

# Audit Findings for Manchester University NHS Foundation Trust

For the year ended 31 March 2025

18 June 2025





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18 June 2025

Dear Nic Gower

### **Audit Findings for Manchester University NHS Foundation Trust for the year ended 31 March 2025**

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

#### **Chartered Accountants**

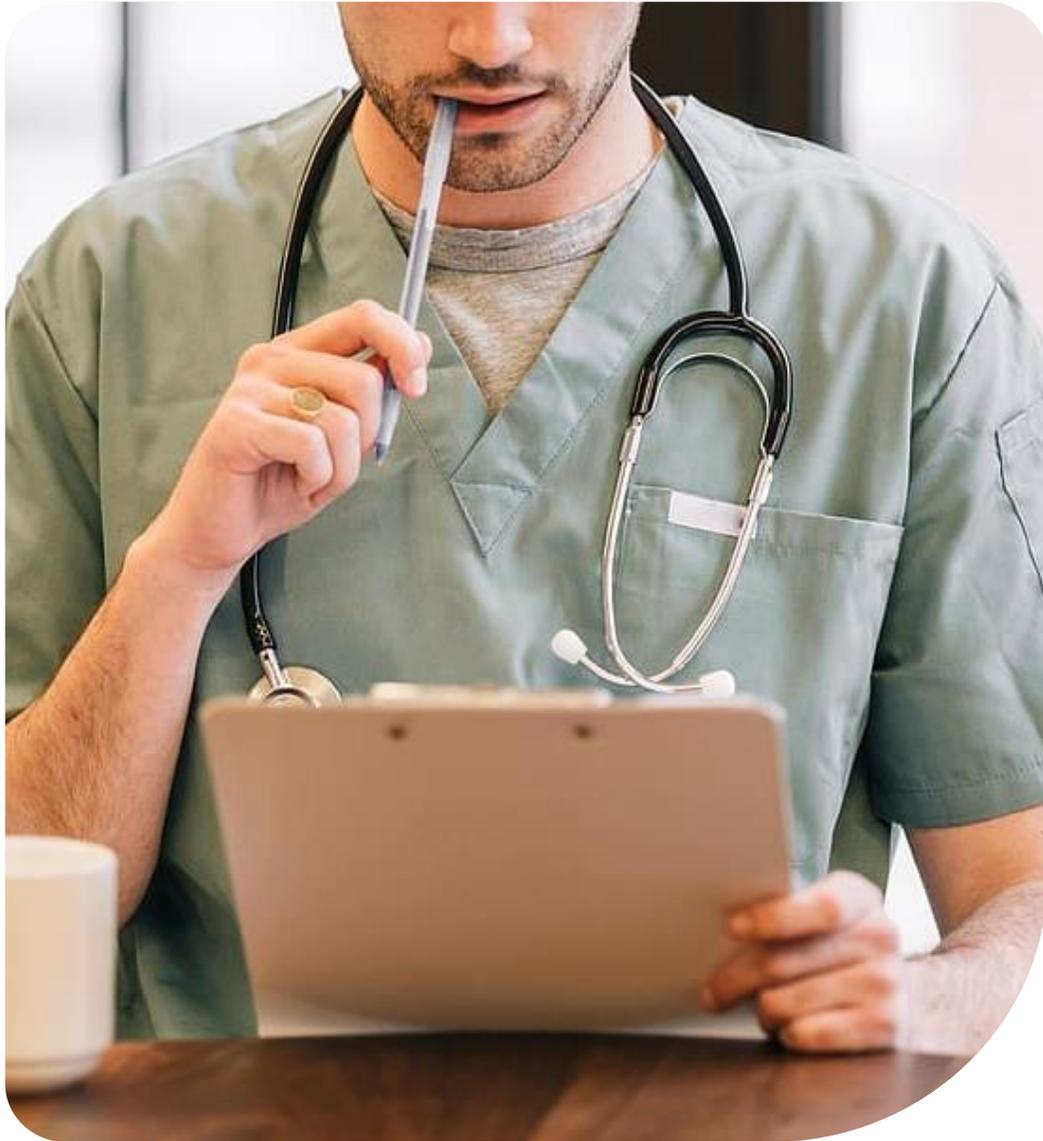
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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024.pdf).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Sarah Ironmonger

Partner  
 For Grant Thornton UK LLP



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# 1 Headlines

# Headlines

## Summary of the key findings and other matters arising from the statutory audit of Manchester University NHS Foundation Trust ('the Trust') and the preparation of the Trust's financial statements for the year ended 31 March 2025 for those charged with governance.

### Financial statements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- The Trust's financial statements give a true and fair view of the financial position of the Trust and of its income and expenditure for the period;
- The Trust's financial statements, have been properly prepared in accordance with the Department of Health and Social Care (DHSC) group accounting manual 2024/25 (GAM); and
- The Trust's parts of the Remuneration Report and Staff Report to be audited, have been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2024/25 (FT ARM).

We are also required to report whether other information published together with the audited financial statements in the Annual Report, is materially consistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

As a first-year audit we have undertaken additional procedures to obtain assurance of the opening balances including completing a review of the predecessor auditor's working papers, reperforming procedures where applicable and reviewing the outturn of prior year accruals and estimates.

Our findings are summarised on pages 10-26. We have identified adjustments have to the financial statements which impact your reported surplus/deficit for the year by £4.386m.

We have also identified some disclosure amendments. These amendments are detailed at page 33.

We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantively complete and as yet there are no matters of which we are currently aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following matter(s);

- 1 outstanding query with the external valuer on build costs
- 1 outstanding query on remuneration report disclosures
- Queries in relation to consistency of Agreement of Balances exercise with draft accounts
- Explanations for mismatches identified in Agreement of Balances exercise
- Completion of technical review of the accounts
- Completion of NAO group audit procedures;
- Senior management quality review of audit working papers;
- receipt of management representation letter – see Appendix D; and
- review of the final set of financial statements, including confirming the other information published together with the financial statements remains consistent post all audit adjustments.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion, as set out in Appendix E will be unmodified.

# Headlines

**Summary of the key findings and other matters arising from the statutory audit of Manchester University NHS Foundation Trust ('the Trust') and the preparation of the Trust's financial statements for the year ended 31 March 2025 for those charged with governance.**

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in detail on the Trust's overall arrangements, and set out our key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Trust's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance.

As part of planning our audit work, we considered whether there were any risks of significant weakness in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk of significant weakness in arrangements for securing financial sustainability.

We have completed our work on Value for Money arrangements and our findings are set out in our Auditor's Annual Report which accompanies this report.

During our audit work no significant weakness have been identified.

We have identified improvement recommendations, which are set out in our Auditor's Annual Report.

## Statutory duties

The National Health Service Act 2006 ('the Act') and the National Audit Office Code of Audit Practice also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We cannot formally conclude the audit and issue an audit certificate for Manchester University NHS Foundation Trust for the year ended 31 March 2025 in accordance with the requirements of the National Health Service Act and the National Audit Office Code of Audit Practice, until the National Audit Office has concluded their work in respect of consolidation returns for the year ended 31 March 2025.

