

Auditor's Annual Report

Leeds Community Healthcare NHS Trust
– year ended 31 March 2023

7 September 2023



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A. Further information on our audit of the financial statements

01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Leeds Community Healthcare NHS Trust ('the Trust') for the year ended 31 March 2023. 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 29 June 2023. Our opinion on the financial statements was unqualified.



Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 21 April 2023 we reported that the Trust's consolidation schedules were consistent with the audited financial statements.



Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Trust's arrangements.

Following the completion of our work we have issued our audit certificate which formally closes the audit for the 2022/23 financial year.

02

Section 02:

Audit of the financial statements

2. 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 2023 and of its financial performance for the year then ended. Our audit report, issued on 29 June 2023 gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

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 reviewed the Trust's accounting policies and disclosures and concluded they comply with Department of Health and Social Care Group Accounting Manual 2022/23, appropriately tailored to the Trust's circumstances. Draft accounts were received from the Trust on 27 April 2023 and were of a good quality.

Other reporting responsibilities

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

03

Section 03:

**Our work on Value for Money
arrangements**

3. VFM arrangements

Overall Summary



3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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



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



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



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

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

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

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

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

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

Phase 2 - Additional risk-based procedures and evaluation

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

We identified no risks of significant weaknesses in arrangements.

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.

3. VFM arrangements – Overall summary

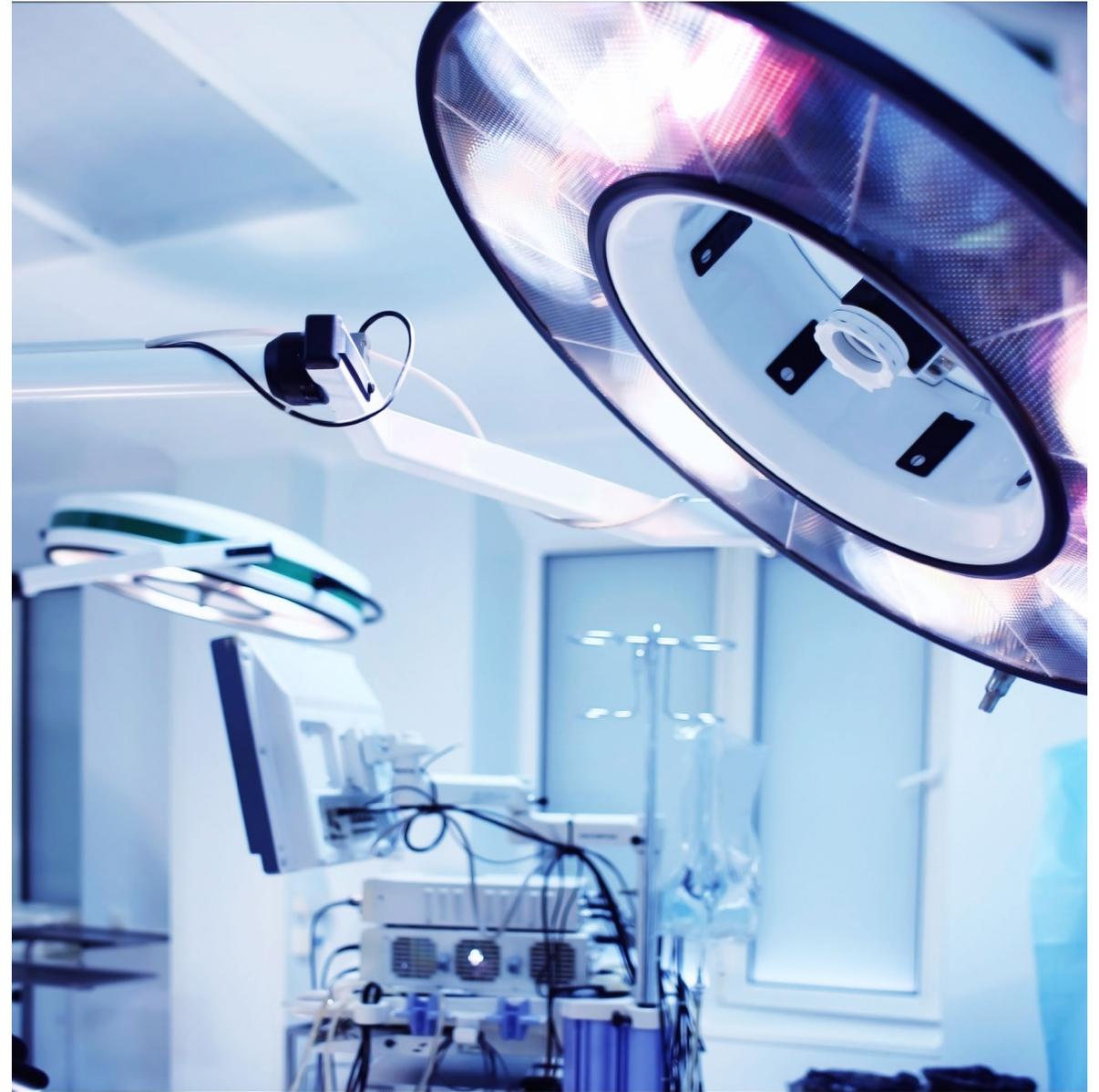
Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	15	No	No	No
 Improving economy, efficiency and effectiveness	19	No	No	No

3. VFM arrangements

Financial Sustainability

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



3. VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability reporting criteria

Overall responsibilities for financial governance

We have reviewed the Trust's overall governance framework, including Board and committee reports, the Annual Governance Statement, and Annual Report and Accounts for 2022/23. These confirm the Trust Board has a responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Trusts service users.

