust ensured inflation was considered as a risk to planned delivery. By having a cohesive financial and operational planning process, the Trust was able to identify funding opportunities that could be unlocked through increased and re-allocated activity planning via elective recovery.

Capital financing plans have also been developed to support the Trust's operational delivery aspirations. To support these plans, capital spend plans are targeted at increasing intensive care capacity. Prior to the end of the year, the Trust suffered a major set back, in that the Government deferred its plans to re-develop Whipps Cross hospital under the New Hospitals initiative until 2035. The Trust anticipates that maintaining the current, ageing Whipps Cross estate will put significant pressure on its capital programme over the next 5-10 years, with its initial assessments indicating an additional spend of £200m may be required to extend the life of the site.

In addition to these aspirational plans, the capital spend programme also accommodates expenditure on the constant replacement of medical equipment, IT equipment, estates management and staff welfare. Alongside its own capital plans, the Trust is also supported by charitable donations. These are received from a variety of sources, but primarily from the Barts Charity. In direct support of the Trust, the charity provided grants for research and grants to support service delivery.

The Trust has committed to planned efficiencies of £168m in 2025/26. To achieve these efficiencies, the Trust's savings schemes include a range of activities from headcount reductions, transformation of service delivery and in extreme cases service closures.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability - continued

The Trust is likely to be required to commit to further savings in future periods. In doing so, the Trust will need to ensure headcount reductions, service closures and wider transformation does not have an impact on the quality of patient care provided and the Trust's ability to meet the needs of future service users.

Key to ensuring efficiency plans do not impact service delivery will be the Trust's monitoring of service delivery and performance. To ensure the financial plans support a sustainable service delivery, the Trust will need a particular focus on areas undergoing transformation or headcount reductions to ensure acceptable levels of care continue to be provided.

Overall view on arrangements in relation to financial sustainability

Our overall view on the Trust's arrangements in relation to financial sustainability is that they are appropriate.

VFM arrangements

Governance

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

VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements in relation to Governance

	Risk of significant weakness in arrangements	Work undertaken and the results of our work
2A	**Whipps Cross treatment of disease, disorder or injury** In August 2024, the Trust received a section 29A warning notice from the Care Quality Commission (CQC) on the quality of health care provided by Whipps Cross University Hospital. This was for the regulated activities: treatment of disease, disorder or injury. CQC concluded that the quality of the regulated activities required significant improvement. This notice presents a risk that the Trust is not meeting regulatory requirements for the quality of care provided.	**Work undertaken** To determine if there is an actual weakness in the Trust's arrangements because of the identified risk, we have performed the following procedures: • Reviewed the warning notice to determine if regulatory requirements have been breached and consider the reasons for the breach; and • Considered any further correspondence with CQC and the outcome of any follow up visit. **Results of our work** We have reviewed the warning notice the Trust was served under Section 29A of the Health and Social Care Act 2008 on 8th August 2024 by the Care Quality Commission (CQC). This notice is published on the CQC's website. The notice outlined that the CQC had formed the view that, following an inspection at Whipps Cross hospital, the following regulations under the following headings in relation to the regulated activities of the treatment of disease, disorder and injury had been breached: • Regulation 12 safe care and treatment • Regulation 10 dignity and respect • Regulation 14 meeting nutritional and hydration needs • Regulation 18 staffing We have also reviewed the Trust's response, dated 20th September 2024 to the warning notice. The Trust's response acknowledges the breaches and outlines responses and mitigations to address the findings. The CQC performed a follow up inspection at Whipps Cross hospital on 7th May 2025 to determine if the mitigations in place and actions taken by the Trust have adequately addressed the matters raised in the warning notice. No formal findings have been communicated because of the follow-up. We have formed the view that the warning notice and acknowledgement by the Trust represent sufficient evidence that a weakness in arrangements existed at the Trust during the year, on the basis that services at Whipps Cross were not meeting regulatory requirements.

VFM arrangements – Financial Sustainability

Overall commentary on Governance

The Trust's arrangements to monitor and assess risk

Trust leadership plays a significant role in implementing and monitoring the process through the work of the Risk Management Board.

The Risk Management Board approve risk strategy work plans to support the implementation of the Risk Management Strategy throughout the year. The plans support the Trust's overall strategy and its risk management objectives through the identification of improvements and steps that aim to strengthen the Trust's risk maturity. All risks, whether externally and internally generated, are monitored via the Trust's Integrated Risk Report.

