



Imperial College Healthcare NHS Trust

Auditor's Annual Report 2023/24

28 June 2024

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Key Messages

Audit opinion on the financial statements

We issued an unmodified opinion on the Trust's financial statements on 28 June 2024.

The Trust's arrangements to secure Value for Money

Significant weaknesses in the Trust's arrangements

No significant weaknesses in the Trust's arrangements have been identified.

Commentary on the Trust's arrangements

Financial Sustainability

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

The Trust's plan for 2024/25 is to breakeven on a control total basis (this adjusts the surplus/deficit for the impact of donations, donated assets and impairments). This plan is dependent upon achieving an efficiency target of £63.4m for 2024/25. As of June 2024, £56.9m of efficiencies had been identified (£40.1m fully developed and £16.8m identified and in progress). The gap between planned efficiencies and identified efficiencies is £6.5m. In 2022/23 we identified a significant weakness in the Trust's arrangements to identify achievable savings and therefore identified a risk of significant weakness in this area for the current year. We have concluded that we no longer identify a significant weakness in this area due to enhancements made by the Trust to the arrangements to identify, track and achieve efficiencies.

We note that there whilst arrangements have improved, management continue to identify a high level of risk in respect to the delivery of planned efficiencies as part of its risk assessment.

Key Messages

The Trust's arrangements to secure Value for Money (continued)

Governance

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

The “Well Led” element of the last Care Quality Commission (CQC) report published in July 2019 rated the Trust as Good.

All internal audits performed during the year received “significant assurance with minor improvement opportunities”. The Accountable Officer concluded from his annual review of the effectiveness of internal control at the Trust that no significant internal control issues have been identified.

The age of the estate continues to be a risk for the Trust in the year and causes operational issues, as well as increasing operating costs. There are capital funding constraints within the NHS due to national limits set, therefore the Trust's ability to respond to the issues caused by the aged estate is constrained by these national limits, and this also impacts the ability to invest in other areas. The Trust has arrangements in place to identify priority areas for expenditure and there has been no evidence of significant operational disruption in the year.

In the year, the Trust has continued to focus on data quality, in particular in relation to patient waiting lists, as there has been a deterioration in data quality in recent years. The Trust has identified this issue and put in place arrangements to investigate and mitigate these issues, therefore we have concluded that this is not a risk of significant weakness in arrangements.

We concluded there was no significant weaknesses in the Trust's arrangements in this area.

Improving economy, efficiency and effectiveness

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

The Trust's Head of Internal Audit opinion for the year was ‘Significant assurance with minor improvements’ on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Trust's most recent CQC inspection was published in July 2019. The Trust was rated Requires Improvement overall. During the year the CQC inspected Queen Charlotte's and Chelsea Hospital and St Mary's Hospital as part of the national maternity inspection programme. The overall rating for maternity services in both hospitals remained as Outstanding.

The Trust plays an active part in the local Integrated Care System (ICS) and works collaboratively with the ICS and is part of the North West London Acute Provider Collaborative.

We concluded there was no significant weakness in the Trust's arrangements.

Purpose of this report

Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at Imperial College Healthcare NHS Trust ("the Trust") for the year ended 31 March 2024.

