

Alder Hey Children's NHS Foundation Trust

Auditor's Annual Report
Year ended 31 March 2026
09 July 2026



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Audit & Risk Committee
Alder Hey Children's NHS Foundation Trust
Eaton Road,
West Derby,
L12 2AP

09 July 2026

Dear Committee Members

2025/26 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for Alder Hey Children's Hospital NHS Foundation Trust. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2025/26.

This report is intended to draw to the attention of the Trust any relevant issues arising from our work. It is not intended for, and should not be used for, any other purpose.

We welcome the opportunity to discuss the contents of this report with you at a future meeting of the Audit and Risk Committee.

Yours faithfully

Hassan Rohimun

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the 'Statement of responsibilities of auditors and audited bodies'. It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment and further guidance (updated July 2021)' issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice 2024 (the NAO Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Risk Committee, Board of Directors and management of Alder Hey Children's NHS Foundation Trust. Our work has been undertaken so that we might state to the Audit and Risk Committee, Board of Directors and management of Alder Hey Children's NHS Foundation Trust those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Risk Committee, Board of Directors and management of Alder Hey Children's NHS Foundation Trust for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year and the value for money commentary, including confirmation of the opinion given on the financial statements; and, by exception, reference to any reporting by the auditor using their powers under the Local Audit and Accountability Act 2014. As set out in the Code of Audit Practice 2024 (the 2024 Code) issued by the National Audit Office (NAO) and the accompanying Auditor Guidance Note 3 (AGN 03), this commentary aims to highlight to the Trust, and the wider public, relevant issues identified during our audit. It includes the recommendations arising from our current year's audit as well as a follow-up on recommendations issued in previous years. Additionally, it includes our assessment of whether prior recommendations have been satisfactorily implemented.

Responsibilities of the appointed auditor

We have undertaken our 2025/26 audit work in accordance with the Audit Plan that we issued on 09 April 2026. We have complied with the National Audit Office's (NAO) Code of Audit Practice 2024, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2025/26 financial statements;
- The parts of the remuneration and staff report to be audited;
- The consistency of other information published with the financial statements, including the Annual Report; and
- Whether the consolidation schedules are consistent with the Trust's financial statements for the relevant reporting period.

Reporting by exception:

- If the Governance Statement does not comply with relevant guidance or is not consistent with our understanding of the Trust;
- To NHS England if we have concerns about the legality of transactions or decisions taken by the Trust;
- Any significant matters or written recommendations that are in the public interest; and
- If we identify a significant weakness in the Trust's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Trust

The Trust is responsible for preparing and publishing its financial statements, Annual Report and Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (cont'd)

2025/26 conclusions

Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Trust as at 31 March 2026 and of its expenditure and income for the year then ended. We issued our auditor's report on 25 June 2026.
Consistency of the other information published with the financial statement	Financial information in the Annual Report and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Trust's VFM arrangements.
The parts of the remuneration and staff report to be audited	We identified no issues or exceptions from our audit of the relevant sections of the remuneration and staff report.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Trust.
Referrals to NHS England	We made no such referrals.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Reporting to the Trust on its consolidation schedules	We concluded that the Trust's consolidation schedules agreed, within a £465,000 tolerance, to the audited financial statements.
Reporting to the National Audit Office (NAO) in line with group instructions	We have reported to the NAO in line with their group instructions. We had no matters to report to the NAO.
Certificate	We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Alder Hey Children's Hospital NHS Foundation Trust.

Executive Summary (cont'd)

Value for money scope

Under the 2024 Code, we are required to consider whether Alder Hey Children's Hospital NHS Foundation Trust has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to Alder Hey Children's Hospital NHS Foundation Trust a commentary against specified reporting criteria (see below) on the arrangements Alder Hey Children's Hospital NHS Foundation Trust has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