The Trust Board receives the Board Assurance Framework (BAF) throughout the year to discuss and review changes in risks, as well as the principal risks to the delivery of the Trust's strategic objectives, reflecting input from non-executive and executive director discussions as appropriate and details of controls and assurances for each entry. The BAF has been developed over time to include a risk appetite/tolerance dimension to improve the understanding and management of individual risks, as well as a 'heatmap' that analyses the current score against both the target risk score and the risk appetite. The BAF retains a close link to the Trust's risk register and allows for ongoing monitoring of 'bottom up' risk reporting that cross references to the related high risks that appear on the risk register. Each BAF risk is assigned to a relevant board committee.

Separate Non-Executive Directors chair the Audit and Risk Committee (ARC) and the Quality Assurance Committee. These Committees receive regular reporting in the form of Integrated Risk Reports. These cover changes to risks within the BAF and are presented to meetings of the Committees to allow for scrutiny and challenge, with deep dives in individual BAF risks planned for review across the year. These deep dives support extended and detailed conversations around risk appetite and tolerance, individual risk triggers and provide a red / amber / green rating of each item.

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 (Barts Assurance) 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 ARC.

We have reviewed the work of internal audit and progress reports that were presented to each ARC meeting. These reports include detailed issues and recommendations arising from work completed. Reporting includes progress updates on previous recommendations to identify areas with delays in responding, which allows ARC to hold management to account on behalf of the Board.

The internal audit function completed 35 (36 in 2023/24) reviews during the period. Of these, a total of 4 returned limited assurance opinions (9 in 2023/24). The Trust has an approach of 'targeting' reviews at areas with perceived potential controls issues. The Trust has reviewed and is following up actions through the ARC. Internal audit issued an the overall 'reasonable' assurance for 2024/25 annual internal audit report.

As part of counter fraud arrangements there is a programme of fraud awareness for Trust staff and Counter Fraud is part of the Trust Induction Programme.

The Trust completes risk management, incident reporting, clinical audit and internal audit processes to identify and respond to breaches of internal control. Counter Fraud reports to ARC on all aspects of their proactive and reactive work, allowing the Committee the opportunity to understand and influence work and understand risks and issues for forward communication to the Board.

Counter Fraud has completed a detailed fraud risk assessment at the Trust covering areas including finance, procurement, and recruitment, and reflected all areas of fraud risks that may impact on the Trust. This is in line with the Trust's Risk Strategy and the items identified have been included within local risk registers and are reviewed and monitored in line with the Trust's Risk Strategy.

Through our attendance at ARC meetings, we have confirmed the Committee makes effective use of Counter Fraud reports, and the associated findings, through detailed discussions on issues reported and the potential for associated issues within other aspects of the Trust's operations.

VFM arrangements – Financial Sustainability

Overall commentary on Governance - continued

The Trust's arrangements for budget setting and budgetary control

The Trust Budget covers the entirety of the Group and is generally derived from annual budget setting process completed by the individual hospital sites and core services. Decision making is carried out at group level. The budgeting process is derived from the Trust's overall budget setting policy. Financial planning assumptions are outlined in the Revenue Budget Setting Policy, including detailed consideration on the base point of costs and key assumptions around pay and non-pay costs, and budgeting requirements for the Integrated Care System to meet its targets.

To enable budgetary control during the year, budget holders are assigned to individual cost centres and are responsible for reviewing and approving individual transactions (such as purchase order (PO) requisitions and invoices) for these cost centres up to their specified limit as detailed in the standing financial instructions. Budget holders are provided with access to monthly budget statements for their allocated cost centres and receive an e-mail by working day 8 each month to notify them that the monthly statements have been updated and are available for review. The review at individual manager level feeds into the overall site and service budget analysis.

The sites and services each then have monthly performance review meetings, based on the above analysis, with relevant Board members and finance team representatives, at which the year-to-date position and forecast for the remainder of the year are considered. This then ultimately drives site level financial reporting which forms the basis of the financial element of the Integrated Performance Report, which is scrutinised at Trust Board level.

The Trust's decision-making arrangements

The Trust has a well-established governance structure in place, details of which are set out within its Annual Governance Statement and is supported by the Trust's Standing Orders and Standing Financial Instructions and scheme of delegation. There is detailed financial information available to enable full understanding of the position at hospital and overall, Trust level, with issues discussed at the monthly sites and services performance review meetings, and subsequently with the Group Executive Board.

Through this process non-finance Directors and Non-Executive Directors can challenge assumptions within assessments and analysis of the performance and forecasts. In support of the Trust's well established governance structure, the Standards of Business Conduct policy sets out the framework for appropriate decision making and supports decision making processes and frameworks below executive and director level. Business case approvals for significant changes are completed through the Investment Steering Committee in the first instance and escalated to Trust Board level if required.