The Business Committee oversees all aspects of financial management and operational performance on behalf of the Board. This includes:

- reviewing the Trust's financial plans to test assumptions and provide assurance that reports and returns represent a true and fair view of the financial period under review;
- detailed review of the performance brief and domain reports and ensuring they include appropriate performance metrics to provide assurance to the Board on all aspects of organisational performance in line with strategic goals and corporate objectives;
- ongoing review of financial and operational performance, including providing assurance that the finance and performance reporting systems of the organisation are robust;
- seeking assurance that any appropriate management action has been taken to return the Trust's performance to plan and that any such actions or recovery plans in place are adequately resourced, implemented and monitored; and
- providing assurance to the Board that cost improvement plans to support organisational change are being achieved.

Our review of supporting papers confirmed that these arrangements were in place throughout 2022/23 .

Background to the NHS financing regime in 2022/23

Following the onset of the COVID-19 pandemic in March 2020, the original NHS Planning Guidance 2020/21 was suspended and a new financial regime was implemented, which continued in 2021/22. For the 2022/23 financial year there was a move away from emergency COVID block payment arrangements and back to local contracting and commissioning. Contracts for all commissioned healthcare services, other than core primary care services, were in the form of the NHS Standard Contract. The allocations methodology has been reset to move systems back towards a fair share distribution of resource approach at the levels affordable within the Spending Review 2021 settlement.

The Health and Care Act 2022 received Royal Assent on 28 April 2022 which formally renamed the NHS Commissioning Board to NHS England and brought NHS Improvement into NHS England. It established 42 Integrated Care Boards (ICBs) across England from 1 July 2022 at the same time as abolishing 106 Clinical Commissioning Groups (CCGs) on 30 June 2022. ICBs took on the NHS commissioning functions of CCGs as well as some of NHS England's commissioning functions. ICB's are also accountable for NHS spend and performance within the system. The main NHS commissioner of services from Leeds Community Healthcare NHS Trust is now West Yorkshire ICB and the Trust worked with the ICB and wider system partners to deliver to an agreed financial plan for 2022/23.

The Spending Review 2021 provided the NHS with a three-year capital settlement covering 2022/23 to 2024/25. Capital allocations were split into three categories:

- A system-level allocation to cover day-to-day operational investments which have typically been self-financed by organisations in Integrated care Systems (ICSS) or financed by Department for Health and Social Care (DHSC) through normal course of business loans or system capital support Public Dividend Capital (PDC).
- Nationally allocated funds to cover nationally strategic projects already announced and in development or construction, such as hospital upgrades and new hospitals.
- Other national capital investment – including national programmes such as elective recovery, diagnostics and national technology funding and the mental health dormitory programme.

For the Trust this resulted in a capital allocation of £4.1m for 2022/23.

Over the course of 2022/23, the focus of the funding regime has shifted from responding to the immediate challenges caused by COVID-19 to rising to the ongoing challenges of restoring services, meeting the new care demands and reducing the care backlogs.

This has facilitated the need for collaborative working between commissioners and providers, as local systems were expected to work together to deliver a balanced position in 2022/23. The Trust contributed positively to this by delivering to its own financial plan for 2022/23. The planning guidance for 2023/24 highlights the immediate priority being to recover core services and productivity. Whilst recovering, also making progress in delivering the key ambitions in the NHS Long Term Plan and continuing to transform the NHS for the future. This will necessitate further collaboration through the planning process, as individual organisations work together to achieve system-level outcomes. The Trust has worked with the ICB and system partners to put in place a financial plan for 2023/24 which aims to achieve this for West Yorkshire.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

Budget monitoring and control

At the start of the financial year revenue and capital expenditure budgets are prepared for approval by the Board. Financial pressures are collated throughout the year and form part of the budget planning process for the following year. Rolled forward budgets are prepared following review of current outturn, known workforce changes and identified cost pressures. Funding or cost pressures the Trust believes are demand or policy led are taken forward in contract negotiations with commissioners. Where commissioners are unwilling or unable to fund the financial consequences of demand or policy requirements the Trust makes a spending judgement alongside its own internal financial pressures. Financial pressures arising from the Trust's own planning are collated, assessed by the Senior Management Team which makes a recommendation to the Board based on fit with the trust's priorities, an assessment of service benefit, the value for money and the affordability of each proposal. Approved cost pressures are funded in budgets the following year and form part of the costs in the NHS England (NHSE) plan. A single triangulated plan is submitted to NHSE for scrutiny and feedback. The financial plan is taken to the Business Committee and approved by the Trust Board.

Clear responsibilities are outlined for budget holders and the Trust's Standing Orders and Standing Financial Instructions include specific provisions for the preparation and approval of the financial plan and budget.