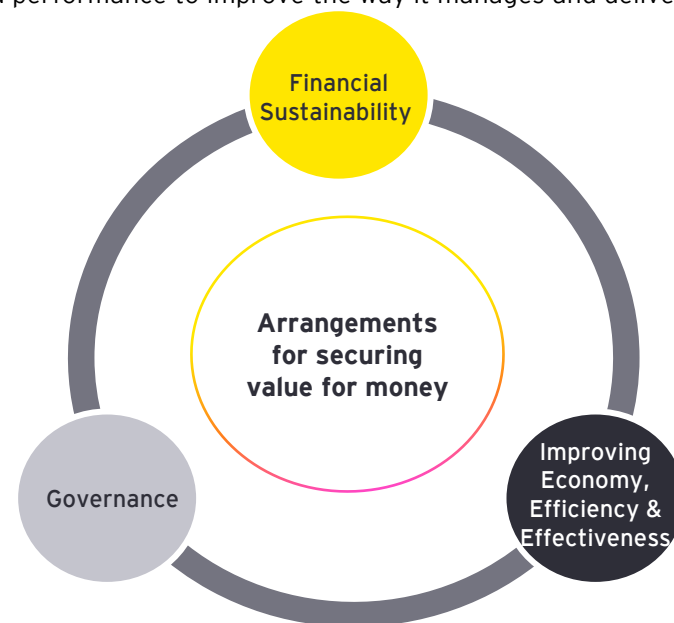
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements.

The specified reporting criteria are:

- Financial sustainability - How the Trust plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Trust ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Trust uses information about its costs and performance to improve the way it manages and delivers its services.

In undertaking our procedures to understand the Trust's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Board and Audit & Risk Committee reports;
- meetings with the Trust's Audit & Risk Committee, with management and the Trust's Director of Corporate Affairs;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Trust management and the finance team.



Executive Summary (cont'd)

Reporting

Our commentary for 2025/26 is set out in Section 03. The commentary on these pages summarises our understanding of the arrangements at the Trust based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2025/26. In accordance with the 2024 Code, we are required to report a commentary against these specified criteria. In planning our audit, we did not identify a risk of significant weakness in arrangements and based on the work undertaken we concluded that there are no significant weakness in the Trust's arrangements.

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Trust plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Trust ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
Improving economy, efficiency and effectiveness: How the Trust uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Trust, and its members and senior management and its affiliates, including all services provided by us and our network to the Trust, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2025 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2025:

[EY UK 2025 Transparency Report | EY - UK](#)



02 Audit of financial statements

Audit of financial statements

Key findings

The Annual Report and Accounts is an important tool for the Trust to show how it has used public money and how it can demonstrate its financial management and financial health.

On 25 June 2026 we issued an unqualified opinion on the financial statements. We reported our audit scope, risks identified and detailed findings to the 09 April 2026 meeting of Audit & Risk Committee in our Audit Results Report. We outline below the conclusions of the work we undertook to address the significant risks which we had identified.

Whilst, we have not identified any significant weaknesses in arrangements, in respect of our value for money reporting responsibilities, during the course of our 2025/26 audit we identified five areas where internal controls could be improved, our recommendations and the Trust's response can be found in our appendix A.

Financial statement risks	
Significant Risk	Conclusion
Misstatements due to fraud or error - Management override of controls	Our work did not identify any material weaknesses in controls or evidence of material management override. We did not identify any instances of inappropriate judgements or estimates being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Trust's normal course of business. No additional specific risks of fraud were identified in relation to our audit of Alder Hey Children's NHS Foundation Trust. This includes consideration of fraud experienced by the Trust and brought to our attention during the audit process.
Manipulation of financial position (reported financial performance) through fraud in revenue and expenditure recognition	Our procedures identified exceptions in the receivables (prepayments) and payables (accruals). These errors have arisen as a result of manual reconciliations and there is no evidence of deliberate manipulation of the financial position by management.
Misstatements due to fraud or error - inappropriate capitalisation of revenue expenditure	Our work in this area did not identify any instances of inappropriate capitalisation of revenue expenditure.
Cut-off risk on capitalised expenditure	Our work did not identify any instances of capital expenditure relating to the financial year 2026/27 being incorrectly accounted for in 2025/26.