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

In line with NHSE guidance, the Trust requires all staff to declare interests, including offers of gifts and hospitality. Registers of interests are maintained and published; and the Board complete an annual review and self-certification of its compliance with the conditions of the NHS provider licence.

Assurance on compliance with regulatory requirements is reported on a regular basis to the Quality Assurance Committee. Further assurance is provided in the form of the Integrated Performance Report pack that is scrutinised at board level. During the year, the Trust received a warning notice from the Care Quality Commission in relation to services for treating disease, injury and disorder at Whipps Cross which the CQC deemed weren't meeting regulatory standards (detailed on page 17).

ARC receives reports on waivers of standing orders at each meet and challenges any losses and special payments. Our attendance at the Committee confirms this process is well established and operating. Board and subcommittee templates also include a section highlighting any legal issues encountered or identified and documents the steps taken to ensure appropriate advice is sought.

The Director of Corporate Development oversees compliance with the Trust's Standing Orders and Standing Financial Instructions. The Trust has an expenses policy governing expense claims for employees. The Trust's standards of business conduct policy, Modern Slavery Act requirements and SFIs set out the expected behaviours of staff and contractors. The Trust has Fit and Proper Persons Test arrangements in place (with no external referrals identified to date).

Overall view on arrangements in relation to governance

Our overall view on the Trust's arrangements in relation to governance is that there is a significant weakness in relation to ensuring regulatory standards are met.

VFM arrangements

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

VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements in relation to Improving Economy, Efficiency and Effectiveness

	Risk of significant weakness in arrangements	Work undertaken and the results of our work
2B	**Whipps Cross treatment of disease, disorder or injury** In August 2024, the Trust received a section 29A warning notice from the Care Quality Commission (CQC) on the quality of health care provided by Whipps Cross University Hospital. This was for the regulated activities: treatment of disease, disorder or injury. CQC concluded that the quality of the regulated activities required significant improvement. This notice highlights a potential deficiency in the way the Trust evaluates service performance and the measures in place to identify improvements to maintain good standards.	**Work undertaken** To determine if there is an actual weakness in the Trust's arrangements because of the identified risk, we have performed the following procedures: • Reviewed the Trust's arrangements for monitoring service delivery at Whipps Cross to identify performance improvements; and • Reviewed the Trust's response to the warning notice and action plan to determine if the Trust planned to take action to improve service delivery and ensure regulatory requirements are met. **Results of our work** We have reviewed the arrangements in place at Whipps Cross to determine if they are appropriate for identifying service areas requiring improvement. The hospital has a number of arrangements for monitoring performance: an urgent and emergency care improvement board; the group care board; the Whipps Cross board; a finance and performance committee; performance review meetings; a CQC engagement board; and CQC enhanced surveillance meetings. We have reviewed a sample of minutes and confirmed that the arrangements demonstrate the comprehensive oversight of the care provided. The Whipps Cross Board through performance reviews had identified challenges and issues around patient flow, emergency department capacity before the CQC visit and attempted to implement mitigations. However, these issues have persisted largely due to the dated Whipps Cross estate and requirement for its redevelopment. The Trust's response to the CQC warning notice has identified mitigating actions to address all the regulation breaches identified by the CQC. Enhanced surveillance meetings and CQC engagement meetings indicate that positive progress is being made against all but three actions, being: insufficient space for mental health patients; patient placement and flow; and provision of 1:1 care for mental health patients. While progress is being made against these 3 actions, the Whipps Cross Executive Board acknowledge it is slow. This is largely driven by hospital design and age constraints but also staffing constraints. In our view as the Whipps Cross Board had identified some of the issues identified by CQC visit and were unable to take sufficient mitigating action before the August 2024 warning notice, it represents sufficient evidence that a significant weakness in arrangements existed at the Trust during the year, on the basis that areas requiring service improvement had been identified but appropriate action was not taken to meet regulatory requirements.

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VFM arrangements – Financial Sustainability

Overall commentary on Improving Economy, Efficiency and Effectiveness

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

The Trust has an in-depth, group wide framework for assessing performance and evaluating service delivery. Key to this is the role of the Trust Board and relevant assurance committees. The Trust Board retains overall oversight of the overall business planning process. The Trust's Finance, Investment and Performance Committee (FIPC) meet each month to review investment decisions and financial performance. The Audit and Risk Committee (ARC), supported by the work of the internal audit function, seek to gain assurance over the effectiveness of the Trust's internal control framework over its operations. The Quality and Assurance Committee (QAC) complements the role of this committee in providing assurance to the Trust Board via a combination of quality reporting, hospital thematic reporting and internal audits.