We expect to certify the closure of this audit following confirmation from the National Audit Office.

# **3 Our approach to materiality**

# Our approach to materiality

As communicated in our Audit Plan dated 9 April 2025, we determined materiality at the planning stage as £52.260m based on 1.8% of prior year gross operating expenses. On receipt of draft financial statements, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements.

Our approach to determining materiality is set out here.

Materiality area	Amount (£)	Qualitative factors considered
Materiality for the financial statements	52,260,000	This is equivalent to approximately 1.7% of the operating expenses for the period ended 31 March 2025. The materiality determined at planning has not been updated.
Performance materiality for the financial statements	33,968,000	Performance materiality has been set at 65% of financial statements materiality. This reflects our risk-assessed knowledge of potential for errors occurring. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Reporting threshold	1,000,000	This is the reporting threshold for any errors identified as part of our work on the National Audit Office's Whole of Government Accounts (WGA) exercise. On 22 May 2025, the group audit instructions were updated with an increase to the reporting threshold cap from £0.3m to £1m.  This equivalent to 1.91% of headline materiality.
Set out materiality for specific transactions, balances or disclosures - Senior officer remuneration report	20,000	Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in this disclosure for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.

# Our approach to Group materiality

As communicated in our Audit Plan dated 9 April 2025, we determined materiality at the planning stage as £52.360m based on 1.8% of prior year gross group operating expenses. On receipt of draft financial statements, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements.

Our approach to determining materiality is set out alongside.

Materiality area	Amount (£)	Qualitative factors considered
Group materiality	52,360,000	This is equivalent to approximately 1.7% of the group operating expenses for the period ended 31 March 2025. The materiality determined at planning has not been updated.
Component performance materiality	34,035,000	Where audit work on the Manchester Foundation Trust Charity is being performed using component performance materiality, this has been set at £18.7m with the component performance materiality used reflecting the relative risk and size of that component to the group.
Reporting threshold for the Group	1,000,000	This is the reporting threshold for any errors identified as part of our work on the National Audit Office's Whole of Government Accounts (WGA) exercise.

# **4 Group audit scope and risk assessment**

# Group audit scope and risk assessment

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The table below summarises our final group scoping, as well as the status of work on each component. There have been no changes to the group structure.

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Auditor	Key Audit Partner / Responsible Individual	Status	Comments
Manchester University NHS Foundation Trust	Yes	Scope 1	Scope 1	Grant Thornton UK	Sarah Ironmonger	●	Planned procedures are substantially complete, subject to the resolution of the outstanding matters detailed on page 5
Manchester Foundation Trust Charity	Yes	Scope 2	Scope 2	Grant Thornton UK		●	Planned procedures are complete; this includes substantive testing of cash and investments.

## Involvement in the work of component auditors

In order to complete the group audit within the NHS timetable, we have not placed reliance on the work performed by the component auditor as this is not scheduled to be completed until after the deadline for publishing audited Trust accounts.

### Key

- Scope 1** Audit of entire financial information of the component, either by the group audit team or by component auditors (full-scope)
- Scope 2** Specific audit procedures designed by the group auditor (specific scope)

- Planned procedures are substantially complete with no significant issues outstanding.
- Planned procedures are ongoing/subject to review with no known significant issues.
- Planned procedures are incomplete and/or significant issues have been identified that require resolution.

# **5 Overview of significant and other risks identified**

# Overview of significant and other audit risks identified

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs. A significant risk can be a significant risk due to error or due to fraud. For the purposes of the ISAs (UK), the auditor is concerned with fraud or suspected fraud that causes a material misstatement in the financial statements. Two types of intentional misstatements are relevant to the auditor – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. As part of our consideration of risks relating to fraudulent financial reporting we consider the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage income and expenditure accruals in order to influence the Trust's year end performance.

Other risks are, in the auditor's judgment, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Findings
Risk 1 Management override of controls	Significant	↔	✓	Medium	●
Risk 2 Fraud in revenue recognition	Significant	↔	✓	Low	●
Risk 3 Valuation of land and buildings	Significant	↔	✗	High	●
Risk 4 Completeness of expenditure	Other	↔	✗	Low	●
Risk 5 IFRS 16 PFI liabilities	Other	↔	✗	Low	●

## Key

- ↑ Assessed risk increase since Audit Plan
- ↔ Assessed risk consistent with Audit Plan
- ↓ Assessed risk decrease since Audit Plan
- No adjustment or change in disclosure required
- Non-material adjustment or change in disclosure required
- Material adjustment or change in disclosure required

# Overview of significant risks identified – financial statements

## Risks identified in our Audit Plan

## Audit procedures performed and key observations

### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Foundation Trust faces external pressures to meet agreed targets, and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of controls, in particular via journal entries, accounting estimates and transactions outside the normal course of business, as a significant risk of material misstatement of the financial statements.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- challenging management's key judgements and estimates and considering whether these judgements and estimates are individually or cumulatively indicative of management bias;
- tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness

In performing the procedures above, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included:

- Year end journals and post year-end journals
- Material journals across the year
- Year-end and post year-end adjustments to income and expenditure accrual journals
- Provisions adjustments
- Journals posted by senior management

Application of these routines and supplementary procedures identified a total of 59 journals to test.

Our audit work has not identified any issues in respect of management override of controls.

Testing of journals identified through application of our specified criteria and targeted risk assessment is complete.

In response to the IT audit findings whereby the expect approval documentation for a new joiner was not available for inspection (refer to page 25) , we also completed a further review of journals posted by the individual. There were no journals posted in the period and therefore no further testing necessary.

Our commentary on key accounting estimates is set out on page 23, which sets our detailed findings.

Our findings from the additional procedures undertaken in response to the deficiency segregation of duties controls in the Accounts Payable team identified during our audit planning work is set out on page 22.

Work completed to date has not identified any evidence of inappropriate management override of controls.

# Overview of significant risks identified – financial statements

## Risks identified in our Audit Plan

## Audit procedures performed and key observations

### Fraud in Revenue Recognition

Under ISA (UK) 240, we have considered the rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. The agreement of a control total at Trust and ICS level may create an incentive for revenue to be manipulated in order to achieve budgeted financial performance. The Trust is under financial pressure to deliver its 2024/25 control total and we determined that any incentives or opportunities of risk of fraud in revenue recognition would relate to revenue being overstated.

In our audit plan, we identified an incentive for management to overstate revenue in order to meet the Trust's control total. Subsequent to issuing our audit plan, we have completed further risk assessment procedures including documenting an understanding of contract arrangements and review of the draft financial statements to clarify and focus our audit procedures to ensure we target opportunities or threats where income could be fraudulently overstated, which we have determined as recording fictitious income, most likely through income accruals or debiting an unrelated account code or understating deferred income.

Following receipt of the draft financial statements, we analysed the Trust's material incomes streams and identified that it was still appropriate to rebut the assumption of fraud related to other income streams as noted in the Audit Plan.