03 Value for money commentary

Value for Money Commentary

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

No significant weakness identified

The Trust develops and sets its financial plan and budget using dual processes:

- Top down: where the Trust quantifies the core financial gap to assess its affordability envelope and inform the scale of the efficiency expectation for forthcoming year. This is developed through the application of national and local planning assumptions, as well as known commitments.
- Bottom up: where the Trust develops a granular level of activity, income, expenditure, workforce, capacity and efficiency planning.

There are effective arrangements in place at the Trust to approve and monitor budgets. Budget and financial management reporting to the Board includes a significant range of financial and non-financial management information of the Trust's key performance areas, enabling the Board to manage financial and service delivery performance against plan and to develop mitigating actions for any areas of non delivery. Throughout the year the Finance, Transformation and Performance Committee (FTPC) undertook detailed executive oversight and monitoring of the Trust's financial position, the FTPC received monthly pay and non pay cost variance analysis and reporting of progress against the capital programme.

The Trust delivered £22.7 million savings against a plan of £22.7 million, meaning that the whole balance of the cost improvement programme (CIP) was achieved in year. However, as reported to FTPC in month 12, not all of the savings were delivered on recurrent basis, £12.7 million (56%) was achieved through the delivery of recurrent savings programmes with the difference being achieved via non-recurrent measures and subsequently carried forward as a gap into 2026/27. The FTPC noted in the month 12 report that:

- CIP delivery remains a significant area of concern, with a recurrent gap of £9.9 million carried forward into 2026/27. This shortfall materially increases the challenge for the year ahead meaning that the overall CIP requirement for 2026/27 stands at £25 million.
- Continued and sustained focus on recurrent efficiency delivery will therefore be essential. Work was underway to support the delivery in 2026/27, including ongoing programmes within the Finance Improvement Programme and HWWWITF programme (How We Will Work in The Future).
- Cost control will remain a key priority in 2026/27, and the cash strategy will continue to be a major area of focus to ensure that the risk associated with low cash balances is appropriately mitigated and managed throughout the year.

In line with NHS England requirements the Trust agreed a 2026/27 financial plan that aims to deliver a £0.68 million surplus control total. The Trust is reporting, as at June 2026, that it is on course to deliver this plan which is dependent in delivering the increased £25 million 2026/27 CIP target.

The Trust has sound arrangements for assessing their ability to continue as a going concern with management providing a paper for the Audit and Risk Committee which identified that in a worst-case scenario of non-delivery of their cost improvement plan for the next 18 months, the Trust would retain sufficient resources to operate in a financially sustainable manner until September 2027.

Conclusion: Based on the work performed, the Trust had proper arrangements in place in 2025/26 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (cont'd)

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

No significant weakness identified

The Trust has an appropriate governance framework in place to make informed decisions and manage risks. The Trust monitored and assessed risk during the year through its risk management and reporting system which underlies the Board Assurance Framework (BAF) that supports board oversight of risks, controls and mitigations. The Trust Board reviews the BAF at each meeting to assess the development of key and emerging risks to ensure that these are accurately reflected and managed. The Trust monitors quality and safety risks in the delivery of its services and it has an effective control environment in place supported with relevant policies and procedures including fraud prevention policies.

The Board scrutinises the Trust's performance against regulatory requirements and national standards on a monthly basis through its review of the Integrated Performance Report and emphasises the importance of patient and staff experience by hearing examples of actual experiences directly from patients and staff. The Board has a stable working relationship with the Governors aiming to work collaboratively in an open and transparent way. The Trust's arrangements are underpinned by the foundations laid out within the Corporate Governance Manual, which sets the tone throughout the organs of governance in operation across the Trust. The manual also provides, in one place, a reference point for the full framework of governance documentation.

In 2025/26 the Internal Audit Assurance Framework Review concluded that the structure of the Assurance Framework met the basic components required with controls, assurances and gaps documented. The Head of Internal opinion for 2025/26 provided "Substantial Assurance" and concluded that there was a good system of internal control which was consistently applied.