The Trust produces a range of operational indicators within its integrated performance report to measure performance and identify both opportunities for improvement and areas of high performance, with indicators analysed into the four main areas (Responsive, Caring, Safe, Effective) and further into performance by individual sites where appropriate. Named directors are responsible for providing an overview of current performance and notes on possible changes because of known issues or responses that have been made.

The Board receives a broad range of performance information, both operational and finance and including the above information, at each meeting. Throughout the year the Board has given consideration to key challenges. We have reviewed the performance information provided to the Board along with the documentation of subsequent review and challenge and can confirm we consider the Board effectively holds managers to account where performance improvements are required.

To supplement and inform group level monitoring, each of the Trust's major sites (the Royal London, St Bartholomew's, Whipps Cross and Newham) have hospital level frameworks for monitoring performance and identifying service delivery improvements. Whilst these arrangements vary from site to site, broadly consistent elements consist of:

- Hospital board;
- Periodic performance review meetings;
- Performance surveillance meetings; and
- Care improvement boards.

These arrangements support the reporting into the group level framework whilst maintaining site level oversight and responsiveness.

The Trust is also subject to regulation by the Care Quality Commission (CQC). The Trust's last full inspection was completed in October 2018 (Published February 2019). Against the 5 reporting criteria of safe, effective, caring, responsive and well-led, the Trust received 3 'good' and 2 'requires improvement' ratings, resulting in a combined 'requires improvement' rating.

During the year, the CQC performed an announced visit at Whipps Cross of the regulated activities of treatment of injury, disease and disorder. The review identified several areas for improvement, culminating in the regulator issuing a warning notice, requiring the hospital to take immediate actions to address identified breaches in regulations. The Trust formed a response to the findings outlining immediate actions being taken to the regulator. The Trust has reported positive progress against the action plan in most areas but has also acknowledged challenges in some areas. The Trust cites limitations in the hospital's design as a reason for making some required improvements challenging. The Government's deferral of the Whipps Cross redevelopment under the new hospitals programme until 2035 at the earliest will likely mean this challenge persists. We are also aware that the mitigations required coordinated system response to address mental health patient flow. The speed of implementing these mitigations was hindered due to the level of coordination required between many stakeholders.

Fire safety works are also nearing completion at Newham hospital. Following the London Fire Brigade issuing an enforcement notice in 2020. Completion of these works will represent a significant milestone for the site, with completion of the works easing pressure on the Trust's capital programme in future years.

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 NEL ICS to deliver a sustainable financial position for the wider area, while also addressing the Trust's overall financial sustainability.

VFM arrangements – Financial Sustainability

Overall commentary on Improving Economy, Efficiency and Effectiveness - continued

During 2024/25, the Trust actively contributed to working within the NEL ICS, which enabled shared learning. The Trust worked effectively as part of the system in monitoring and managing the budgetary pressures and subsequent recovery during the year. Periodic reporting to the system enabled intervention to address the system wide deficit during the year.

The Trust hosts services that are shared with Homerton Healthcare NHS Foundation Trust and Lewisham and Greenwich NHS Trust. The East and South-East London Pathology Partnership, started during 2021/22, combines the pathology services of the three organisations into a single organisation. This allows each of the partners to play to its strengths, with the combined goal to deliver focussed and efficient pathology services sustainably in the target area.

As part of its ambition to develop the contribution made to research, the Trust successfully bid to host the North London Research Delivery Network from 1st April 2024. The initiative will build on growing research strength at the Trust's hospitals, with Barts Health ranked as the highest recruiter to commercial drug trials in the UK and in the top three for most studies opened in the last financial year.

During 2024/25, the Trust made further steps towards greater collaboration with Barking, Havering and Redbridge University Hospitals NHS Trust. Both Trusts took major steps to closer working through the planning and implementation of a shared ledger system. From 1 April 2024, both Trusts have been recording financial transactions in a single system hosted by Barts. To achieve this, detailed project planning was undertaken, and both Trusts are subject to a service level agreement with respect to its operation.

The Trust's arrangements for commissioning services

The Trust has a Procurement Department, with appropriately professionally qualified staff, for the management of processes, supported by internal procedures (Financial Instructions) and external requirements governing the acquisition of goods and services. The Procurement team publishes a monthly performance report which monitors value for money delivered from tendering for goods and services. The team also publishes a waiver report quarterly to the ARC, highlighting purchases that have not followed the Trust's Financial Instructions. Training is available and mandatory for all new relevant staff to understand the regulatory environment.