In response to this risk, we have:

- Completed a review all significant contracts to agree cash remittances to the Trust's contract register and sign contracts
- Reviewed income accruals, verified the supporting evidence and checked post year-end cash remittances to confirm accrued income recognised at 31 March 2025 is appropriate
- As part of our response to the risk management override of controls, we checked for debit postings to unusual account codes or unexpected account code combinations, and we selected journal postings to adjust income accruals around the year end for detailed testing
- Completed detailed testing of other operating income including deferrals of income carried forward
- Reviewed the year-on-year movements for other balance sheet items which could adjusted to manipulate the outturn position including prepayments and impairment allowances
- We have also completed our testing of trade receivables we have identified one matter to report set out on page 22.

Based on our work to date, and we have no further matters to report.

We have confirmed all income has been included and reviewed in the Agreement of Balances process however, we have an outstanding query with management as we noted some immaterial variances between the Trust's income schedule and the amounts notified in the Agreement of Balances return.

# Overview of significant risks identified – financial statements

## Risks identified in our Audit Plan

## Audit procedures performed and key observations

### Land and Building Valuation

The Foundation Trust completes a full revaluation of its land and buildings on a five-yearly basis to ensure the carrying value in the Trust's financial statements is not materially different from current value at the financial statements date. In intervening years, a desktop valuation is requested by the Trust. For 2024/25 the Trust is obtaining a desktop valuation.

This valuation represents a significant estimate by management in the financial statements. The valuation of land and buildings is a key accounting estimate which is derived, depending on the valuation methodology, from assumptions that reflect market observations and the condition of the asset at the time.

In response to this risk, we have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- discussed with the valuer the basis on which the valuations were carried out and challenged the key assumptions applied;
- tested the information used by the valuer to ensure it is complete and consistent with our understanding;
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Trust's asset register; and
- evaluated the assumptions made by the management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to the current value.
- Completed additional procedures to check the reasonableness of build costs adopted by the District Valuer using the beacon methodology
- engaged an auditors valuation expert to review the instructions issued to the Trust's valuer, the valuation report and the reasonableness of the modern equivalent asset assumptions adopted.

Our work is complete and we have no significant issues report from in relation the valuations.

### Accounting for revaluations

From our review of the accounting for the revaluations we identified some inconsistencies in the Trust's approach. The external valuer prepares valuations on a site-by-site basis and allocates valuations to between 2-6 high level blocks within each site. The Trust maintains their fixed asset registers on a much more granular level, with several hundred components making up each site. The Trust does not have the information available (in all cases) to reconcile the detailed asset register to the external valuer's block summary on a line-by-line basis, although it can be reconciled in total. As a result, the total net valuation movement at site-level is applied proportionately to detailed asset register; with this approach we have identified this could introduce error or inconsistencies in the allocation of upwards/downwards revaluations between the revaluation reserves and any brought forward impairment.

The Trust prepared an analysis of the impact of the different approach and this demonstrated a potential difference of £1.067m for the North Manchester sites, when extrapolated that is estimated potential difference of £3.114m for the current year revaluations. The impact is a potential misclassification between the revaluation reserve and impairment through income and expenditure.

We are satisfied the net book value of assets following revaluation have been updated accurately and in accordance with the external valuer's report.

We recommend the approach to accounting for valuations is reviewed to ensure movements are applied accurately between revaluation reserve or through income and expenditure; and also reconciles the detailed asset register to the external valuer's block summary to demonstrate the componentisation of assets is accurate.

# Overview of significant risks identified – financial statements

## Risks identified in our Audit Plan

## Audit procedures performed and key observations

### Land and Building Valuation

(continued)

#### Impairment of capital expenditure

The Trust operates a policy to review capital expenditure to identify items subject to impairment on the basis that they do not impact the overall valuation of the related building asset. The Trust identified and recognised impairments £60m in 2024-25 (£76m in the prior year).

Our review of the Trust's approach note that the main factor considered for indication of impairment is whether the capital expenditure has changed the service area of the hospital building however, this is not the only criteria we would expect to be considered when reviewing indicators of impairment. We understand this approach has been in place since the period prior to annual valuations of land and building assets. In examples, we reviewed as part of our audit testing, we note that the annual valuation resulted in a downward revaluation and therefore, the overall impact on the net book value of land and buildings is not impact. However, the judgement that capital expenditure does not enhance the value of an asset is a key assumption we would expect to be reviewed by the Trust's external valuer as part of the annual valuation process.

There is also a risk this introduces inconsistencies in the accounting for impairments; for example, we identified one instance where capital expenditure of £9m was identified as impaired by 72% during the year and which has been recognised as an impairment expense through the Statement of Comprehensive Income. However, it was subject to a further 10% downward revaluation because of the annual revaluation which was adjusted through the brought forward revaluation reserve.

We have reported a recommendation that the Trust reviews this policy going forward to ensure it meets the requirements of the financial reporting framework.

# Overview of other risks identified – financial statements

## Risks identified in our Audit Plan

### Fraud in Expenditure Recognition – completeness of operating expenditure

Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure needs to be considered, especially where the body is required to meet targets.

Trusts are facing significant external pressure to meet externally set financial targets, coupled with increasing patient demand and cost pressures.

We have considered the material risk of improper expenditure, and we have identified an elevated risk in relation to completeness of operating expenditure however, we did not consider this to be a significant risk of material misstatement in our audit plan and have continued to review this throughout the audit.

## Audit procedures performed and key observations

Following receipt of the draft financial statements, we analysed the Trust's material expenditure streams and identified that it was still appropriate to rebut the assumption of fraud related to these streams as noted in the Audit Plan.

As we do not consider this to be a significant risk for the Trust, we did not undertake any specific work in this area other than our normal audit procedures for substantive testing of expenditure (including staff costs) with focus on completeness including:

- evaluated your accounting policy for recognition of expenditure for appropriateness and compliance with the DHSC Group Accounting Manual 2024/25;
- gained understanding and assessed the Trust's process for recording expenditure accruals and deferrals, and any relevant controls;
- inspected a sample of expenditure invoices in the period before and after 31 March 2025 to determine whether the expenditure has been recognised in the correct accounting period and whether accruals are complete;
- inspected invoices recorded and payments made after the end of the financial year to assess whether they had been included in the correct accounting period; and

In addition, we have considered areas where expenditure could be understated or omitted and we consider this could in areas where expenditure could incorrectly classified such as capital expenditure. We have tested a sample of capital additions recorded in 2024/25, corroborating these to evidence that the transaction has been classified appropriately.

As part of our response to the risk management override of controls, we checked for debit postings to unusual account codes or unexpected account code combinations, and we selected journal postings to adjust expenditure accruals around the year end for detailed testing

We encountered a delay in obtaining a supporting working paper to demonstrate how the staff costs recognised in the draft accounts reconcile to the payroll records (from ESR).

We received the working paper on 03 June 2025 and this confirmed the additional non-payroll staff costs of approximately £220m. We have completed our testing of the additional non-payroll staff costs and we have no issues to report.

We have reported a recommendation in relation to the payroll working paper, further details are set out on page 21.

Our work is complete and we have no significant issues report from our testing of expenditure.

