Auditor's Annual Report 2025/26

Norfolk & Norwich University Hospitals NHS Foundation Trust

—

June 2026

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This report is addressed to Norfolk & Norwich University Hospitals NHS Foundation Trust (the Trust), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state, those matters we are required to state to them in an auditors' annual report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Norfolk & Norwich University Hospitals NHS Foundation Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

01 Executive Summary

Executive Summary

Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2025-26 audit of Norfolk & Norwich University Hospitals NHS Foundation Trust (the 'Trust'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Trust alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:

Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Trust and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the Group Accounting Manual prepared by the Department of Health and Social Care (DHSC).

Annual report - We assess whether the annual report is consistent with our knowledge of the Trust. We perform testing of certain figures labelled in the remuneration report.

Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Trust's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.

Other reporting - We may issue other reports where we determine that this is necessary in the public interest under the Local Audit and Accountability Act.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities

Accounts	We issued an unqualified opinion on the Trust's accounts on 25th June 2026. This means that we believe the accounts give a true and fair view of the financial performance and position of the Trust. We have provided further details of the key risks we identified and our response on page 7.
Annual report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust. We confirmed that the annual report has been prepared in line with the NHS Group Accounting Manual (GAM) and the Foundation Trust Annual Reporting Manual (the ARM).
Value for money	We are required to report if we identify any matters that indicate the Trust does not have sufficient arrangements to achieve value for money. We identified one significant weakness relating to the arrangements for the identification and delivery of recurrent CIP. We have provided further detail on page 21. We have followed up on the significant weaknesses in the prior year on page 25.
Other reporting	We did not consider it necessary to issue any other reports in the public interest

02
Audit of the Financial Statements

Audit of the financial statements

KPMG provides an independent opinion on whether the Trust's financial statements:

- Give a true and fair view of the state of the Trust's affairs as at 31 March 2026 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by NHS England with the consent of the Secretary of State in February 2026 as being relevant to NHS Foundation Trusts and included in the Department of Health and Social Care Group Accounting Manual 2025/26; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006 (as amended).

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Audit opinion on the financial statements

We have issued an unqualified opinion on the Trust's financial statements before 26 June 2026.

The full opinion is included in the Trust's Annual Report and Accounts for 2025/26 which can be obtained from the Trust's website.

Further information on our audit of the financial statements is set out overleaf.

Audit of the financial statements

The table below summarises the key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Risk	Procedures undertaken	Findings
Fraudulent expenditure recognition Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk over non-payroll, non-depreciation expenditure with a focus on year end accruals	• We evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they exist and are valid; • We inspected a sample of invoices and payments of expenditure, in the period after 31 March 2026, to determine whether expenditure has been recognised in the correct accounting period; • We inspected a sample of invoices of expenditure, in period 9, to determine whether expenditure has been recognised in the correct accounting period linked to a heightened risk due to reliance of deficit funding; • We inspected a sample of invoices of expenditure, in the period before 31 March 2026, to determine whether expenditure has been recognised in the correct accounting period; • We have selected a sample of year end accruals and inspected evidence of the actual amount paid after year end and other supporting information in order to assess whether the accrual existed and has been accurately recorded. • We have inspected journals posted as part of the year end close procedures that increase the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence; • We have performed a year-on-year comparison of a sample of the largest accruals in the prior year and current year and challenged management where the movement is not in line with our understanding of the entity.	We identified two misstatements relating to the overstatement of accruals and associated expenditure that have not been corrected by management. Updating this would lead to a decrease in accruals and operating expenditure of £10.0m, however we did not consider this material. We raised a recommendation relating to the review of manual accruals.

Audit of the financial statements

The table below summarises the key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Risk	Procedures undertaken	Findings
Management override of controls We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.	• Assessed accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicated a possible bias. • In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments. • Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates. • Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Trust's normal course of business, or are otherwise unusual. • We have analysed all journals through the year using data and analytics and focused our testing on those with a higher risk. We identified journal entries and other adjustments with characteristics that make them susceptible to fraud using KPMG Clara AI Transaction Scoring and performed procedures to test the appropriateness of these entries and adjustments.	We did not identify any material misstatements relating to this risk. We raised a recommendation relating to the review of journal postings.

03 Value for Money

Value for Money

Introduction

We are required to consider whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Trust for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:

- 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

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Trust.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	12-15	16-20	21-23
Identified risks of significant weakness?	Yes	No	Yes
Actual significant weakness identified?	No	No	Yes
2024-25 Findings	Risk to significant weakness noted but did not materialise into significant weakness	No significant weakness identified	Significant weakness in arrangements identified
Direction of travel	⟺	⟺	⟺

Significant weaknesses followed up from the prior year

A significant weakness surrounding improving economy, efficiency and effectiveness was identified in the previous year and remains in the current year. In line with guidance, we have not raised a new recommendation this year but have followed up the progress in implementing the recommendation previously raised, see page 25.

Value for Money

NATIONAL CONTEXT

In July 2025 the Department of Health and Social Care published the 10 year plan for the NHS. This sets the strategic direction that is planned to be taken for the health service, with a focus built around three key shifts:

- From hospital to community;
- From analogue to digital; and
- From sickness to prevention.