The Procurement Department makes use of the 5 Case Business Case process to support any work done, including areas where service transformation is envisaged because of the Procurement Act. This process includes Options Appraisals for alternative delivery and investment appraisal to derive best options based on strategic outcomes. Recent changes with the Cabinet Office now mean the Trust is obliged to write a business case for all procurement work over £10m and submit for Cabinet Office approval.

The Procurement Act 2023 came into effect for the Trust on 24th February 2025. This legislation required the Trust to update and modify procurement procedures during the year to accommodate the requirements of the new act. The Trust delivered stakeholder training throughout the year to ensure staff were aware of the modifications and processes were updated to ensure compliance.

The Trust makes full use of the functionality within the Oracle system, which is used to regulate all transactions in accordance with its hierarchy delegation, which is aligned with the Procure to Pay process to ensure compliance. Overall, this is supported by the Trust's 'No PO No Pay' policy which aims to ensure payments are not made without appropriate authorisations.

The Trust has a Standards of Business Conduct Policy in place 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 ARC 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

Our overall view on the Trust's arrangements in relation to improving economy, efficiency and effectiveness is that due to the enforcement notice for Whipps Cross Hospital, there is a significant weakness in relation to ensuring that appropriate improvements are made once challenges to service delivery are identified.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations

VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Trust's arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses have been outlined in the table below.

	Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
1	**Whipps Cross treatment of disease, disorder or injury** In August 2024, the Trust received a section 29A warning notice from the Care Quality Commission (CQC) on the quality of health care provided by Whipps Cross University Hospital. This was for the regulated activities: treatment of disease, disorder or injury. CQC concluded that the quality of the regulated activities required significant improvement. Our review of the warning notice issued, and the response to the notice provided by the Trust confirm that breaches in regulations at Whipps Cross were identified. Services relating to the treatment of disease, injury and disorder at Whipps Cross did not meet the regulatory standards in 2024/25. We have reviewed the arrangements in place at Whipps Cross for monitoring service delivery and identifying areas requiring improvement. These arrangements at the Trust had identified some of the matters (such as patient flow and capacity) prior to the CQC inspection in August 2024 but had failed to apply mitigations to meet regulatory standards, which was then highlighted by the CQC in the section 29 warning notice. Progress against the action plan implemented following the inspection suggests patient flow and capacity remain a challenge. Whilst we acknowledge that this is largely driven by the design and age of the Whipps Cross site, the Trust has continued to deliver services without putting in place mitigations to address those issues in full. In our view this is evidence of a significant weakness in the governance and improving economy, efficiency and effectiveness reporting criteria.		●	●	We recommend the Trust continues to progress implementing the action plan put in place following the August 2024 section 29A warning notice and ensure that this reflects the delay in the redevelopment of the Whipps Cross site.	Our review of the Trust's progress against the CQC inspection action plan confirms that positive progress has been made in several areas. The Trust's own assessment acknowledges that progress against actions relating to emergency department capacity and patient flow are being hindered by the age and design of the Whipps Cross site. The deferral of the Whipps Cross redevelopment under the new hospitals scheme to at least 2035 will likely mean these pressures and the requirement for mitigations will remain in place until the scheme progresses.

04

Other reporting responsibilities and our fees

Other reporting responsibilities and our fees

Wider 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 2024/25.

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 Section 30 referral to the Secretary of State because we have reason to believe that the Trust has taken a course of action which has breached the Trust's breakeven duty for the three-year period ending 31 March 2025.

Reporting to the group auditor

Whole of Government Accounts (WGA)

The Trust is consolidated into the Consolidated NHS Provider Account which is then consolidated into the Department of Health and Social Care (DHSC) group. The National Audit Office (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 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.

Appendices

A - Further information on our audit of the financial statements

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

Audit findings

In this section we outline the significant findings from our audit. These findings include our audit conclusions regarding significant risks.