# Overview of other risks identified – financial statements

## Risks identified in our Audit Plan

## Audit procedures performed and key observations

### IFRS 16 - PFI liabilities

The Trust has two PFI schemes had PFI liabilities brought forward as at 1 April 2024 amounting to £534.780m, which is a material number.

In 2023-24, under IFRS 16 (Leases) the PFI liabilities were remeasured which was a change in measurement principles. The prior year auditor was unable to confirm the initial transition calculation had been undertaken at a sufficiently granular level due to the Trust being unable to locate original PFI Operators Model to agree all of the inputs to the new accounting model for IFRS 16.

The PFI liabilities are calculated using a complex model where subjectivity around the selection and application of the method, assumptions or data can impact the valuation and therefore, this is considered a significant accounting estimate.

Under IFRS16 liabilities are remeasured to reflect the present value of future minimum lease payments including any change in lease payments made as a result of a change in index or rate. The use of estimation techniques to calculate the PFI liability presents an increased level of inherent risk however, we do not consider this to be a significant risk of material misstatement at this time.

In response to this risk we have:

- Reviewed the detail workings of how the principles of measurement have been applied by the Trust
- Reviewed any assumptions and estimates used by management as applicable
- We have checked the competence, capabilities and objectivity of the expert the Trust commissioned to undertake a review of PFI models
- Reviewed the disclosures in the financial statements and accounting policy note
- Considered if the measurement and accounting treatment is free from material error
- Commissioned a review of the PFI model by our PFI specialists which checked the method and calculations in the model and the IFRS transition adjustments from the prior year

Our work is complete and we have no significant issues report from our testing of expenditure.

# 6 Other findings

# Other areas impacting the audit and significant matters

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and other significant matters.

Issue	Commentary	
<p>1 <b>Staff costs – supporting working paper to reconcile payroll and non-payroll staff costs</b></p>	<p>Staff costs within operating expenditure is a significant area totalling £1,904 million. The majority (£1,575 million) are salary and related costs processed through the main payroll system.</p> <p>However, due to the nature of NHS operations, it is expected that there are significant staff costs arising from outside of the payroll system; £328 million in 2024-25 which includes £101m of additional pension contributions.</p> <p>We encountered a delay in obtaining a working paper to support the staff costs reported in the draft accounts; this was provided on 03 June 2025.</p> <p>We have subsequently completed substantive testing of the non-payroll staff costs, and we have no issues to report.</p>	<p><b>Auditor view</b></p> <p>We recommend that the Trust ensures a working paper is available alongside the draft accounts to fully reconcile the staff costs to the underlying source transactional data.</p> <p><b>Management response</b></p> <p>Agreed. We will include the preparation of this working paper in our year-end timetable and list of year-end working papers for 2025/26. We will also prepare this working basis at the end of each quarter during 2025/26.</p>
<p>2 <b>IFRS 16 Lease accounting for Surgical robots managed service contract</b></p>	<p>In our Audit Plan, we reported that the Trust had provided their assessment of the accounting treatment for a contract for the provision of surgical robots starting from January 2025 for a period of 7 years.</p> <p>The Trust has assessed that the contract contains a lease and there is an identified asset of which it has control and the right to obtain substantially all of the economic benefits. The Trust has assessed that the supplier has substantive substitution rights which means the supplier has the ability to substitute the robots for an alternative and would benefit economically from the substitution. Therefore, the Trust has concluded that the underlying assets should not be recognised as a Right of Use Asset on the Statement of Financial Position.</p> <p>We reviewed the Trust's assessment and verified the key elements of the contract to supporting documentation. We made further inquiries with the Trust and we have also consulted with our technical financial reporting team to evaluate the proposed accounting treatment against the requirements of the DHSC GAM and IFRS reporting framework. We have provided our detailed feedback to management.</p>	<p><b>Auditor view</b></p> <p>Our review concluded that the contract contains a lease, and the supplier substitution rights are not substantive; therefore, this contract should be recognised as a lease in accordance with IFRS 16. We note that this has been updated, with the additional lease liability and Right of use asset of £2.78m included in the draft accounts presented for audit and therefore, no further adjustment is required.</p> <p><b>Management response</b></p> <p>Noted. We will look to incorporate the detailed feedback received into our considerations as to the accounting treatment for any future contracts of this nature. We will also look to involve the external audit team at an earlier point in the consideration of accounting treatments (we were unable to do this for this particular contract due to the timing of the audit appointment).</p>

# Other areas impacting the audit and significant matters

Issue	Commentary	
<p>3 Accounts Payable – segregation of duties controls</p>	<p>As part of our audit planning, we obtained an understanding of the Trust’s internal control environment and control activities relevant to the preparation of the financial statements.</p> <p>Our review of the operating expenditure and accounts payable process identified that individuals in the Accounts Payable team are able to access and edit supplier details or set up new suppliers and also have ability to authorise payments to suppliers. This deficiency in segregation of duties, exposes the Trust to a risk of fraud through manipulation of payment details.</p> <p>In total 11 team members were confirmed to have the same access. This has been removed with immediate effect to reinstate appropriate segregation of duties between those team members whose primary role requires access to amend supplier details and those who require access to execute payments. We understand this deficiency arose due to the application of access groupings whereby staff in the Accounts Payable team require the ability to stop payments of invoices. The Systems team have reviewed the audit logs to check for any indicators of irregular changes to supplier data by the Accounts Payable team. A number of changes were actioned by the 4 of the 11 team members during 2024-25 and these have all been reviewed and verified to supporting evidence.</p> <p>All users groups have been reviewed to check whether the same conflicting access had been applied. Some further users were identified as having access to amend supplier data and their activity is being reviewed by the Systems team.</p> <p>As an additional procedure, the external audit team have obtained a full population of changes to standing data and selected a sample to verify to supporting documentation and evidence of approval. No issues have been identified.</p> <p>The Trust’s standard operating procedures for the Integra financial system state that user access permissions and segregation of duties should be subject to frequent audit. From our inquiries, we have not been able to obtain evidence to demonstrate when user access permissions were last subject to audit, although the procurement procedures have been subject to regular review by Internal Audit. We have also confirmed that all supplier data is provided to the LCFS annually as part of the National Fraud Initiative.</p> <p>Our work is complete and we have not identified any actual or suspected irregular activity as a result of this deficiency.</p>	<p><b>Auditor view</b></p> <p>We recommend the Trust completes the review of all user groups and where conflicting user access permissions are identified, ensures a review of activity performed by the users is undertaken.</p> <p>We recommend that the Trust ensures that arrangements are in place to monitor segregation of duties controls and undertakes regular audits in line with the expected operating procedures.</p> <p><b>Management response</b></p> <p>We recognise and accept the audit recommendations. Whilst there were secondary controls in place, we equally accept these are sub-optimal to controls within the system and took immediate action to revoke access and ensure segregation of duties are in place. As recommended, we have undertaken further reviews and no further concerns have been identified. We are also reviewing our process for regularly reviewing segregation of duties. Recognising the current finance system is end-of-life, we have been working with the supplier to co-develop an improved access control functionality within the new system. We will continue to test and refine this new system as the new controls are designed to stop Segregation of Duties conflicts at the account set up stage and then support much more efficient monitoring on a regular basis.</p>