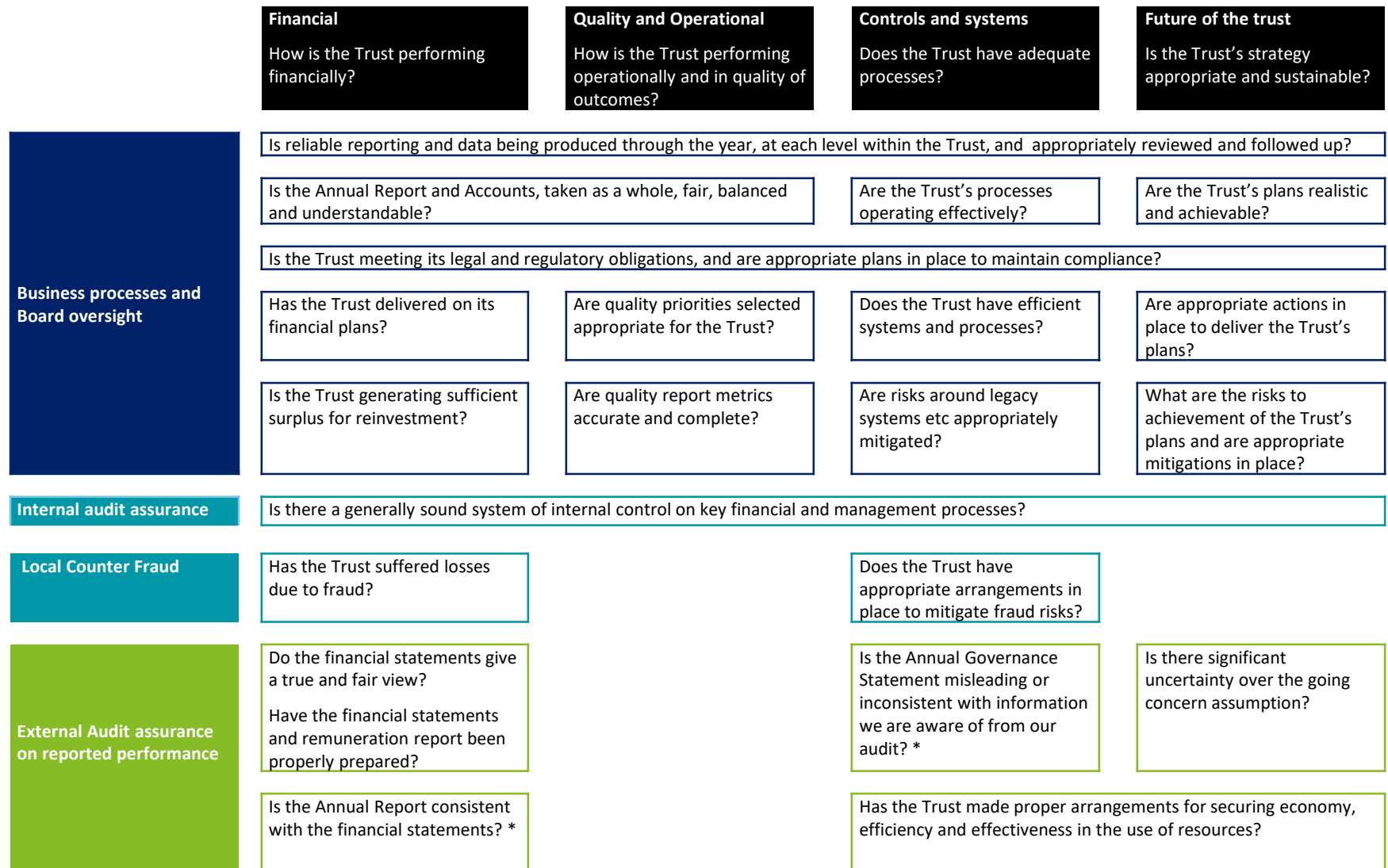
This report is intended to bring together the results of our work over the year at the Trust, including commentary on the Trust's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). This report fulfils the requirements of the Accounts and Audit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

In preparing this report, we have followed the National Audit Office's ("NAO") 2020 Code of Audit Practice and its Auditor Guidance Note ("AGN") 03 Value for Money, and AGN 07 Auditor Reporting. These are available from the NAO website. The planned 2024 Code of Audit Practice will apply from 2024/25 onwards once issued by the NAO.

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

Assurance sources for the Trust

The diagram below illustrates how and where the Trust seeks and receives assurance, and how the external audit fits into that assurance picture.



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

Opinion on the financial statements

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

- Give a true and fair view of the financial position of the Trust at 31 March 2024 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting requirements of the Department of Health and Social Care Group Accounting Manual, as directed by the Secretary of State

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

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

Audit opinion on the financial statements:

We issued an unqualified opinion on the Trust’s financial statements on 28 June 2024.

Remuneration and Staff Report:

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

Annual Governance Statement:

We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by NHS England.

Annual Report:

We reported that the information given in the Performance Report and Accountability Report for the year ended 31 March 2024 is consistent with the financial statements.

Reports in the public interest and reports to the Secretary of State and NHS England:

We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2024.

Reporting to the group auditor:

In line with the group audit instructions issued by the NAO, we reported on 28 June 2024 that the Trust’s consolidation schedules that feed into the Consolidated NHS Provider Account and Department of Health and Social Care’s group accounts were consistent with the audited financial statements.

Audit Certificate

We certified completion of the audit on 28 June 2024, following completion of our responsibilities in respect of the audit for the year ended 31 March 2024.