Significant risk – Management override

Description of risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

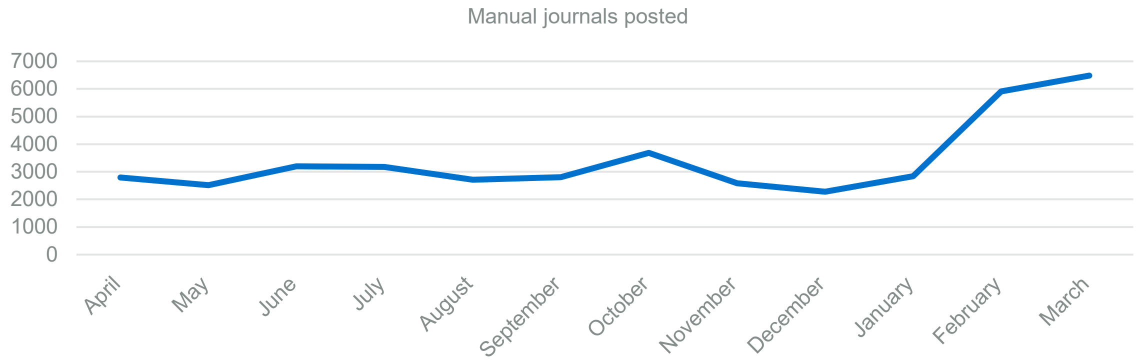
Our planned response to the risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
- Our work on journals included identifying and analysing the total population of journals posted by the Trust during the year and as part of the account's preparation process. We identified a range of fraud risk factors that we then applied to the population and tested the validity of any journals that we identified for testing. We outline a summary of the risk factors, the number we identified and the outcome of our testing.

Analysis of our work performed

The analysis below details the Trust's manual journal posting pattern in terms of the number of lines manually journaled each month.



Of the total journals posted, we identified approximately 41,200 lines were manually posted by employees of the Trust and therefore subject to the risk of management override. All were subject to risk-based analysis, against criteria set during the planning stage of the audit, to identify those with characteristics indicative of management override.

A total of 681 lines were then selected for detailed testing. This involved agreement of the selected items back to sufficient appropriate evidence. This was completed with no issues identified.

We have performed a stand back assessment of the material estimates tested as part of our wider audit. We are satisfied none of them display characteristics of management bias. We have not identified any significant transactions outside the normal course of business.

Audit conclusion

We have completed our planned procedures and have no matters to report in respect of the risk of management override of controls.

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

Significant risk – risk of fraud in revenue recognition

Description of risk

The risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues.

Previously, we communicated that this risk related to the accrued variable element of Aligned Payment & Incentive (API) income.

We now consider there to be a risk on the accuracy of all income from commissioners under API contracts recognised in month 12 of the 2024/25 year. There is also a risk this income does not meet the requirements of the relevant accounting standard for recognising revenue - IFRS15.

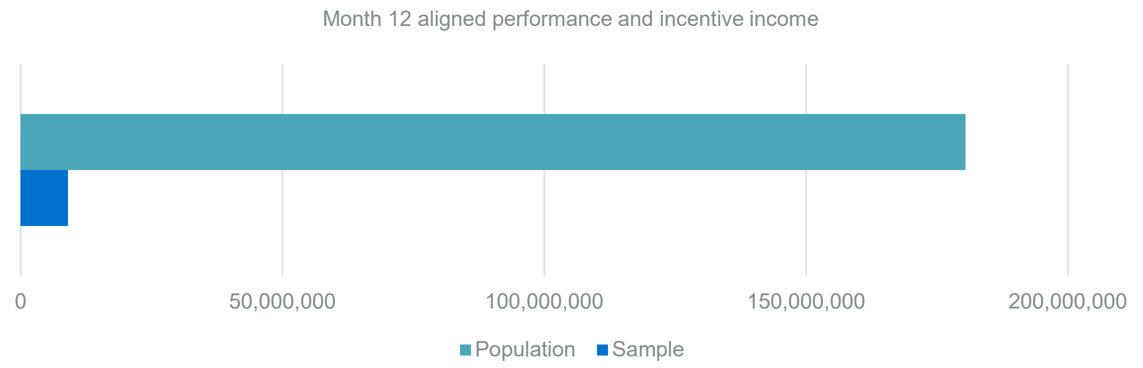
This is due to the change in funding arrangements and potential incentives for management to inflate income to ensure the Trust meets its financial targets. This is due to late funding variations or activity-based adjustments providing an opportunity for management to fraudulently recognise income that does not meet the recognition criteria specified by IFRS 15.

Our planned response to the risk

We have tested a sample of API income in month 12 of 2024/25 at the significant risk level. We have tested the accuracy of the income recognition and ensured compliance with the requirements of the relevant accounting standard, IFRS 15 to determine that the Trust has the right to recognise the income reported.

Analysis of our work performed

The total value of aligned performance and incentive income reported in the financial statements for month 12 of the year was £180.4m. The chart shows that we tested a sample with a value of £9m (26 items).



To satisfy ourselves that the Trust have appropriately recognised API income, we have reviewed the funding contracts and the Trust's patient data (that has been ratified by the counter parties) to ensure the income has been recognised in line with the performance obligation specified. This testing has confirmed that income has been recognised in line with the requirements of IFRS15.