# Other areas impacting the audit and significant matters

Issue	Commentary	
<p>4 <b>Recognition of insurance claim income</b></p>	<p>In the draft accounts, the Trust has recognised income of £4.386m in relation to an insurance claim for Trafford Hospital dating from July 2021. Management provided their assessment of the accounting treatment with reference to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.</p> <p>The paper prepared by management explains the rationale for recognising the income in 2024-25, on the basis that an agreement on the claim to be settled has been reached by 31 March 2025.</p> <p>IAS 37 stipulates that a receivable should be virtually certain of being settled, otherwise a contingent asset should be disclosed instead of recognising the income.</p>	<p><b>Auditor view</b></p> <p>We have not obtained sufficient evidence to verify the income is virtually certain to be received and therefore, our view is that the recognition of income in 2024-25 is not appropriate. This has been reported as an unadjusted misstatement – refer to page 34.</p> <p><b>Management response</b></p> <p>To be updated</p>
<p>5 <b>Disposal of nil Net Book Value (NBV) assets</b></p>	<p>In the prior year audit, an adjustment was made to derecognise nil NBV assets with a gross value of £314m in the 2023-24 accounts. This was presented as a disposal of assets in the year ending 31 March 2024.</p> <p>From our review of the analysis completed by the Trust in the prior year to determine whether the identified assets are still in use, we noted that given the age of many of the items, it is likely they have been taken out of use earlier than 1 April 2023 and therefore, this indicates a restatement of the prior period balances maybe be required where the impact is material.</p> <p>We acknowledge that, with the information available, it is not practicable for the Trust to determine the specific timing of when assets were no longer in use.</p> <p>As a result it is possible that the brought forward gross cost and accumulated depreciation at 1 April 2023 are overstated however, we have not been able to quantify the potential misstatement.</p>	<p><b>Auditor view</b></p> <p>From our review, we consider it is likely a material proportion of the nil NBV assets should have been derecognised in a period prior to 1 April 2023.</p> <p>This potential misstatement impacts the brought forward balances in the prior year comparative Property, Plant &amp; Equipment note only and does not impact the brought forward balance in the Statement of Financial Position.</p> <p>This does not impact our impact audit opinion.</p> <p><b>Management response</b></p> <p>To be updated</p>

# Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<b>Land and building valuations</b>	<p>Land and buildings comprises £774.4m specialised assets such as the Trust's hospitals, which are required to be valued at depreciated replacement cost (DRC) at year end, on a modern equivalent asset basis. Management have determined the amount of space and location required for ongoing service delivery in the light of their current and projected service needs and have instructed the valuer accordingly.</p> <p>The Trust has engaged the DV/VOA in its capacity as a valuation professional to value the Trust's land and buildings as at 31 March 2025 on a desktop basis.</p> <p>Through our review of the DV/VOA's approach, we identified that the DV/VOA applies a build cost, indexed from an historical industry standard build rate using actual cost data held by the DV/VOA from other NHS building projects that it has been involved in. The DV/VOA refers to this as a 'beacon' approach. We have requested access to the DV/VOA's cost data so we can corroborate the accuracy and relevance of the data it has used. The DV/VOA has been unwilling to provide us access.</p> <p>The NAO, on behalf of auditors, has also commissioned its own valuation expert, Montagu Evans, to provide assurance as to the reasonableness of the DV/VOA approach. We received their report on 31 March 2025. This report does not provide any specific commentary on the 'beacon' approach, however Montagu Evans has instructed auditors to discuss the valuation methodology applied with the DV/VOA and gain our own assurance over the reasonableness of the use of this indexation.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>deepened our risk assessment procedures performed including understanding processes and controls around the identification and determination of estimates. This included understanding methods, assumptions and data used;</li> <li>discussed management's determination of accounting estimates with those charged with governance, for example, qualitative considerations, the development and validation of models, data integrity and the selection of inputs;</li> <li>considered the competence, capabilities and objectivity of the valuation expert used by the Trust. We have not identified any concerns;</li> <li>considered the data and assumptions used by management to derive the accounting estimate. We have not noted any issues with the completeness and accuracy of this underlying information;</li> <li>considered the appropriateness of the MEA assumptions used, in particular we have confirmed that none have changed since the prior year;</li> <li>we have considered the movements in the valuations of individual assets and their consistency with indices provided by our internal valuation specialist as our auditor's expert. This work has not raised any issues with the 2023/24 valuations;</li> <li>confirmed that there have been no changes to the valuation method this year; and</li> <li>assessed the reasonableness of the disclosures related to accounting estimates.</li> </ul> <p>In the absence of being able to corroborate the DV/VOA build cost data, we have completed audit procedures to establish an expectation of appropriate build costs, starting from an appropriate BCIS rate for hospital buildings and using other variables that can be verified.</p>	Key judgements and assumptions are considered to be reasonable

# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Land and buildings valuations (continued)		<p>We are satisfied that there is unlikely to be a materially different value if appropriate industry standard BCIS rates were used, however we are unable to corroborate that the DV/VOA applies a reasonable approach to determining a build cost rate. If there was an error in its data or calculations, we have not been provided with the opportunity to identify it. Whilst we are satisfied the value is materially reasonable as at 31 March 2025, in comparison to using an industry standard index, we are unable to give those charged with governance assurance that the estimation process will continue to produce materially accurate valuations in the future.</p> <p>We recommend that management revisit their valuation instructions with the valuer, to ensure that access to source data used by the valuers is made available to auditors, or that the valuer uses an industry standard approach to valuing land and buildings.</p>	

# Other findings – information technology

This section provides an overview of results from our assessment of information technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT general control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Integra	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	All significant risks
Electronic staff records	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	None

## Findings:

Lack of approval for User Access Creation

There was a failure to secure the necessary approval from the Line Manager before creating the user account for one user in the Integra 2 application.

## Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

# Other findings

## Matter

### Service Auditor Reports

Under ISA 315R, auditors are required to understand and assess relevant internal controls of the systems relevant to the preparation of financial statements. This includes systems provided by service organisations. An independent auditor produces a service auditor report to provide management with assurance over the internal control environment of the system they use and as external auditors we review these service auditor reports when undertaking our work.

The following systems used by Manchester University NHS Foundation Trust are provided by service organisations. The data from these systems are relevant to preparation of financial statements of the Trust:

- The Electronic Staff Record Programme (ESR)

## Commentary

### NHS Business Services Authority and IBM UK Limited: The Electronic Staff Record Programme

The audit team have reviewed the ISAE 3000 Audit Type II service auditor report which assesses the design and operating effectiveness of controls of the ESR system provided by NHS Business Services Authority for period 1 April 2024 to 31 March 2025. This report noted no significant findings and concluded an unmodified opinion. We reviewed this report as part of our risk assessment [and our testing of design and implementation of relevant controls at the Trust.

## Auditor view

### NHS Business Services Authority and IBM UK Limited: The Electronic Staff Record Programme

Assurance has been gained over the design and implementation over the controls at the service organisation.