The Trust's Standing Orders and Standing Financial Instructions appropriately cover preparation and approval of plans and budgets, budgetary delegation, budgetary control and reporting and capital expenditure. We also found Senior Finance Managers provide dedicated support to budget holders to ensure effective financial management at business unit level, which feeds into monitoring of the overall Trust financial position.

Financial Planning and Monitoring

Following confirmation that the financial regime in place for 2022/23 would revert to contracting arrangements the Trust Board approved a financial plan for 2022/23 to deliver a surplus of £1m. The submitted plan included Cost Improvement Programme (CIP) savings of £3m (1.5% of expenditure).

The planning process required the submission of several iterations of the financial plan to get to an agreed position, with the final version being submitted to NHSE in June 2022. We reviewed the submitted financial plan and also the August 2022 Board paper recommending approval of the plan by the Trust Board. Expenditure within the financial plans was underpinned by assumptions around pay, cost pressures, inflation and service development areas. Where the Trust had contracts outside of the NHS these continued to be negotiated with the commissioning body to reflect current year demand/changes.

In 2022/23 the Trust delivered a surplus of £1m and met all its financial targets, something it has continued to do since its inception in 2010/11. During the year the Trust reported its financial position to the Business

Committee and then subsequently to the Board. We reviewed a sample of reports presented for 2022/23, which contain evidence of a clear summary of the Trust's performance, detail any variances and provide adequate explanation of the causes. The reports also provide an updated forecast to the end of the financial year.

During 2022/23 the Trust undertook the Healthcare Financial Management Association (HFMA) financial sustainability self-assessment and internal audit conducted the NHSE specified review. The process identified areas of good practice and prioritised areas for improvement. An action plan has been developed to implement improvements where needed. The results of the process and the resultant action plan have been shared with both the Audit Committee and Business Committee and both committees are to monitor implementation progress going forwards.

Cost Improvement Programme

The Trust has developed a Cost Improvement Programme (CIP) which, where necessary aims to bridge funding gaps through efficiency savings programmes. Senior Management Team and the Business Committee identify potential efficiency savings programmes and make recommendations to Trust Board who approve the final CIP.

Nationally the efficiency target set for 2022/23 was 1.1%. The Trust identified the planned CIP savings, through schemes equal to the £3m, however recognising the severe pressure that many services continued to face during 2022/23 the Trust did not apply a general CIP across the Trust or across business units. The 2022/23 CIP sought to protect front line clinical delivery wherever possible.

The £3m was delivered as planned with the largest savings identified through estates, travel, vacancies and non-pay inflation. Of the £3m delivered £2.7m is a recurrent saving .

Cost Improvement Programme performance is reported to the Business Committee and Trust Board within the Performance Brief. We reviewed examples of these reports and confirmed they contain a high-level Trust wide summary of performance against plan.

Financial Planning 2023/24

NHS England issued two-year revenue allocations for 2023/24 and 2024/25. At a national level, total ICB allocations (including COVID-19 and Elective Recovery Funding (ERF)) were flat in real terms with additional funding available to expand capacity. The contract default between ICBs and providers for most planned elective care is to pay unit prices for activity delivered.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

For 2023/24 Integrated Care Boards and NHS primary and secondary care providers are expected to work together to plan and deliver a balanced net system financial position in collaboration with other Integrated Care System partners. System plans should be triangulated across activity, workforce and finance, and were required to be signed off by the ICB and partner trust and foundation trust boards before the end of March 2023.

We reviewed the financial plan for 2023/24 which was submitted to NHSE in March 2023. We also reviewed the March 2023 Board paper recommending approval of the plan by the Trust Board.

NHSE has allocated revenue allocations to Integrated Care Boards (ICBs) based on system funding envelopes for 2023/24. The financial plan submitted in April 2023 showed a breakeven I&E position and included CIP savings of 4% of expenditure or £8.3m. The Trust has identified CIP schemes equal to the £8.3m, with £5m resulting from non-recurrent efficiencies.

The Trust have set a capital plan of £17m. £2.8m of which relates to specific capital schemes including the refurbishment and set up of the new Trust headquarters, routine maintenance, IT cybersecurity, networking and infrastructure upgrade, as well as on the ongoing replacement of IT hardware and clinical equipment. £13m relates to lease liabilities which under new accounting standards (IFRS 16) are now capitalised. The remaining £1.2m relates to the digitisation of frontline services, with funding still to be approved for this scheme.

NHSE required that all 2023/24 plans be resubmitted by 4 May 2023, The Trust's resubmitted plan continues to show a planned break-even position, however it reflects additional income of £300k for inflationary pressures. The plan shows that the CIP target has remained at £8.3m and the capital plan remained unchanged.

The Business Committee and Trust Board received a report in March 2023 setting out the approach taken to producing the financial plan and requesting approval of an expenditure budget totalling £203.8m. Review of the report and minutes highlight that the Committee and Board were informed of the key financial challenges presented within the budget. The report made it clear to the Committee and Board that plan is not without financial risk, however actions to mitigate the risks have been identified and the Executive Director of Finance confirmed that whilst mindful of the risks the Trust can deliver the financial targets set out within the plan. As stated above the Trust has a good track record of delivering its financial targets. The expectation is that if needed the mitigations outlined within the report e.g. reduction in non-pay spend, negotiations with the Local Authority and identification of further efficiencies, along with vacancy management will enable the Trust to deliver the plan.