Audit conclusion

We have completed our planned procedures and have no matters to report in respect of the risk of fraud in revenue recognition.

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

Significant risk – risk of fraud in expenditure recognition

Description of risk

We have identified a cut-off risk in relation to the below expenditure streams:

- Purchase of healthcare from non-NHS and non-DHSC bodies
- Supplies and services (clinical and general)
- Drug costs (drugs inventory consumed and purchase of non-inventory drugs)

There is a risk that the Trust defers the recognition of expenditure in month 12 of 2024/25 to the first month of the following accounting year.

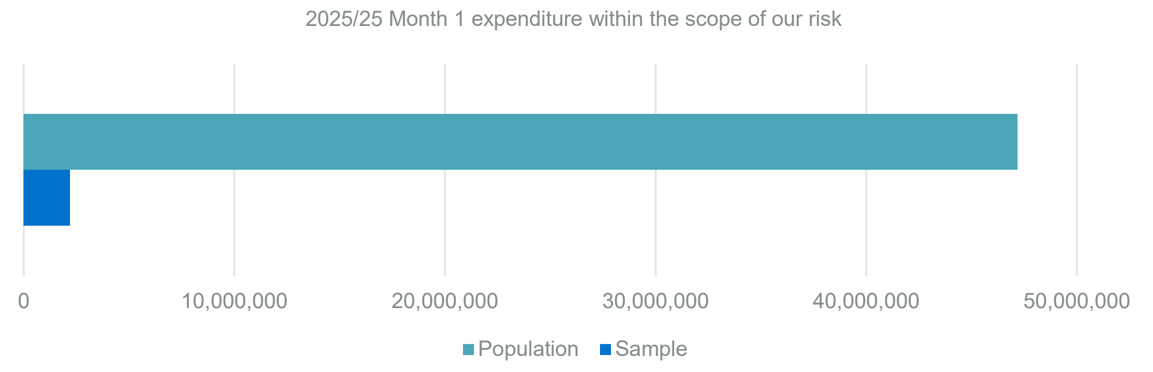
This could be an attempt to manipulate the Trust's financial performance to achieve targets as the Trust's actual closing position becomes clearer in month 12.

Our planned response to the risk

We have tested a sample of expenditure recorded within the high-risk areas in month 1 of 2025/26 at the significant risk level to ensure it has been recorded in the correct accounting period.

Analysis of our work performed

The total value of expenditure reported in month 1 of 2025/26 relating to the 3 account areas outlined in the risk description was £47.2m. The chart shows that we tested a sample of value £2.1m (12 items).



To satisfy ourselves that the Trust have appropriately recognised expenditure in the appropriate accounting period, we have agreed the sampled transactions back to appropriate evidence to confirm the timing of the activity to which the expenditure relates is the same as the period in which it has been recorded. No material issues were identified as a result of this work.

Audit conclusion

We have completed our planned procedures and have no matters to report in respect of the risk of fraud in expenditure recognition.

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

Significant risk – valuation of property, plant and equipment

Description of risk

Land and buildings are the Trust's highest value assets accounting for £1,402m of the Trust's £1,579m Property, Plant and Equipment balance at 31 March 2025. The level of estimation uncertainty arising from the extensive use of judgement in the valuation process along with the size of the asset base means that we consider valuation of land and buildings to be a significant risk.

Management engages the District Valuer as an expert to assist in determining the current value of land and buildings to be included in the financial statements. In addition, in common with many organisations, the Trust adopts a modern equivalent asset (MEA) approach to the valuation of its main hospital sites. Any significant changes to the Trust's MEA judgements and assumptions can impact values.

Changes in the value of land and buildings, as well as additional capital works being completed in the year, may impact on the Statement of Comprehensive Income depending on the circumstances and the specific accounting requirements of the Group Accounting Manual.

Our planned response to the risk

We have updated our understanding of the approach taken by the Trust in its valuation of land and buildings, including documenting our review and challenge of the methodology, with a specific focus on MEA judgements that the Trust uses and applies. Our work also included testing the underlying data to gain assurance of its accuracy.