No control findings were identified and there is therefore no impact on our audit opinion.

# **7** **Communication requirements and other responsibilities**

# Communication requirements

Issue	Commentary
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedure.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
<b>Written representations</b>	A letter of representation has been requested from the Trust which is included as Appendix D in this Report.
<b>Accounting practices</b>	We have evaluated the appropriateness of the Trust's accounting policies, accounting estimates and financial statement disclosures. We are satisfied with the accounting policies, accounting estimates and financial statement disclosures contained within the statements.
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to the Trust's banking partner. This permission was granted and the request was sent and has been received as part of our final accounts work.
<b>Predecessor auditor's working papers</b>	We requested from permission to review the predecessor auditor's working papers and audit reports. This permission was granted and review of prior year audit work was completed as part of our audit planning and risk assessment procedures.
<b>Disclosures</b>	Our review found no material omissions in the financial statements.
<b>Audit evidence and explanations</b>	All information and explanations requested from management was provided.
<b>Significant difficulties</b>	No significant difficulties were encountered during our audit.

# Other responsibilities

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Trust’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Trust meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Trust and the environment in which it operates</li> <li>the Trust’s financial reporting framework</li> <li>the Trust’s system of internal control for identifying events or conditions relevant to going concern</li> <li>management’s going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified; and</li> <li>management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

# Other responsibilities

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix E.</p>
<b>Auditable elements of Remuneration Report and Staff Report</b>	<p>We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the Act, directed by the Secretary of State with the consent of the Treasury.</p> <p>We have audited the elements of the Remuneration Report and Staff Report, including the Fair Pay Multiple Disclosures, have been properly prepared in accordance with the FT ARM, as required by the code, and have identified a number of small amendments which have been correctly processed by the Trust in the updated Reports.</p> <p>We propose to issue an unqualified opinion on this.</p>
<b>Licence conditions</b>	<p>We are not aware of any FT licence conditions breaches at the Trust.</p>
<b>Referral to the regulator</b>	<p>Under Schedule 10 paragraph 6 of the National Health Service Act 2006, auditors can report to the relevant regulatory body if they have reason to believe that the audited body is:</p> <ul style="list-style-type: none"> <li>• about to make, or has made, a decision which would involve unlawful expenditure</li> <li>• about to take, or has taken, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency.</li> </ul> <p>We did not make any referral to the regulator.</p>

# Other responsibilities under the Code

Issue	Commentary
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• the Annual Governance Statement does not comply with guidance issued by NHS England or is misleading or inconsistent with the information of which we are aware from our audit;</li> <li>• the information in the annual report is materially inconsistent with the information in the audited financial statements or is apparently materially incorrect based on, or is materially inconsistent with, our knowledge of the Trust acquired in the course of performing our audit, or otherwise misleading;</li> <li>• if we have applied any of our statutory powers or duties; or</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses.</li> </ul> <p>We have nothing to report on these matters.</p>
<b>Review of accounts consolidation schedules and specified procedures on behalf of the group auditor</b>	<p>We are required to give a separate audit opinion on the Trust accounts consolidation schedules and to carry out specified procedures (on behalf of the NAO) on these schedules under group audit instructions. In the group audit instructions the Trust was selected as a sampled component.</p> <p>We have nothing to report on these matters.</p>
<b>Certification of the closure of the audit</b>	<p>We cannot formally conclude the audit and issue an audit certificate for Manchester University NHS Foundation Trust for the year ended 31 March 2025 in accordance with the requirements of the NHS Act 2006 until the National Audit Office has concluded their work in respect of consolidation returns for the year ended 31 March 2025.</p> <p>We expect to certify the closure of this audit following confirmation from the National Audit Office.</p>

# 8 Audit adjustments

# Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

No adjusted misstatements have been identified at the date of issuing our report. We will provide an update to Management and the Audit Committee should any issues be identified from the remaining testing.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Misclassification or change identified	Adjusted?
Note 5.1 Other auditor remuneration	Limitation of auditors liability updated to £3m	✓
Note 3 – Operating expenses	Fees paid to Local Counter Fraud Specialist overstated by £40k (exc VAT) due to correction of prior year accruals	✓
Remuneration report	Transposition error relating to remuneration of 2 directors included in the remuneration report disclosures	✓
Note 12.2 – Lease payments	Misclassification of £6.7m between amounts due within 1-5 years and after 5 years	✓
Annual Report	Amendments to include omitted information from disclosures on compliance with NHS cost allocation, Modern Slavery Act and gender pay gap information	✓
Exit Packages	Update to correct number of exit packages during the year	✓
Note 33.1	Correction to disclosure of PDC funding from £30.2m to £39.6m due to RAAC funding previously omitted	✓
Throughout	A number of typographical errors have been identified throughout the financial statements.	✓

# Audit adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Statement of Comprehensive Income £'000	Statement of Financial Position £'000	Impact on net surplus/deficit £'000	Reason for not adjusting
Insurance claim income which is not supported by sufficient evidence to demonstrate recognition in the year ending 31 March 2025 is appropriate.	Other operating income 4,386	Receivables (4,386)	4,386	Not material
<b>Overall impact</b>	<b>4,386</b>	<b>(4,386)</b>	<b>4,386</b>	

# Impact of unadjusted misstatements in the prior year

The table below sets out the unadjusted misstatements identified in the prior year impacting current year opening reserves which we have considered and we are satisfied there is no material impact on the current year financial statements.

Detail	Statement of Comprehensive Income	Statement of Financial Position	Impact on net surplus/deficit
	£'000	£'000	£'000
Testing of income cut-off identified a number of items within the sample for which differences were noted between the amount accrued at the end of 2023/24 and the final income received by the Trust.	Income (588)	Receivables 588	(588)
There is a difference between the transaction listings provided by the Trust in support of the receivables and the balances within note 17.	Income 420	Receivables (420)	420
The Trust has incorrectly provided for NHS debtors, which is not in line with the GAM.	Expected credit loss (2,247)	Receivables 2,247	(2,247)
The above reflects the difference in the between the Trust's original transition adjustments based on their local model and the estimate calculated using the DHSC model.	Expenditure (1,305)	Opening PFI liability 15,315 Closing PFI liability 1,305 I&E Reserve B/fwd (15,315)	(1,305)
An error was identified from the work on the AoB mismatches with NHSE resulting in an overstatement of the debtor balance by £372k.	Income 372	Receivables (372)	372
Testing identified differences in the amount accrued by the Trust and the underlying evidence for 4 items in the sample. The total error value was an understatement of £87k, and the above represents the extrapolated impact of these errors across the accruals population as a whole.	Operating expenditure 2,700	Accruals (2,700)	2,700
<b>Overall impact</b>	<b>(648)</b>	<b>648</b>	<b>(648)</b>

# 9 Value for Money arrangements

# Value for Money arrangements

## Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



### 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.



### Financial sustainability

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



### Governance

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

In undertaking this work we have not identified any significant weaknesses in arrangements. Our Auditor's Annual Report accompanies this audit findings report.