Review of the month 3 monitoring reported to the Business Committee shows a year-to-date deficit of £0.5m, against a breakeven plan for 2023/24. The forecast year end position remains break-even, with identified overspends being offset by underspending in other areas. At month 3 the Trust reported CIP delivery of £2.1m against the £8.3m plan. It is clear the Trust is closely monitoring the progress against plan to date, is aware of where the risks and uncertainties lie and the financial pressures that exist beyond the current financial plan period.

Conclusion

Given the above, we are satisfied there is not a significant weakness in the Trust's arrangements in relation to the financial sustainability reporting criteria.

3. VFM arrangements

Governance

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



3. VFM arrangements – Governance

Overall commentary on Governance reporting criteria

Governance Structure

We have reviewed the Trust's Board and committee reports during the year as well as key documents in relation to how the Trust ensures that it makes informed decisions and properly manages its risks. Through this review we note that the Trust's governance arrangements are consistent with prior years. As a result, our commentary on those arrangements is also consistent with our commentary as reported through our AAR for 2021/22. The Trust Board is accountable for the Trust's strategies, policies and performance as set out in the Codes of Conduct and Accountability issued by the Secretary of State. The key role of the Board is to consider the key strategic and managerial issues facing the Trust in carrying out its statutory and other functions.

Our review of the Trust's governance framework confirms appropriate arrangements are in place. The Trust has established committees with responsibility for specific areas, such as finance and performance, and the quality of care, including:

- Audit Committee.
- Nominations and Remuneration Committee.
- Charitable Funds Committee.
- Business Committee.
- Quality Committee.

The terms of reference and work plans of these various committees ensures that the Board is provided with adequate assurance. 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.

The Trust has arrangements in place to review the performance and effectiveness of the governance framework in place. The Audit Committee terms of reference set out that the committee will be the custodian of the Board and sub-committee annual effectiveness process. The Audit Committee completes an annual report on its own effectiveness and submits this to the Board. Review of the Trust Board papers for the May 2023 meeting show that the Audit Committee Annual Report for 2022/23 was submitted to Board, as well as the committee Terms of Reference Review. The latter concluded that the committee structure was operating effectively and recommended some minor changes to firstly improve the relationship between the Audit Committee and Quality and Business Committee's and also strengthen feedback from internal audits that have received limited assurance.

The Board requires Board members to declare on appointment and thereafter on an annual basis that they remain a fit and proper person to be employed as a Board member. Independent checks are also undertaken on an annual basis for all Board members to ensure they remain fit and proper for the role. The committee chairs meet bi-annually to review their combined performance and to ensure that they collectively serve the Board.

We reviewed the minutes of the most recent committee chairs review which covered the committee's structure and functions. The review included a summary of agreed actions which included reviewing the outcome of the internal audit Board Assurance Framework (BAF) review and reviewing the Board and Committee effectiveness survey form to ensure it was capturing appropriate information.

Our review of Board and committee papers confirms that a template covering report is used for all Board Reports, ensuring the purpose, key points, committee reporting history, recommendations and responsible director are clear. Minutes are published and reviewed by the Board to evidence the matters discussed, appropriate challenge and decisions made.

Audit Committee

The Trust has an established Audit Committee that is responsible for reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control across the organisation's activities that supports the achievement of the organisation's objectives.

It achieves this by reviewing the adequacy and effectiveness of:

- the Trust's general risk management structures, processes and responsibilities, together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board;
- the underlying assurance processes that indicate the degree of achievement of corporate objectives and the effectiveness of the management of strategic risks;
- the policies for ensuring compliance with the relevant regulatory, legal and code of conduct requirements and related reporting and self-certification; and
- the policies and procedures for all work related to fraud and corruption as required by the NHS Counter Fraud Authority

The Audit Committee is also responsible for:

- the provision and maintenance of an effective system of financial risk identification and associated controls, reporting and governance;
- reviewing the Board Assurance Framework's sources of assurance for appropriateness, independence, and frequency. Evaluating whether these can effectively evidence that the controls are working and that the assurance process is being effectively applied; and

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

- ensuring that appropriate governance is in place to ensure that the Trust can comply with its statutory duties relating to information governance.

Our review found the Audit Committee considers the Board Assurance Framework, Annual Report, Annual Governance Statement and progress of internal audit, counter fraud and external audit plans. It also regularly receives updates on losses and special payments, waivers of standing orders and reviews on behalf of the Board, the operation of and proposed changes to the standing orders, standing financial instructions and scheme of delegation.

We have reviewed supporting documents and confirmed the Audit Committee has agreed terms of reference, meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. Our attendance at Audit Committee has confirmed there is an appropriate level of effective challenge.

Board Assurance Framework

The Trust has a well-established Board Assurance Framework (BAF) and risk management system in place which is embedded into the governance structure of the organisation. An Internal Audit review of the BAF undertaken during 2022/23 gave a significant assurance rating, with recommendations to further strengthen the BAF being accepted by management with timescales for implementation agreed. The Trust has a risk management policy and procedure in place, setting out its aims and objectives, the requirement for an integrated and consistent approach to risk management and the key roles and responsibilities for risk management. The Trust Board is responsible for the establishment and maintenance of an effective system of integrated governance, risk management and internal control, responsibilities which it delegates to the Audit Committee through the Trust Scheme of Delegation.