Our financial statement audit approach

An overview of the scope of the audit

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

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit partner, Jonathan Gooding. The audit team included integrated Deloitte specialists bringing specific skills and experience in property valuations and Information Technology systems.

Materiality

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

Based on our professional judgement, we determined materiality for the Trust to be £21.0m, on the basis of 1.25% of expenditure, which is 2.1% of gross assets and 3.4% of taxpayers' equity.

We agreed with the Audit, Risk and Governance Committee that we would report to the Committee all audit differences in excess of £300,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit, Risk and Governance Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Procedures for auditing the Trust's financial statements

Our audit of the Trust's financial statements included:

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

Data analytic techniques were used as part of audit testing, in particular to support profiling of populations to identify items of audit interest and in journal testing, using our Spotlight data analytics platform.

Our financial statement audit approach (continued)

Approach to audit risks

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

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

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

Financial statement audit significant risks

Property valuations

Risk identified The Trust held £495.9m of land and building assets within Property, Plant and Equipment.

The Trust is required to hold property assets within Property, Plant and Equipment at valuation, which will usually be on a modern equivalent use basis. As detailed in our Audit Plan, valuations are by nature significant estimates which are based on specialist and management assumptions, and which can be subject to material changes in value. The Trust has had an independent valuation carried out for the purposes of the 31 March 2024 financial statements.

In performing our valuations testing we have pinpointed our significant risk to the key valuation assumptions and whether these are appropriate and appropriately applied.

Deloitte response We tested the design and implementation of key controls in place around property valuation.

We worked with internal valuation specialists to review and challenge the appropriateness of the key assumptions used in the valuation of the Trust's properties, including the potential impact of Covid-19 and climate change.

Key observations We concluded that the design and implementation of the control in place around property valuations was effective.

We concluded that the Trust's valuer's work was satisfactory, the valuation approach taken by the trust are appropriate, and that the key valuation assumptions were reasonable and consistent with prior years.

Financial statement audit significant risks (continued)

Accounting for capital expenditure

Risk identified The Trust has an extensive capital programme with expenditure for the year of £89.9m, compared to £131.4m for 2023/24. Accounting for capital expenditure can involve significant judgement. Whether expenditure is capitalised, and the period it is recognised in, can significantly impact against the budgetary control totals the Trust is assessed against by NHS England. This has been identified as a significant risk due to fraud as there may be an incentive for the Trust to capitalise expenditure which does not meet the conditions for capitalisation to facilitate meeting its control total for the year.

Deloitte response We tested the design and implementation of controls around the capitalisation of expenditure
We tested capitalised expenditure on a sample basis to confirm that it complies with the relevant accounting requirements.
We tested a sample of vesting certificates to assess whether they were appropriately accounted for, and also considered from a Value for Money perspective whether their use was in accordance with the requirements of Managing Public Money (which requires bodies not to make payments in advance of need or solely for the purposes of managing performance against spending controls).

Key observations We identified a weakness in relation to controls over capital expenditure and made recommendations to the Trust to improve this control.
We identified 2 items of capitalised expenditure which had not been appropriately capitalised. These were immaterial both individually and in aggregate.
We made recommendations in relation to the Trust's use of vesting certificates and approval processes.

Financial statement audit significant risks (continued)

Existence of Plant and Machinery, Information Technology and Fixtures and Fittings

Risk identified	<p>The Trust holds significant assets in relation to Plant and Machinery, Information Technology and Fixtures and Fittings with a gross cost of £241.4m and a net book value of £107.6m.</p> <p>During the 2021/22 audit we identified that management had not performed an assessment of fixed asset disposals during the year or whether assets held at year end were still in use by the Trust. Whilst a process to identify disposals of land and buildings existed, for other elements of Property, Plant and Equipment (“PPE”), specifically Plant & Machinery, Information Technology and Fixtures & Fittings no control was identified. There is a risk that assets with a net book value which are no longer in use by the Trust have not been removed from the Trust’s asset register.</p> <p>The Trust has been performing a multi-year exercise to assess whether fixed assets are still held by the Trust. This exercise continued during the year, and it is now largely complete. As a result, in FY24 the Trust disposed of a further £52.2m of assets at gross cost (net book value: £0.7m) which were identified as no longer being in use.</p>
Deloitte response	<p>We tested the design and implementation of controls relating to the disposals process.</p> <p>We tested a sample of Plant and Machinery, Information Technology and Fixtures and Fittings with a positive net book value and have obtained evidence that these assets are still in use by the Trust as at 31 March 2024.</p>
Key observations	<p>We concluded that the design and implementation of the control in place around the existence and Machinery, Information Technology and Fixtures and Fittings was effective.</p> <p>We completed our work satisfactorily in relation to this risk.</p>