We have identified improvement recommendations to support improvements in savings identification and delivery, the Trust's control environment and procurement and contract management.

# **10 Independence considerations**

# Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Trust that may reasonably be thought to bear on our integrity, independence and objectivity.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Trust as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Trust.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Trust's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person (and network firms) have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

We have made enquiries of all Grant Thornton UK LLP teams providing services to the Trust.

Details of fees charged are set out on page 42

# Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, and managers). In this context, we disclose the following to you :

Matter	Threats	Safeguards	Conclusion
<p>As we disclosed to you previously at the time of accepting appointment as auditors, the firm has also provided the Local Counter Fraud Specialist service to the Trust up to March 2025.</p> <p>We have considered further from the perspective of an objective, reasonable and informed third party whether this service could be seen to fall under the scope of internal audit services or acting as management for the Trust. Our key considerations are:</p> <ul style="list-style-type: none"> <li>• The LCFS reviews controls and processes in certain areas of the Trust's activities, but they do not form an overall opinion on the whole of the Trust's governance, risk management and internal control processes, which is the responsibility of Internal Audit.</li> <li>• The LCFS performs their work under the Government Functional Standard on fraud prevention, which is different to the Public Sector Internal Audit Standards (PSIAS) under which Internal audit performs their work.</li> <li>• The Trust has a separate internal audit function provided by KPMG, which undertakes the whole internal audit programme for the Trust, and they are not limited in the scope of their review by work undertaken by the LCFS.</li> <li>• Ultimate authority in the Trust for complying with the Functional Standard rests with the Trust's Director of Finance, as the counter fraud champion. Any decisions on making changes to controls based on the LCFS' work or on how to progress fraud investigations, will be made by Trust management rather than the LCFS themselves.</li> </ul>	<p>Self Review</p> <p>Self Interest</p> <p>Management</p>	<p>As discussed at the time, we have safeguarded the perceived threat to our independence by appointing a fraud specialist from outside our public sector assurance team, to support and challenge the audit team in their work to identify and respond to risks of material misstatement from fraud. For example, we have reviewed in detail the response to allegations of fraud independently from the work undertaken by the LCFS. This audit has also been subject to review by an engagement quality reviewer and the firm's inflight quality review team.</p> <p>We have communicated this matter to the NAO as both group auditors for the Consolidated NHS Provider Accounts and as the setters of the Code of Audit Practice relevant to this Trust. No matters were raised by the NAO on this point.</p>	<p>We have concluded that our independence is not compromised due to this non-audit service.</p> <p>We concluded that an objective, reasonable and informed third party would not view this service to be an internal audit service, or to constitute acting as management. The main points are that:</p> <ul style="list-style-type: none"> <li>- The work of the LCFS is substantively different from that which would be expected to be provided by internal audit in the public sector.</li> <li>- The levels of frauds identified and investigated by the LCFS during the year under audit are not material to the Trust's accounts and are not indicative of material fraud.</li> <li>- The safeguards we have adopted are sufficient to mitigate any perceived threats to our independence.</li> </ul>

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

# Fees and non-audit services

The following tables below sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Trust's policy on the allotment of non-audit work to your auditor. None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to the Trust. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees as set out below.

## Audit fees

Audit of Trust	(£) 550,000
Other audit-related fees	(£) -
Total	(£)550,000

## Non-audit fees

Service	£	Threats Identified	Safeguards applied
Local Counter Fraud Specialist	156,000	Self-Interest Self-review Management	See previous page for the safeguards applied to this service. In addition, the fees for this service are substantially less than the audit fee, which reduces any perceived self-interest threat from the level of non-audit fees to an acceptable level.
Accountants reports for two IUK grants	32,460	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £32,460 in comparison to the total fee for the audit of £550,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
CCSD licensing	7,600*	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,600 in comparison to the total fee for the audit of £550,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.  * Cost to the Trust although Grant Thornton has no direct engagement with Trust as part of this work performed for CCSD Group.

# Fees and non-audit services

## Non-audit fees – continued

Service	£ Threats Identified	Safeguards applied
Assurance reports for two IUK projects  Grant Thornton has been engaged in May 2025 to undertake this work in relation to projects completed in 2024-25.	7,000 Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,000 in comparison to the total fee for the audit of £550,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
<b>Total</b>	<b>203,060</b>	

## Total audit and non-audit fees

550,000 (Audit Fee)

203,060 (Non-audit Fee)

The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

- fees per financial statements – audit fee £660,000
- Less VAT (£110,000)
- total fees per above – audit fee £550,000

The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

- fees per financial statements – non-audit fee £235,000
- Less VAT (£39,000)
- Less adjustment to LCFS fees (refer to page X) (£40,000)
- Other non-audit fees (included in Note 3) £47,060
- total fees per above – non-audit fee £203,060

This covers all services provided by us and our network to the Trust, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

# 11 Appendices

# A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

# B. Action plan

We set out here our recommendations for the Trust which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>We encountered a delay in obtaining a working paper to support the staff costs reported in the draft accounts; this was provided on 03 June 2025.</p> <p>Without a supporting working paper to demonstrate how the draft accounts figure reconciles to the underlying accounting records, there is a risk staff costs are not reported completely and accurately.</p>	<p>We recommend that the Trust ensures a working paper is available alongside the draft accounts to fully reconcile the staff costs to the underlying source transactional data.</p> <p><b>Management response</b></p> <p>Agreed. We will include the preparation of this working paper in our year-end timetable and list of year-end working papers for 2025/26. We will also prepare this working basis at the end of each quarter during 2025/26.</p>
<p>● High</p>	<p>The deficiency in segregation of duties within the Accounts Payable team, exposes the Trust to a risk of fraud through manipulation of payment details.</p> <p>The Trust's standard operating procedures for the Integra financial system state that user access permissions and segregation of duties should be subject to frequent audit.</p> <p>From our inquiries, we have not been able to obtain evidence to demonstrate when user access permissions were last subject to audit.</p>	<p>We recommend that the Trust ensures that arrangements are in place to monitor segregation of duties controls and undertakes regular audits in line with the expected operating procedures.</p> <p><b>Management response</b></p> <p>We recognise and accept the audit recommendations. Whilst there were secondary controls in place, we equally accept these are sub-optimal to controls within the system and took immediate action to revoke access and ensure segregation of duties are in place. As recommended, we have undertaken further reviews and no further concerns have been identified. We are also reviewing our process for regularly reviewing segregation of duties. Recognising the current finance system is end-of-life, we have been working with the supplier to co-develop an improved access control functionality within the new system. We will continue to test and refine this new system as the new controls are designed to stop Segregation of Duties conflicts at the account set up stage and then support much more efficient monitoring on a regular basis.</p>

## Key

- High – Significant effect on control system and financial statements
- Medium – Effect on control system and financial statements
- 2025 Grant Report UK LLP – For control systems and financial statements