All risks, including financial are recorded and monitored through the Trust's risk management software programme, Datix. The risk register includes a description of the risk, any controls currently in place, actions to be completed, and the initial, current and target risk scores. All risks are assigned a risk owner. Extracts from the Datix system are regularly scrutinised by senior managers. The Quality Committee scrutinise management of risks with a risk score of 8 or above and with a specific focus on clinical risks. The Business Committee scrutinise non-clinical risks with a risk score of 8 or above and where relevant, propose further risk reduction treatment. Both Committees provide evidence of effective risk management and assurance to the Board. Risks assigned a score of 15 or above (extreme) after the application of controls and mitigating measures are reported to the Board. A description of any movement of risks scoring 12 (high risks) since the last report was received is also provided.

Review of reports to the Business Committee and Quality Committee show clear reporting of risks, including details of the risk, rationale for the risk score, controls in place and actions taken (including a current update).

Risks are assigned a target risk score and an expected date to reach target is set. Reports also include escalated, de-escalated, new and closed risks. Minutes of the Quality Committee and Business Committee are presented to Trust Board to allow for scrutiny and challenge by the Trust leadership.

We have reviewed minutes of the Business Committee and Quality Committee and are content that the above arrangements have been in place throughout 2022/23.

Internal Audit and Counter Fraud

In order to provide assurance over the effective operation of internal controls, including arrangements to protect and detect fraud, The Trust has appointed Audit Yorkshire as internal auditors and local counter fraud specialists (LCFS) from 1 April 2022. Work plans are agreed with management at the start of the financial year and reviewed by the Audit Committee prior to approval.

We have reviewed the Internal Audit Plans for 2022/23 and 2023/24 and confirmed planned work is informed by a risk assessment and is focused on the key audit risks and to ensure a robust Head of Internal Audit Opinion can be provided. For 2022/23 onwards an outline strategic plan for 2022/23 to 2024/25 has been developed, which incorporates the annual operational plan for 2022/23. This was approved by the Audit Committee in March 2022. Progress reports are presented to each Audit Committee meeting. A report is also presented following up the implementation of agreed audit recommendations. This allows the Committee to effectively hold management to account on behalf of the Board. Members of the committee engage in robust challenge of management when discussing findings from internal audit reviews.

The Head of Internal Audit Opinion (HoIA) is reflected in the published Annual Governance Statement. The HoIA overall opinion for the 2022/23 reporting period provided significant assurance, that there is a good system of internal control at the Trust designed to meet the organisation's objectives, and that controls are generally being applied consistently. An Annual Counter Fraud Report is shared with the Audit Committee on an annual basis and allows them to consider the work completed by the Trust's LCFSs. The 2022/23 report was considered at the July 2023 Audit Committee.

Performance Management

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

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

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

The Performance Brief is structured in line with the CQC domains of safe, caring, effective, responsive and well led, with the addition of finance. Performance in each area is summarised in an assurance summary dashboard, which shows performance against target and over time. Performance is rated using a traffic light system and prior year data is included for comparative purposes. Key themes and actions taken are summarised in the narrative commentary supporting each of the key areas. Cross-membership to ensure all committees have members who are on more than one committee, ensures information can be triangulated with more in-depth reporting to committees.

The Business Committee oversees and gains assurance on all aspects of financial management and operational performance, including data quality, finance and performance reporting, cost improvement plans, non-clinical risks, review of operational plan and budget, tender evaluation, oversight of workforce, estates and statutory health and safety obligations and treasury management. The Committee also monitors the strategic risks assigned to it as part of the Board Assurance Framework. Our review confirms, overall, that the Trust's reports are clearly laid out and sufficiently detailed to monitor performance and corrective action is taken where required.

Conduct

We have reviewed key policies and procedures in place to maintain compliance with legislative/regulatory requirements and standards in behaviour, including conflicts of interest. These policies and procedures are subject to regular review by the Trust.

The Trust has a Conflicts of Interest Policy and all Board members are required to declare any interest on an annual basis. Before each Board/committee meeting, the Chair reviews the papers and considers any potential conflicts of interest. At each meeting there is a standing item on the agenda for members and attendees to declare any additional interests. A gifts and hospitality register is maintained by the Company Secretary.

We reviewed the declarations of interest during the financial statements audit. We have confirmed that all executive and non-executive declared interests and gifts and hospitality are reported within the 2022/23 Annual Report and are published on the Trust's website.