Financial statement audit significant risks (continued)

Management override of controls

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

Deloitte response

Manipulation of accounting estimates
We tested the design and implementation of controls in relation to accounting estimates.
We tested accounting estimates, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.
In testing each of the relevant accounting estimates, we considered their findings in the context of the identified fraud risk.
Where relevant, the recognition and valuation criteria used were compared to the specific requirements of IFRS.

Manipulation of journal entries
We tested the design and implementation of controls over journals.
We used data analytic techniques to select journals for testing with characteristics indicative of potential manipulation of reporting.
We traced the journals to supporting documentation, considered whether they had been appropriately approved, and evaluated the accounting rationale for the posting. We evaluated individually and in aggregate whether the journals tested were indicative of fraud or bias.

Accounting for significant or unusual transactions
We considered whether any transactions identified in the year required specific consideration and did not identify any requiring additional procedures to address this key audit matter.

Key observations We completed our work satisfactorily in relation to this risk.
We identified weaknesses in relation to controls over journal entries and estimates and made recommendations to the Trust to improve those controls.

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

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

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

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Under the National Audit Office's Auditor Guidance Note 3, we are required to assess arrangements under three areas:

Financial Sustainability	<i>How the body plans and manages its resources to ensure it can continue to deliver its services</i>
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Governance	<i>How the body ensures that it makes informed decisions and properly manages its risks</i>
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Improving economy, efficiency and effectiveness	<i>How the body uses information about its costs and performance to improve the way it manages and delivers its services</i>
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In this report, we set out the findings from the work we have undertaken. We have not identified any significant weakness in arrangements.

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

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



Meeting with management.



Review of Board and committee reports and attendance at Audit, Risk and Governance Committee meetings.



Reviewing reports from third parties including Care Quality Commission.



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



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

Auditor's work on VfM arrangements (continued)

Trust performance

The table on the right provides a summary of the Trust's performance across a range of measures and where appropriate additional commentary is provided on this on the following pages.

NHS Oversight Framework – The NHS England's NHS Oversight Framework provides the framework for overseeing providers and identifying potential support needs.

The framework looks at five themes:

- Quality of care, access and outcomes
- Preventing ill-health and reducing inequalities
- People
- Finance and use of resources
- Leadership and capability (well-led).

Based on information from these themes, providers are segmented from 1 to 4, where '4' reflects providers receiving the most support, and '1' reflects providers with maximum autonomy. The Trust continues to be categorised as 'Segment 2'.

	2023/24	2022/23	2021/22
Surplus / (Deficit)	(£16.2m)	(£32.2m)	£30.6m
Adjusted Surplus/(Deficit) as reported on the face of the SOCI	£0.03m	£0.2m	£0.1m
EBITDA margin	4.1%	4.1%	4.3%
CIP Actual/Target	£53.4m / £53.4m	£15.8m / £37m	£24.7m / £31.6m
NHS Oversight Framework Segmentation	2	2	2
Cash at year end	£136.7m	£179.2m	£237.5m
CQC report conclusions (overall Trust rating – most recent report 2019)	Requires Improvement	Requires Improvement	Requires Improvement
Capital Expenditure	£89.9m	£131.4m	£94.9m