The effective operation of the Board, supported with regular, clear and relevant information, is the Trust's key tool for ensuring that it makes properly informed decisions. Board papers are presented with header sheets that: outline the purpose of the paper; summarises the actions and decisions required; provide a link to the Trust's strategic aims; provide details on the resource implications; and whether the issue relates to an identified risk. The minutes of Board meetings provides evidence of the consideration and challenge made by non-executive members and the transparency in decision making.

The Audit and Risk Committee is comprised of appropriately skilled and experienced members, it has clear terms of reference which emphasises the Committee's role in providing effective challenge and has an annual work plan to help ensure that it focuses on the relevant aspects of governance, internal control and financial reporting.

The Trust has specific policies for staff and non-executive directors in respect of gifts and hospitality and conflicts of interest. For confirmations and declarations, the Trust invested in electronic system in the past as a driver to move from the paper-based compliance system to an electronic system that enabled improved reporting, monitoring and compliance. This is now embedded and has been operating effectively.

Conclusion: Based on the work performed, the Trust had proper arrangements in place in 2025/26 to make informed decisions and properly manage its risks.

Value for Money Commentary (cont'd)

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

No significant weakness identified

The Trust report and monitor financial and non-financial performance information through internal governance frameworks, including regular review by the Board and FTPC. There is monthly reporting on the outturn position and financial performance which is formally reviewed at FTPC monthly meetings and informally on a fortnightly through executive updates. The Board receives reports on performance in its key areas, which includes: Patients; Sustainability; People; Quality; and Systems & Partnerships, the reports clearly outline performance against planned targets and outcomes. Depending on the performance area, a Board committee will have oversight of the actions identified and taken to address any areas where performance is below plan, with each committee having a process in place for monitoring agreed actions with progress then reported to the Board.

The integrated performance and finance report identifies the key performance indicators for service areas which are monitored on a regular basis by the Board and FTPC which includes actions taken to address areas where performance is below target. Clinical performance including patient safety and the quality of care provided is reviewed and monitored on a regular basis by the Safety and Quality Assurance Committee (SQAC). The Trust is also subject to inspection by the Care Quality Commission and is currently rated 'Good' overall.

The Trust plays an active role across Cheshire and Merseyside, and the benefits of partnership working are set out in the Trust vision for a healthier future for children and young people. The Trust uses information about its costs and performance to improve the way it manages and delivers its services. This includes optimising patient care through partnership programs and having arrangements in place to escalate underperformance and identify mitigating actions

In May 2026, the Trust successfully achieved Advanced Foundation Trust status. Clearly, this is an excellent landmark for the Trust, recognition that the Trust is high performing. With NHSE describing organisations achieving this status as having:

"shown they are delivering the public's priorities and value for money, as measured by the NHS Oversight Framework, and that they are providing high quality care to patients as measured by Care Quality Commission (CQC) ratings and the quality domains within the NHS Oversight Framework."

Conclusion: Based on the work performed, the Trust had proper arrangements in place in 2025/26 to enable it to use information about its costs and performance to improve the way it manages and delivers its services.



04 Appendices

Appendix A - Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to the Audit and Risk Committee any significant deficiencies in internal control which we identify during the course of our audit.

The table below provides an overview observations we made from our 2025/26 audit

	High	Moderate	Low	Total
Open at 31 March 2025	-	3	1	4
Closed during FY 2025/26	-	(3)	(1)	(4)
Change risk rating	-	-	-	-
New points raised in FY 2025/26	-	2	3	5
Total open points as at 31 March 2026	-	2	3	5

Key:



A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.



Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.



Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded were of sufficient importance to merit being reported to the Audit and Risk Committee.

Appendix A - Assessment of Control Environment (cont'd)