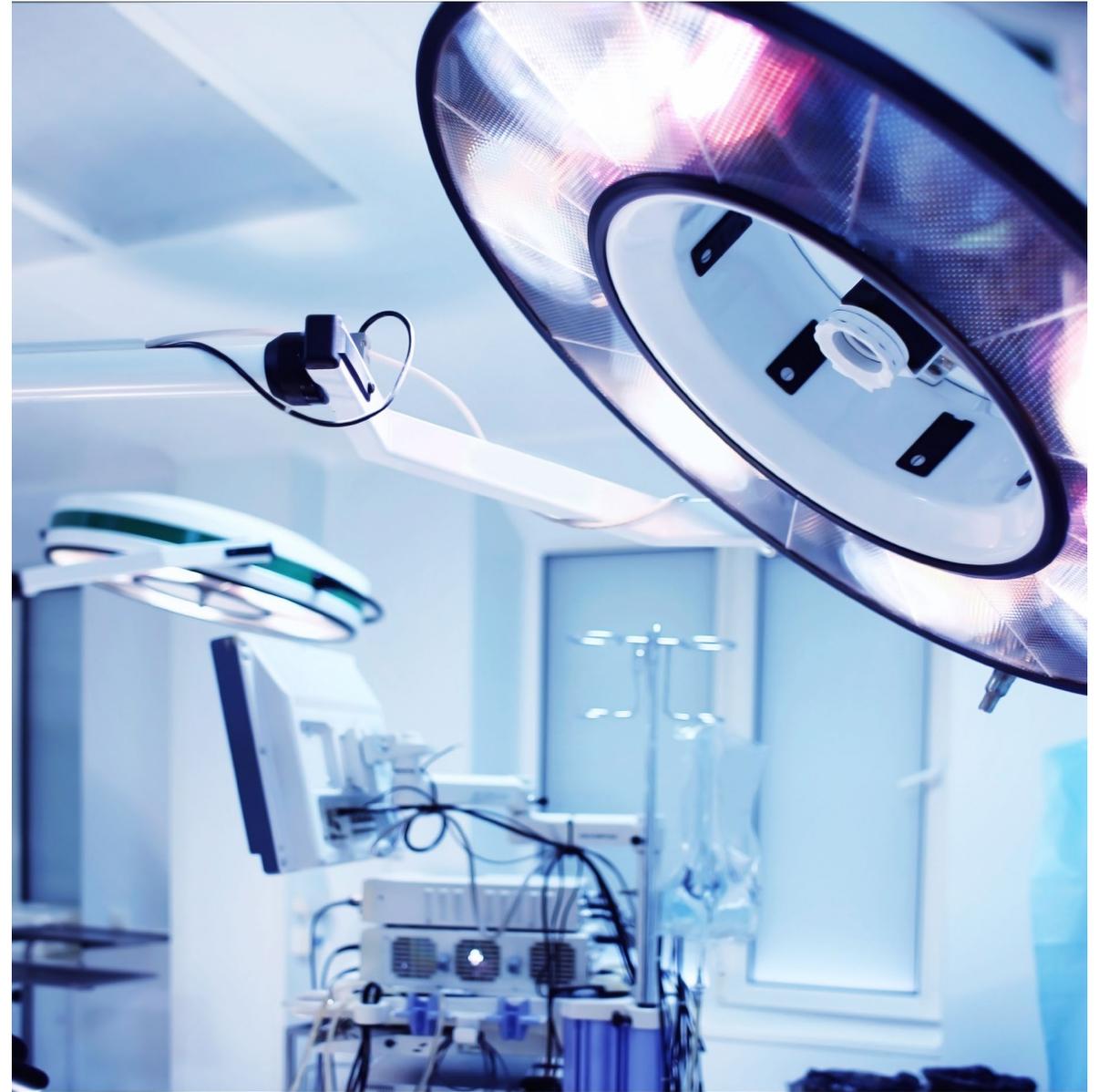
Conclusion

Given the above, we are satisfied there is not a significant weakness in the Trust's arrangements in relation to the governance reporting criteria.

3. VFM arrangements

Improving Economy, Efficiency and Effectiveness

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



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness reporting criteria

Performance Management

The Trust is a member of the NHS Benchmarking Club and participates in most benchmarking exercises, focusing on those services that it believes will benefit most from comparative cost and performance information.

During 2022/23 the Trust identified a potential staff issue arising from work pressure in an area of the Trust's operations. This was a result of high workload during the Covid 19 pandemic and as services recovered. A detailed piece of work was undertaken to correlate a range of performance measures with staff survey results and vacancies. The analysis led to a more rounded understanding of the reasons for the issue identified and has therefore allowed the Trust to target improvement interventions to the specific causes.

The Trust has used Staff Survey results from 2021 to take actions focused on improving staff health and wellbeing. The Trust recognised the scope for improvement compared to peers. In 2021 60% of staff would recommend the Trust as a place to work compared to a sector wide 64%. The Trust also recognised the benefits that staff would receive and the positive impact this would have on staff retention in a currently challenging labour market. Results in 2022 show some improvement, in particular a 4.6% improvement in staff recommending the Trust as a place to work to 64.6% compared to a sector wide 65.7%.

The Trust uses a range of internal and external data to monitor performance and deliver improvements, an example of this is the commissioning of NTH Solutions to undertake a review of the soft facilities management. The review highlighted some immediate issues that needed to be addressed. Initially, as a result, an experienced Interim Facilities Manager was recruited to oversee immediate enhancements and drive the improvement plan. Subsequently this has led to investment in a new Facilities and Safety Department for 2023/24.

The Trust triangulates financial and performance information in key services. The Trust Board receive regular Performance Briefs covering performance against the CQC domains and finance. 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.

The Trust has established and embedded a new way of delivering improvement projects during recent years. The Business Change and Development Service (BCDS) brings together project and business managers to project manage service transformation. The improvement projects focussed on during 2022/23 were agreed to address the Trust priorities as agreed by the Board for the year. An improvement project plan is in place in which projects are prioritised, allocated a timeframe for completion and project lead. Project progress is tracked and quarterly updates are reported to the Business Committee.