Risk of significant weaknesses in VfM arrangements

Risk title	Risk of significant weaknesses in financial sustainability arrangements to identify achievable savings
Nature of the significant weakness identified	In our FY23 Annual Report we identified and reported a significant weakness in arrangements in respect of financial sustainability, specifically in how the Trust planned and managed its resources to ensure it could continue to deliver its services as per AGN03 VfM criteria: "how the body plans to bridge its funding gaps and identifies achievable savings."
Relevant VfM criteria per AGN03	<i>Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services.</i> <ul style="list-style-type: none">• <i>how the body plans to bridge its funding gaps and identifies achievable savings</i>
Prior year recommendation	On 30 June 2023, we recommended that the Trust builds on the measures already taken to accelerate its efforts to identify and realise specific opportunities from those areas of potential efficiency savings identified to deliver its plan, including continued focus on its new governance arrangements over the cost improvements programme and related implementation plans. In planning for future periods, we recommended that the timetable and governance arrangements around the cost improvement programme are further developed to enable identification of cost improvement opportunities and project planning ahead of the start of the relevant period.
Our procedures in respect of the risk, status of our work, and conclusions where applicable	<p>We have understood the improvements made by management to the arrangements in place to identify efficiencies during FY24, including the establishment of the "Productivity Through Transformation Oversight Board", and reviewed the relevant documentation setting out these arrangements in place in the year.</p> <p>We have understood the recurrent and non-recurrent savings achieved by the Trust in FY24 against their planned target. The Trust met its break-even target albeit this included non-recurrent income of £12.3m and non-recurrent efficiencies of £21.3m. We have also reviewed management's FY25 efficiency plan.</p> <p>The initial efficiency plan submitted by management in April 2024 included a significant amount of efficiencies classified as "opportunities" which typically represents potential efficiency plans which have not been developed. However, further analysis by management has demonstrated that these had not been appropriately classified as these plans were further developed.</p> <p>In June 2024 management submitted their updated efficiency plan which included identified plans for the majority of the £63.4 million forecast efficiencies, with £6.5 million of efficiencies currently not identified and classified as opportunities as of the date of this report which we consider to be immaterial.</p> <p>We note that there whilst arrangements have improved, management continue to identify a high level of risk in respect to the delivery of planned efficiencies as part of its risk assessment.</p> <p>Whilst there continues to be challenge and risk in delivery of the cost improvement plan, we consider the improvements made to the Trust's arrangements have been sufficient to address the significant weakness identified in the prior year.</p>

Risk of significant weaknesses in VfM arrangements(continued)

Risk title	Risk of significant weaknesses in financial sustainability arrangements to identify achievable savings		
Conclusions	Does a weakness exist in the current year? No - based on the work performed and the enhancements made to the arrangements in place, we consider that the Trust has implemented our recommendation relating to the significant weakness identified in the prior year.	Is a recommendation required in the current year? No - we have not identified a significant weakness in arrangements during the current year and so have not made an associated recommendation.	Will this matter be referred to in our audit opinion? No – as no significant weakness has been identified, this was not referred to in our opinion.

VfM Commentary: Financial Sustainability

Approach and considerations

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

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

Commentary

On a control total basis (Adjusted Surplus/(Deficit) as reported on the face of the statement of comprehensive income) the Trust recognised a surplus for the year of £30,000 (2022/23: £199,000 surplus). On an IFRS basis, the Trust recognised a surplus for 2023/24 of £482,000 (2022/23: £32.2m deficit). The year-on-year movement was driven by net impairments of land and buildings recognised within operating expenses of £14.3m as compared to impairments of £61.5m in 2022/23. At 31 March 2024, the Trust had net assets of £614.1m (31 March 2023: £593.9m), net current liabilities of £64.5m (31 March 2023: £49.0m), and cash of £136.7m (31 March 2023: £179.2m).

The Trust has a monthly financial reporting cycle with monthly divisional/corporate reviews conducted with Executive oversight. Monthly Finance reports are produced for the Executive Management Board and bi-monthly for Finance, Investment and Operations Committee. The Trust's planning process is completed via a bottom-up approach which allows each division to identify pressures which are then reflected into efficiency plans and mitigations approved by the Board. The Trust has also established the Productivity Through Transformation Oversight Board during the year to help the Trust identify and plan efficiency initiatives and monitor the delivery of these initiatives.

For 2023/24, the Trust has collaborated with North West London Integrated Care Board to develop an annual plan which is consistent with system financial envelopes.

The Trust has an efficiency target of £63.4m for 2024/25. As of March 2024, £56.8m of efficiencies had been identified (£39.8m fully developed and £17.0m in the pipeline). The gap between planned efficiencies and identified efficiencies is £6.5m. In 2022/23, we identified a significant weakness in the Trust's arrangements to identify achievable savings and therefore identified a risk of significant weakness in this area for the current year. This is considered on pages 16 – 17 and we have concluded that we no longer identify a significant weakness in this area due to enhancements made by the Trust to the arrangements to identify, track and realise efficiencies, including the establishment of the Productivity Through Transformation Oversight Board.