We have reviewed:

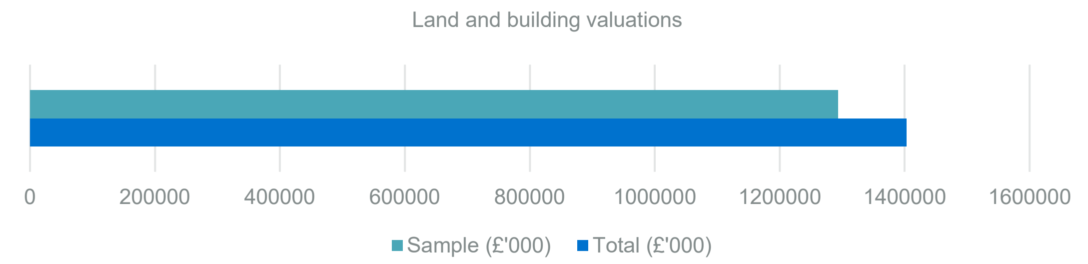
- the scope and terms of engagement with the District Valuer; and
- how management used the District Valuer report to value land and buildings in the financial statements.

We have engaged with the District Valuer to obtain information on their methodology and procedures to assess their objectivity and quality, including compliance with professional standards.

We reviewed the valuation approach and assessment in respect of capital additions within the year to understand how valuations have been updated and amended as the assets have been brought into use.

Analysis of our work performed

Our sample sizes have been selected in line with our methodology for testing at a significant risk level. The sample population in comparison to the total population is analysed below:



Per the risk summary, our methodology involves testing of underlying data and assumptions. Key data inputs such as land areas and replacement build costs were tested with no issues identified. The key assumptions tested in our audit work are the MEA assumptions applied to gross internal areas of buildings and obsolescence applied by the valuer. Our sample testing identified no material issues with the assumptions applied. However, we did identify immaterial errors because of incorrect gross internal areas being used to calculate the MEA areas. These total £15.7m

Audit conclusion

We have completed our planned procedures and have no material matters to report in respect of the risk of valuation of property, plant and equipment. Immaterial errors have been reported in the '*Summary of misstatements*' section of this report.

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 the Audit and Risk Committee unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Description	Nature	SOCNE/SOCI		SOFP	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
DR: Operating income from patient care activities CR: Receivables *The Trust overstated a receivable for injury cost recovery due to the Department for Work and Pensions notifying the Trust of an alteration to the balance receivable between the date the accounts were prepared and the date the balance was tested. The actual error of £59k has been used to determine a rate of error, which has been extrapolated over the total population.*	Extrapolated	3,030			3,030
DR: Trade and other payables CR: Operating expenses *The Trust recognised a payable at year end for an expense that had been paid during January 2025. The actual error of £53k has been used to determine a rate of error, which has been extrapolated over the total population.*	Extrapolated		8,156	8,156	
DR: Operating expenses CR: Trade and other payables *The Trust recognised expenditure relating to 2024/25 in the first month of 2025/26. The actual error of £10k has been used to form an estimate of the likely error impacting the 2024/25 financial statements.*	Estimated	607			607
DR: Revaluation reserve CR: Property, plant and equipment *The Trust provided incorrect gross internal areas for a small number of buildings and an incorrect land area for a land valuation to the valuer, resulting in a net overstatement. The actual error of £15,490k has been extrapolated over the total population.*	Extrapolated			15,731	15,731

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

Unadjusted misstatements - continued

Description	Nature	SOCNE/SOCI		SOFP	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
DR: Expenditure CR: I&E reserve *The Trust did not accrue for a refund and recognised the balance as a reduction in expenditure during 2024/25. The balance should have been accrued for during 2022/23 when the Trust were notified of the refund. The actual error of £126k has been extrapolated over the total population.*	Extrapolated	8,351			8,351
Aggregate effect of unadjusted misstatements		**11,988**	**8,156**	**23,887**	**27,719**

Unadjusted disclosure misstatements

We identified the following disclosure misstatement during our audit that has not been corrected by management based on the impact on the accounts being immaterial:

- **Remuneration report:** 4 exit packages totalling £35k was incorrectly reported in 2024/25 that related to 2023/24.

Significant deficiencies in internal control

In our view, the deficiencies in internal control set out in this section result in a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of business strategic objectives. Our recommendations should be considered for immediate action.

Fixed asset disposals

Description of deficiency

Our audit identified a misstatement because of the Trust retrospectively accounting for the disposal of assets that had no net book value and had been disposed of after reaching the end of their useful economic life because the finance team had not been notified of the disposal and recorded it in the fixed asset register.

Potential effects

Whilst the deficiency had no impact on the net book value of assets reported in the financial statements, gross cost and accumulated was overstated in the prior period. If the finance team are not appropriately notified of assets being disposed of, the Trust may be at risk of financial loss and future material misstatement.

Recommendation

We recommend the Trust ensures the asset management team are aware of the asset disposals process and notifying the finance team of disposals as they take place.

Management response

The Trust finance team will work with the relevant departments to strengthen the existing disposals process and procedures.

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