We reviewed the Project Initiation Document (PID) for the Neighbourhood Model transformation project, along with project progress reporting to the Transformation Progress Board in 2021/22. The PID clearly sets out the

aim, scope and time, cost and quality parameters for the project. The document sets out the Governance arrangements, role of the Transformation Board, the project team and individual projects that make up the overall transformation project. Objectives and success measures are also set out along with risks to delivery and identified mitigating actions. The programme reported progress at the individual project level, along with slippage and planned next steps. Where appropriate high-level reporting also highlights any new risks, issues, escalations, project interdependencies or parameter changes. During 2022/23 a transformation closure report was taken to the Business Committee, this set out how the project had delivered against each of the identified objectives, as well as identifying those objectives that remained outstanding. Outstanding objectives have been assigned an owner, timescales for delivery and the resources/expertise required to deliver them. Remaining risks and issues have been identified along with mitigating actions. The report reviewed lessons learned including what went well, what could have gone better and recommendations/learning points for future projects. This demonstrates that the Trust reflect on whether projects have addressed the objectives set out at the start and reflect on both the successes and learning points from projects to continuously improve the project management process and ability to deliver intended outcomes.

The Trust has developed its own performance information portal (PIP) to provide managers with information in relation to mandated performance measures and service specific indicators. The system brings together performance data from a range of sources into overall Trust wide reports that can be drilled down to business unit/service level. Review of example PIP information at the neighbourhood team level shows a wide range of metrics are collated monthly, these are consolidated into an overall heatmap showing areas of strong, moderate and weak performance at a glance. Output and dashboards from PIP feed into reports to committees and Trust Board and are used at business unit level performance panels to hold operational managers to account.

Partnership Working

The Trust has "being a good partner" as one of the four statements about how it will achieve its vision. The strategic risks to delivery of that goal are identified in the Board Assurance Framework and as such they are monitored by the Business Committee and or Board. The Trust has introduced an internally developed Partnership Governance Framework to ensure all aspects of working in partnership are considered in advance of entering into a partnership and the Trust has formal partnership boards where it is providing commissioned services as a lead provider.

A recent example where the Trust has worked in partnership to deliver improved health outcomes is the Leeds Covid Vaccination Programme. The Trust's Director of Operations is the Senior Responsible Officer (SRO) for the programme, co-ordinating the service delivery across a range of health, social care, GP and pharmacy organisations. A Vaccine Programme Board was put in place which included representatives from the Leeds

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

NHS Trusts, CCG, NHSE Leeds City Council and GP Confederation and a 'live' plan was implemented to co-ordinate delivery of the programme, monitor outcomes and identify areas requiring additional action. Review of example Programme Board minutes show updates on previous actions, discussion around national and regional updates, review of the 'live' plan, workstream updates and updates on cross cutting issues e.g. finance, IT etc, with actions taken forward to future meetings.

An example of partnership working that took place in 2022/23 is the transfer of two rehabilitation wards at Wharfedale Hospital to the Trust. This project took place within tight timescales, with the aim of effectively transferring the rehabilitation service and discharge to assess function at Wharfedale Hospital to LCH by 23rd November 2022, and ensuring a stable service over winter 22/23. The project required the Trust to work with a variety of partners including Leeds Teaching Hospitals NHS Trust, the ICB, CQC and the existing service provider to successfully transfer the wards.

The revised finance regime means that financial performance is now measured at an ICS level and the organisations of the West Yorkshire ICS have collective performance targets. This shared responsibility is discharged through timely and transparent sharing of data, regular Director of Finance Forum meetings and joint meetings to develop a consensus on approach and risk mitigation across the ICS. This is an example of how the Leeds organisations are working together at an ICS level.

Other examples of partnership working include the Trust being part of the West Yorkshire and Harrogate Health Care Partnership to design and deliver region-wide services such as cancer care. Being a founding partner of the Leeds Academic Health Partnership, comprising all of the city's NHS organisations, three universities and Leeds City Council, as well as regional and third sector members. The partnership works to solve some of the city's hardest health and care challenges, by uniting academic strengths with those of the health and care system and industry partners to accelerate the adoption of innovation. Also, forging a formal partnership with Leeds City Council through an Alliance Board designed to develop new integrated systems of working between the Trust, the Council and the social care providers it commissions.

Procurement

The Trust's processes for procurement of goods and services are governed by standing orders, standing financial instructions, the scheme of delegation and relevant policies and procedures. A six-monthly report on procurement is presented to the Business Committee. The Trust is a member of the North of England

Commercial Procurement Collaboration (NoECPC) using it for expert advice and procurement frameworks, as well as having a service level agreement in place for transactional procurement services and advice from Leeds and York Partnership NHS Foundation Trust.

Our attendance at the Audit Committee confirms it receives regular reports on any breaches of Standing Orders/Standing Financial Instructions and Single Tender Waivers to assure the Board that the Trust is working in accordance with relevant legislation, professional standards and internal policies. Sufficient information is provided to enable an adequate level of review and we have observed an appropriate level of challenge from Committee members through the year.