Summary of control observations and recommendations

Control observation and impact	Grading	Recommendation	Management Response
	H M L		
PP&E reconciliation and system alignment We identified inconsistencies between key financial data sources, including the Fixed Assets Register (FAR), the general ledger, and the draft financial statements, when considered at a gross level, and between categories. The Trust has reconciled these differences, which were observed across both opening and closing balances and affected multiple asset categories. We noted that these differences primarily arose from a legacy journal posted in the 2023/24 financial year, which impacted multiple asset categories, and which was not consistently reflected across systems. The occurrence of significant unexplained differences in the PPE reconciliation indicates a weakness in financial controls over PPE accounting with a lack of alignment between core financial systems (FAR, ledger, and reporting outputs). If unresolved such differences could result in material misstatements in future periods.	M	We recommend that the Trust: - Strengthens its period-end reconciliation controls between the FAR, ledger, and draft financial statements - Ensures that journals affecting PP&E are consistently reflected across all systems - Implements a robust review process to identify and resolve discrepancies on a timely basis - Improves the reliability of system outputs(including CARS) prior to financial reporting	Historically, the Trust has reconciled the FAR to the ledger at a NBV level. Going forward, each time the FAR is updated, typically at months 9 and 12, we will complete the reconciliation of gross book value and depreciation, to align with audit testing procedures and year end, to ensure that both the gross and net book value of assets remain reconciled over time. The reconciliation performed at each update of the FAR will also include a reconciliation by asset type to ensure that categorisation of assets remain aligned.
Patient Care income reconciliation The Trust did not initially have a complete reconciliation of Patient Care Income, from the contract to the financial statements. The initial reconciliation provided, contained errors, and three further subsequent iterations were required to appropriately identify and support the underlying transactions.. The absence of a complete reconciliation resulted in a additional audit work being undertaken as there were queries raised on the different iterations provided and additional time taken to complete our required audit procedures.	M	The Trust should ensure that a complete contract reconciliation is regularly undertaken and reviewed.	The Trust plans to embed the reconciliation of income by commissioner and nature into standard month-end processes so that year end is simply a continuation of this practice. This will ensure senior oversight and review of the reconciliation of income by nature and commissioner monthly as well as at year-end.

Appendix A - Assessment of Control Environment (cont'd)

Summary of control observations and recommendations

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
Accruals accounting We noted exceptions between the accrual estimates and actual supplier invoices. These variances were driven by errors made in manual reconciliation of the purchase order and the final invoice pricing. Impact of this includes: - Accruals could be overstated or understated, impacting reported expenditure and year-end liabilities - Potential cut-off errors at period end - Increased risk of misclassification between balance sheet accounts.			L	We recommend that the Trust: - Provides targeted training to finance staff on the correct accounting treatment for accruals - Implements enhanced review controls over period-end adjustments, particularly for balance sheet classifications	Internal training will be updated to reiterate the importance of correct accounting treatment for accruals. We will use worked examples from this year's audit in order to emphasise the point and ensure that issues that have arisen do not reoccur.
Prepayment accounting We noted exceptions in the accounting for prepaid expenses. Specifically, instances were noted where transactions representing a reduction in payables were incorrectly recorded as prepayments. While this treatment results in balance sheet adjustments, the underlying accounting rationale differs and was not consistently applied. Impact of this includes: - Accruals could be overstated or understated, impacting reported expenditure and year-end liabilities - Cut-off errors at period end - Increased risk of misclassification between balance sheet accounts.			L	We recommend that the Trust: - Provides targeted training to finance staff on the correct accounting treatment for accruals - Implements enhanced review controls over period-end adjustments, particularly for balance sheet classifications - Clarifies and documents guidance on distinguishing between prepayments and payables movements	Internal training will be updated to reiterate the importance of correct accounting treatment for accruals. We will use worked examples from this year's audit in order to emphasise the point and ensure that issues that have arisen do not reoccur. The issue around offsetting accruals and prepayments has already been raised at management accounts team meeting and has been followed up with an email to reiterate and to ensure that lessons are learnt for reporting as early as possible in 2026/27.
Financial Statement Closedown Process Journal entry testing identified 2 transactions straddling the 2025/26 and 2026/27 financial years. The full transactions were accounted for in 2025/26. Management noted a de-minimis level for accounting had increased in year from £5,000 but now £12,000, for which accruals need not be made due to materiality. Although we identified some between £5,000 and £12,000, there were others above the revised cap.			L	We recommend that the Trust formalise and enforce their de-minimis accruals level and ensure this is communicated as part of the closedown timetable.	The Trust will put in place a formal de-minimis for accruals, prepayments and deferred income that will require senior approval if postings are to be made below this level (e.g. if required for the purposes of grant reporting etc). This will be covered in our internal audit wash up debrief, as well as in ongoing Management Accounts training going forward, to ensure the change is implemented as early in the year as possible.