As set out in its Annual Report, we note that whilst improvements in arrangements have been implemented in the current year, there continues to be a risk that the schemes identified to meet the £63.4m target cannot be fully delivered by the 31st March 2025. The Trust considers that a failure to mitigate any in-year slippage and not deliver a breakeven position could potentially lead to regulatory intervention. This risk is regularly monitored by the Trust through its governance arrangements.

We concluded that there was no significant weaknesses in the Trust's arrangements in this area.

VfM Commentary: Governance

Approach and considerations

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

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

Commentary

The “Well Led” element of the last CQC report published in July 2019 rated the Trust as Good. NHS England has assessed the Trust under the Single Oversight Framework in segment 2.

The Trust looks for balance in the structure of those charged with governance between technical and sector experience. The Trust is able to show depth of experience on the Board and sub committees.

Response to prior year control observations

In the prior year we identified a number of control observations during the financial statement audit. The Trust has been proactive in responding to these observations in the current year and in particular has made improvements to the highest priority observations identified. However, some observations raised in the prior year have not yet been fully addressed and further observations have been raised during the current year audit. The number of misstatements identified in the financial statements remains relatively high, however no material audit misstatements were identified. Therefore, whilst there are weaknesses in the financial control environment and more progress to be made in resolving these control observations, we have concluded that this does not represent a risk of significant weakness in the Trust’s overall governance arrangements.

Estate and redevelopment programme

The Trust has a significant capital programme and spent £89.9m (2022/23: £131.4m) in the current year. There are established arrangements in place for major capital projects which include having a Capital Steering Group and a Capital Expenditure Assurance Group along with Individual Project Boards for major schemes.

We note that a significant portion of the capital programme each year is spent on backlog maintenance. The Trust continues to have one of the largest backlog maintenance liabilities for all trusts in the country and this causes operational issues, as well as increasing operating costs.

VfM Commentary: Governance (continued)

Commentary (continued)

Estate and redevelopment programme (continued)

There are capital funding constraints within the NHS due to national limits set, therefore the Trust's ability to respond to the issues caused by the aged estate is constrained by these national limits, and this also impacts the ability to invest in other areas. The Trust has arrangements in place to identify which backlog maintenance projects are of highest priority using an estates survey undertaken as a starting point which is regularly reviewed by the Estates Operations Team. In addition, the Trust has monitoring arrangements in place to ensure it remains compliant with regulatory requirements. We have seen no evidence of significant operational disruption due to issues occurring in the year or failure to comply with regulations in the current year.

The Trust's three main sites (St Mary's, Charing Cross and Hammersmith) are part of the New Hospital Programme ("NHP"). In May 2023, the government announced a revised timeline resulting in expected delays to the NHP and specifically to those sites within the trust. As a result of the delays, the Trust identified £3.6m of previously capitalised costs relating to the NHP which represent planning work that are no longer relevant or will be required to be reperformed and as such has recognised an asset impairment of £3.6m in relation to these costs.

The Trust is committed to progressing business cases for these to approval by Department of Health and Social Care (DHSC): St Mary's Strategic Outline Case was submitted in September 2021. A Strategic Outline Case for the Charing Cross and Hammersmith sites is due to be submitted before the end of 2024. The Trust has appropriate governance arrangements in place in relation to the New Hospital Programme with regular meetings of the Redevelopment Planning and Delivery Group and the Executive Delivery Group to track progress.

Vesting certificates

The Trust entered into vesting certificates with certain of its capital suppliers ahead of year-end, with £4.2m of capital expenditure recognised. These agreements are intended to transfer legal title ahead of receipt of goods, in exchange for payment in advance. Vesting certificates can be a legitimate risk management tool if advance payments are required for commercial reasons to secure orders for goods in high demand or with long lead times. Managing Public Money states that public sector organisations should not make payments in advance of need without clear Value for Money justification, or use interim payments to circumvent spending controls, such as to avoid underspending the capital budget for the year.

Whilst we were satisfied that fixed assets under vesting certificates were appropriately capitalised, we have not seen evidence that the management assess all individual vesting certificates against the requirements of Managing Public Money before entering into them, nor sufficient evidence that their use complies with the Managing Public Money requirements.

While the assets recognised under vesting certificates are not material, we continue to raise a recommendation in our reporting to Audit, Risk and Governance Committee that finance has not put in place approval processes to check that any use of vesting certificates reflects genuine commercial requirements and have been explicitly considered against the requirements of Managing Public Money before entering into any transactions. We have recommended that the Trust improves its process around the identification of vesting certificates entered into and puts in place approval processes to check that any use of vesting certificates reflects genuine commercial requirements and consider the requirements of Managing Public Money.