Conclusion

Given the above, we are satisfied there is not a significant weakness in the Trust's arrangements in relation to the economy, efficiency and effectiveness reporting criteria.

04

Section 04:

**Other reporting responsibilities and
our fees**

4. 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 2022/23.

Section 30 referrals

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 not issued a Section 30 referral to the Secretary of State.

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. 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 in April 2023. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2022/23 fees	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice	£56,525	£56,525
Additional fees in respect of ISA 315 (Revised)	£2,800	£0
Additional fees in respect of IFRS 16 implementation	£4,200	£0
Total fees	£63,525	£56,525

Fees for other work

We confirm that we have not undertaken any non-audit services for the Trust in the year.



Appendix

A. Further information on our audit of the financial statements

Significant risks and audit findings

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

Risk	Our audit response and findings
<p>Significant Risk 1 Management Override of Controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> 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. <p>Conclusion</p> <p>There are no matters to report in respect of management override of controls.</p>
<p>Significant Risk 2 Risk of Fraud in Revenue and Expenditure Recognition</p> <p>The risk of fraud in revenue and expenditure recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue and expenditure recognition as well as the potential to record fictitious revenues/expenditure or fail to record actual revenues/expenditure.</p> <p>For the Trust we deem the risk to relate specifically to:</p> <ul style="list-style-type: none"> Revenue cut-off –recognition of non-block income around the year end; Expenditure cut off –recognition of year end accruals. 	<p>How we addressed this risk</p> <p>We evaluated the design and implementation of the controls the Trust has in place which mitigate the risk of income and expenditure being recognised in the wrong year. In addition, we undertook range of substantive procedures including:</p> <ul style="list-style-type: none"> testing of material non-block income items to ensure they relate to 2022/23; testing receipts and expenditure in the pre and post year end period to ensure they have been recognised in the right year; testing year end accruals to evaluate the data on which they are based and ensure that the estimated accrual is reasonable; reviewing intra-NHS reconciliations and data matches provided by the Department of Health. <p>Conclusion</p> <p>There are no significant matters to report in respect of the risk of fraud in revenue and expenditure recognition. We made one internal control recommendation in relation to reviewing year end payments to ensure all prepayments have been identified, see Appendix B for further detail.</p>

A. Further information on our audit of the financial statements

Significant risks and audit findings

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

Risk	Our audit response and findings
<p>Significant Risk 3 Valuation of Property, Plant and Equipment</p> <p>Management engages the District Valuer as an expert to assist in determining the fair value of land and buildings to be included in the financial statements. Changes in the value of land and buildings, including the use of modern equivalent valuation, may impact on the Statement of Comprehensive Income depending on the circumstances and the specific accounting requirements of the Group Accounting Manual.</p>	<p>How we addressed this risk</p> <p>We undertook a range of substantive procedures including:</p> <ul style="list-style-type: none"> • liaising with management to update our understanding of the approach taken by the Trust in obtaining valuations; • assessing the scope and terms of engagement of management's valuation expert and the competence, skills and objectivity thereof; • reviewing the work of management's valuation expert and how this has been incorporated into the financial statements; • reviewing the valuation methodology used, including the appropriateness of the modern equivalent asset valuation basis and testing the underlying data and assumptions; • considering the reasonableness of the valuation by comparing the valuation output with market intelligence and challenging the Trust and the valuer. <p>Conclusion</p> <p>There are no significant matters to report in respect of the valuation of property, plant and equipment. We made one internal control recommendation in relation to the accuracy of floor area data on which the valuations are based, see Appendix B for further detail.</p>

A. Further information on our audit of the financial statements

Key areas of management judgement and audit findings

As part of our audit, we identified key areas of management judgement. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Key Area of Management Judgement 1 – Implementation of IFRS 16</p> <p>IFRS 16 has been applicable from 1 April 2022 and is designed to report information that better shows lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.</p> <p>The Trust is required to identify a number of lease arrangements in line with this new standard for the first time in the 2022/23 accounts. The Trust holds significant lease balances which may be subject to re-classification under the new standard.</p> <p>In addition to identifying and correctly classifying the leases the Trust will have to account for a right of use asset that will need to be revalued.</p>	<p>How we addressed this risk</p> <p>We reviewed the work that the Trust has carried out for the implementation of IFRS 16 on 1 April 2022.</p> <p>We substantively tested lease balances and sought evidence to support that they have been correctly classified and accurately measured under the new standard.</p> <p>We:</p> <ul style="list-style-type: none"> • obtained an understanding of the approach taken by the Trust in valuing the right of use asset; • sample tested the recognition of the lease liability and valuation of the right of use assets; • agreed the valuations to underlying data and reviewed the underlying valuation assumptions. <p>Conclusion</p> <p>There are no matters to report in respect of IFRS 16 implementation.</p>

A. Further information on our audit of the financial statements

Summary of uncorrected misstatements

There were no unadjusted misstatements identified through the course of our audit.

Internal control observations

We made 3 internal control recommendations in relation to the following areas:

- Existence of non-current assets;
- Year-end review of payments to identify any prepayments; and
- Valuation of land and buildings

In all cases management have accepted the recommendations made and agreed actions to address them.

Follow-up on previous years recommendations

There were no internal control recommendations made in the prior year that required follow-up

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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