Appendix A - Assessment of Control Environment (cont'd)

Status of previous year's (2024/25) recommendations

Description	Management Update	Status
<u>Patient care Income</u> We identified that a contract with a commissioner was not signed by the counterparty.	The Trust's main contracts (i.e., all contracts signed with bodies operating in England), have been signed by counterparties	No issues identified in 2025/26. Closed
<u>Car lease receivables</u> Certain enduring codes relating to the statement of financial position have not been examined or monitored effectively to determine when they are due	The Trust noted that long term debt is reviewed by the senior finance team monthly and escalated where needed. On a quarterly basis, the top 10 aged debts are referred to the Finance, Treasury & Performance Committee (FTPC) of the Trust with an update of the action required to try and resolve.	No issues identified in 2025/26. Closed
<u>Officers' Remuneration Report</u> The remuneration report is a sensitive area of the annual report and guidance is published for Trust's to follow. It is important that management ensure that they, and anybody responsible providing any input to the report, understand the requirements. We have reported adjustments made by management in respect of the pay multiples disclosures; management should ensure that guidance is followed during the preparation of the notes in future years.	The trust would be willing to agree interpretation of guidance around remuneration notes in a walkthrough prior to submitting accounts.	In progress, we noted items below our reporting threshold that required amendment by management.
<u>Capitalised Payroll</u> Our testing of capitalised payroll identified that the approval of payroll costs that are capitalised is not documented. Without formal approvals for the capitalisation of payroll costs, there is a risk of errors and/or fraudulent entries not being identified.	Capitalised payroll spend has been communicated to budget holders throughout the year, and they have confirmed the correct staff in post.	No issues identified in 2025/26. Closed

Appendix A - Assessment of Control Environment (cont'd)

Status of previous year's (2024/25) recommendations

Description	Management Update	Status
Property, Plant & Equipment		
We identified significant weaknesses in the year end capital process. The Trust is undergoing the most significant capital programme for a number of years with major schemes spanning financial years. The arrangements to identify, record and recognise capital expenditure incurred at 31 March has not been adequate. The Trust may have misreported their capital plan to the board and the ICB. The Trust have not monitored progress on the capital schemes appropriately and have not appropriately considered the accounting for capital schemes. There has been inadequate record keeping to support the accounting treatment.	The finance team have become more embedded with the project team of all the works that are currently under way. This has enabled finance to get valuation certificates dated 31st March in order to correctly record the value of work completed.	Progress has been observed, however, as demonstrated by the weakness in year, there remains action points for management to address.
Patient Care Income and accruals		
We noted that the Pharmacy team logs medications into the JAC system, particularly concerning Homecare, without attaching a date stamp. This oversight results in timing discrepancies and leads to inaccurate reports to the commissioners.	It is always the Trust's aim to sign contracts in a timely manner, but this is subject to the conclusion of negotiation with commissioners ensuring agreement is reached on both financials and quality schedules.	No issues identified in 2025/26. Closed
IT General Controls		
Our IT controls procedures identified the following control deficiencies: ➤ Changes to the IT systems and network are tested prior to being implemented, however, evidence of this is not retained. ➤ Meetings of the Change Advisory Board are not recorded. ➤ Logged changes cannot be traced to approvals. Failure to document process changes to the systems and network, increases the risk of issues developing without appropriate evidence of how to reverse or mitigate problems that may arise.	There is a clear policy and process established within Alder Hey to manage technical and system changes covered in the Control Procedure ratified by IT Ops Group and Digital Oversight Collaborative. The Change Advisory Board meets weekly and has representation from various Digital Teams and the Associate Chief Operating Officer - Estates and Facilities who acts as the conduit for the wider organisation. All changes and approvals are documented in an electronic system, records are kept indefinitely and can be referenced at any time. Meetings are not routinely recorded but something that can be implemented going forward.	No issues identified in 2025/26. Closed

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