VfM Commentary: Governance (continued)

Commentary (continued)

Data quality

In the year the Trust has continued to focus on data quality as there has been a deterioration in data quality in recent years. The Trust has a Waiting List and Waiting Times Data Quality Framework and in the year a deep dive review of waiting list data has been performed to understand root causes of these issues and implement actions to address these. We note internal audit performed a review of data quality in relation to patient experience data which received 'Significant assurance with minor improvement opportunities' and we understand that management has an action plan in place in order to address findings from this review.

We note that the Trust has identified these issues and put in place arrangements to investigate and mitigate them, therefore we have concluded that this is not a risk of significant weakness in arrangements. Data quality is important to enable the Trust to make informed decisions and manage risks and as the Trust transitions out of Covid-19 arrangements and returns to a payment by results mechanism, proper data quality and appropriate arrangements in place to manage data quality becomes increasingly important and the Trust is rightly focussing on this.

Overall

We concluded that there was no significant weaknesses in the Trust's arrangements in this area.

VfM Commentary: Improving economy, efficiency and effectiveness

Approach and considerations

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

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

Commentary

The Trust's Audit, Risk and Governance Committee approves the annual Internal Audit Plan and Counter Fraud Plan, and receives updates at committee meetings through the year.

The Trust's Head of Internal Audit opinion for the year was 'Significant assurance with minor improvements' on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

An internal audit of the Trust's procurement arrangements is ongoing as at the date of this report which is expected to identify improvements for the Trust to make in this area though this is not expected to impact the overall annual Head of Internal Audit opinion.

The Trust's most recent CQC inspection was published in July 2019. The Trust was rated Requires Improvement overall. However the "Well Led" and "Use of resources" criteria were both rated as "Good".

The Trust plays an active part in the local Integrated Care System (ICS) and works collaboratively with the ICS and is part of the North West London Acute Provider Collaborative. The Board in Common meets on a quarterly basis and performance of all Trusts is reviewed. Financial and operational information is also reviewed monthly at Executive Management Board to assess performance and identify areas for improvement.

The Trust also operates in partnership with Imperial College to host one of 20 National Institute for Health Research Biomedical Research Centres. In addition, with partners Imperial College London, The Royal Marsden NHS Foundation Trust, Chelsea and Westminster NHS Foundation Trust and The Institute of Cancer Research they form the Imperial College Academic Health Science Centre.

As the Trust moves forwards with closer partnership working within the ICS and the increasing focus on system wide objectives, it is important that the Trust adapts its arrangements appropriately to incorporate new duties and responsibilities whilst maintaining the existing rigour over the its current arrangements.

VfM Commentary: Improving economy, efficiency and effectiveness (continued)

Commentary (continued)

The procurement framework is set out within the Trust's Standing Financial Instructions and Scheme of Delegated Financial Authority which describes the standard processes for procurement of goods and services. The Standing Financial Instructions note that the Trust shall comply with all UK Government regulations regarding public sector purchasing and the procedures set out for awarding all forms of contracts.

Overall

We concluded that there was no significant weaknesses in the Trust's arrangements in this area.

Purpose of our report and responsibility statement

What we report

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

What we don't report

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

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

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

The scope of our work

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

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

Use of this report

This report is made solely to the Board of Directors of Imperial College Healthcare NHS Trust in accordance with the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the trust those matters we are required to state to them in our Auditor's Annual Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trust, as a body, for our audit work, for this report, or for the opinions we have formed.



Deloitte LLP

London | 28 June 2024

Appendix 1: Trust's responsibilities

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

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

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

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

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

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

The Accounting Officer is responsible for ensuring that there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance, for ensuring that value for money is achieved from the resources available to the Trust, for ensuring that expenditure and income of the Trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them, and for ensuring that effective and sound financial management systems are in place.

The directors are responsible for safeguarding the assets of the Trust, for taking reasonable steps for the prevention and detection of fraud and other irregularities, for ensuring proper stewardship and governance, and for reviewing regularly the adequacy and effectiveness of these arrangements.

Appendix 2: Auditor's responsibilities

Auditor's responsibilities for the audit of the financial statements

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

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

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

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Trust a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. Other findings from our work, including our commentary on the Trust's arrangements, are reported in our Auditor's Annual Report.

Auditor's other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

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



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