## B. Action plan

Assessment	Issue and risk	Recommendations
<p data-bbox="211 268 249 301">●</p> <p data-bbox="206 319 249 344">Low</p>	<p data-bbox="384 268 1243 376">In our review of valuations of land and buildings, we have not been able to corroborate the DV/VOA build cost data, we have completed audit procedures to establish an expectation of appropriate build costs, starting from an appropriate BCIS rate for hospital buildings and using other variables that can be verified.</p> <p data-bbox="384 391 1243 639">We are satisfied that there is unlikely to be a materially different value if appropriate industry standard BCIS rates were used, however we are unable to corroborate that the DV/VOA applies a reasonable approach to determining a build cost rate. If there was an error in its data or calculations, we have not been provided with the opportunity to identify it. Whilst we are satisfied the value is materially reasonable as at 31 March 2025, in comparison to using an industry standard index, we are unable to give those charged with governance assurance that the estimation process will continue to produce materially accurate valuations in the future.</p>	<p data-bbox="1284 268 2415 348">We recommend that management revisit their valuation instructions with the valuer, to ensure that access to source data used by the valuers is made available to auditors, or that the valuer uses an industry standard approach to valuing land and buildings.</p> <p data-bbox="1284 362 1531 386"><b>Management response</b></p> <p data-bbox="1284 401 2415 481">Agreed. For the 2025/26 year-end, as part of our instructions to the valuer, we will request that the valuers either make source data used available to the auditors or that the valuers use an industry standard approach to valuing land and buildings.</p>
<p data-bbox="211 668 249 701">●</p> <p data-bbox="186 719 275 743">Medium</p>	<p data-bbox="384 668 1166 715">From our review of the accounting for the revaluations we identified some inconsistencies in the Trust's approach.</p> <p data-bbox="384 733 1258 872">The Trust prepared an analysis of the impact of the different approach and this demonstrated a potential difference of £1.067m for the North Manchester sites, when extrapolated that is estimated potential difference of £3.114m for the current year revaluations. The impact is a potential misclassification between the revaluation reserve and impairment through income and expenditure.</p>	<p data-bbox="1284 668 2430 772">We recommend the approach to accounting for valuations is reviewed to ensure movements are applied accurately between revaluation reserve or through income and expenditure; and also reconciles the detailed asset register to the external valuer's block summary to demonstrate the componentisation of assets is accurate.</p> <p data-bbox="1284 833 1531 858"><b>Management response</b></p> <p data-bbox="1284 872 2415 1039">Agreed. Our view is that the component basis applied to reflect the valuation results into the Trust's land and buildings appropriately reflects the way in which the Trust's land and buildings are employed. For the 2025/26 year-end, we will prepare a working paper to prove that there is not a material difference between the component basis employed by the Trust and the more detailed block basis employed by the valuer. We will also prepare a working paper to reconcile the detailed fixed asset register to the external valuer's block summary to demonstrate that the componentisation of assets is accurate.</p>
<p data-bbox="211 1061 249 1093">●</p> <p data-bbox="186 1112 275 1136">Medium</p>	<p data-bbox="384 1061 1243 1196">The Trust operates a policy to review capital expenditure to identify items subject to impairment on the basis that they do not impact the overall valuation of the related building asset. The judgement that capital expenditure does not enhance the value of an asset is a key assumption we would expect to be reviewed by the Trust's external valuer as part of the annual valuation process.</p> <p data-bbox="384 1215 1258 1268">We also identified an inconsistency in accounting for impairments as a result of the Trust's approach which may introduce classification errors.</p>	<p data-bbox="1284 1061 2295 1110">We recommend the Trust reviews the capitalisation and impairment policy to ensure it meets the requirements of the financial reporting framework.</p> <p data-bbox="1284 1129 1531 1153"><b>Management response</b></p> <p data-bbox="1284 1168 2415 1248">Agreed. During 2025/26, we will consider our approach to capitalisation, valuation and impairment of the Trust's land and buildings to ensure that we are adopting an appropriate and efficient approach. This will include discussions with the external audit team to ensure that we are applying best practice.</p>

# C. Follow up of prior year recommendations

The predecessor auditor identified the following issues in the audit of Manchester University NHS Foundation Trust's 2023/24 financial statements, which resulted in 9 recommendations being reported in the 2023/24 Audit Completion Report. The table below sets out the progress with prior year recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	The Trust should ensure the detailed listings provided to audit are complete, accurate and reconcile to the relevant balances within the financial statements.	Transaction listings obtained as part of the audit were reconciled to the relevant balances. No further issues identified.
✓	The Trust should continue to review its approach to calculating the PFI liabilities under IFRS 16 at a sufficiently granular level to ensure they remain appropriate.	The Trust has commissioned an external review on the reasonableness of the PFI models. Our review of the PFI models by our specialist team has not identified any further matters to report.
✓	The Trust should ensure it complies with IAS16 and the GAM by undertaking an annual review of assets in use to ensure the allocated asset lives are appropriate, depreciation is being properly charged and assets are properly reflect the current value in use.	Our review of the asset registers and sample testing of specific items, did not identify any further matters to report.
✓	The level of provisions required, the reasons for them and the basis of their calculation are key areas of management judgement. Management should ensure there is formal evidence of the reviews they undertake in to support the judgements and decisions made.	Completed – there are detailed working papers prepared for each provision included in the year-end accounts, setting out the basis of calculation and key areas of judgement, noting the evidence in support of the judgements and decisions made.

## Assessment

✓ Action completed

✗ Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	The judgements and decisions made in respect of the Trust's expected credit loss allowance are key judgements within the Trust's financial reporting. Management should ensure that there is formal evidence retained of all decisions taken. This will ensure a full audit trail is retained to support and substantiate the balance within the financial statements.	Completed – there is a detailed working paper to support the year-end bad debt provision which refers back to supporting decisions made.
✓	The Trust should ensure access is removed immediately when an employee leaves.	Completed. The Finance Systems team have a process in place to immediately revoke system access to Integra when they are notified an employee is leaving. Where managers fail to notify the team of a leaver, there is a backup system whereby a monthly report is pulled from ESR and all leavers are compared with the finance user list and access is then revoked. It should also be noted that to access the finance system staff must have a working MFT account (controlled by digital) and therefore where a manager has notified Digital/IT of a leaver they will be unable to access the system, even if the manager has not notified the finance systems team.
To be updated	<p>Management should put in place review processes to identify historic purchase orders to ensure that duplicates are not created.</p> <p>A look back should be undertaken to ensure any such duplicate purchase orders are identified and cancelled to reduce the risk an invoice is paid twice.</p>	To be updated
✓	Management should review their policy for credit loss allowances and ensure the treatment for NHS receivables is consistent with the treatment set out in the DHSC GAM.	Completed – we have reviewed our bad debt provision and removed any provision made against NHS debtor balances.
✓	Management should review the asset registers and perform appropriate write off's to correct any such assets which are identified as having a brought forward impairment and revaluation reserve balance.	Our review of the assets registers and supporting analysis provided by the Trust showed there are no assets with both a brought forward revaluation reserve and brought forward impairment.

# D. Management letter of representation

We have requested a letter of representation from management. The letter includes representations on the unadjusted misstatements as included in this audit findings report.

Enclosed separately

# E. Audit opinion

Enclosed separately



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