A number of structural changes are planned to support the implementation of the strategy between 2025 and 2027, with NHS England taking greater responsibility for the management of financial performance of providers within the sector and a reduced role for managing finances at an integrated care system level.

It is anticipated that all provider trusts will become foundation trusts and a scheme to pilot 'advanced' foundation trusts was launched during the year, with greater freedoms available for the management of finances as well as the leadership for accountable health organisations available to those providers in the highest performing segment of NHS England's oversight framework.

While revised structures were implemented there continued to be a focus on improving performance in key operational areas, including reducing referral to treatment backlogs and ambulance waiting times. Nationally the proportion of elective patients waiting less than 18 weeks improved from 60% to 65% during 2025-26, though 1.3% of patients continued to wait over 52 weeks to commence treatment. Eliminating long waiters forms a key part of the priorities for the NHS in the year and moving into 2026-27.

Nationally ambulance response times also improved and reduced to the lowest level since 2021 for category 2 response times, reflecting serious but not life threatening conditions that require ambulance support. The target for this standard remains 18 minutes, which has not been met since 2021.

LOCAL CONTEXT

The Norfolk and Norwich University Hospitals NHS Foundation Trust (NNUH) is the largest acute health provider within the Norfolk and Waveney ICS. It operates across a small number of sites, with the main hospital site being a large PFI hospital on the outskirts of Norwich.

From 1 November 2025, the Norfolk and Waveney University Hospitals Group (N&WUHG) was established between Norfolk and Norwich University Hospitals, James Paget University Hospital (JPUH) and Queen Elizabeth Hospital Kings Lynn (QEHKL). This has seen the alignment of the governance arrangements across the Three Trusts, with a single group CEO, CFO and Audit Committee. This move to the group model looks to respond to the ongoing financial and clinical pressures experienced by the Trusts which are further compounded by the aging and growing population in a rural location.

During the year, the Trust was able to achieve its breakeven position, and deliver a small surplus, as a result of a number of non-recurrent items including £7.7m of deficit support funding received. Prior to the receipt of the deficit support funding, the Trust would have delivered a £2.8m deficit.

Looking ahead to 2026-27, the N&WUHG will have a single income contracting model with the ICBs which will see income for the group being managed by NNUH for all entities in the group and then passed through to JPUH & QEHKL via subcontracting arrangements.

For the 2026-27 financial year, the Trust has submitted a breakeven financial plan which includes a £52m CIP requirement, representing 4.9% of operating expenditure. This continues to represent a significant target for NNUH in the context of looking to support the delivery requirements of the wider group as the largest provider in the group.

Financial Sustainability

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

We have considered the following in our work:

- How the Trust ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Trust plans to bridge its funding gaps and identifies achievable savings;
- How the Trust plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Trust ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Trust identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Annual budget setting process for 2025-26

- We reviewed the Trust's processes for budget setting and financial monitoring and concluded that the existing control framework is effective in identifying and incorporating material financial pressures within the financial plan. Initial draft budgets were developed using appropriate local and national planning assumptions.
- Our review of Cycle 1 of the 2025/26 financial plan identified a draft deficit of £16.8m, including a Cost Improvement Programme (CIP) requirement of £24.2m. In the final submission, this position improved to a breakeven plan on a control total basis, supported by £2.8m of deficit funding. This improvement was primarily attributable to an increase in the CIP requirement from £24.2m to £43.7m.
- Finance business partners work closely with budget holders and divisional leadership teams to identify cost pressures, informed by their ongoing knowledge of the services they support. A standardised framework is used to collate cost pressures, including the associated financial impact and risk assessment. This process is overseen and moderated by senior finance staff and reported through formal budget setting updates to the Hospital Management Board, the Finance, Investments and Performance Committee, and the Trust Board.
- Cost pressures are subject to robust challenge throughout the process, including requirements for divisions to identify mitigating actions and utilise the business case process for any discretionary investment. We observed evidence of appropriate review, scrutiny and formal approval by budget holders and the Trust Board at each stage of the financial planning process.

Budgeted performance vs. actual

- Financial performance is reported on a monthly basis to the Finance, Investments and Performance Committee and the Trust Board. These reports provide a detailed assessment of performance against the approved financial plan, alongside updates on key strategic financial pressures.
- Reporting includes monitoring against the financial risk register, which captures the principal financial risks facing the Trust. These include the risk of failure to deliver a breakeven financial plan, failure to achieve Cost Improvement Programme (CIP) targets, increased expenditure impacting plan delivery, and the risk of non-delivery of planned activity levels. For 2025/26, the full-year impact of these financial risks crystallised at £19.8m, offset by identified mitigations totalling £24.7m.
- On an adjusted performance basis, the Trust reported a surplus of £4.9m, exceeding the planned breakeven position. This outturn was largely driven by additional deficit support funding of £7.7m, compared to £2.8m included in the original plan. Excluding this additional support, the Trust would have reported a deficit of £2.8m.

Financial Sustainability

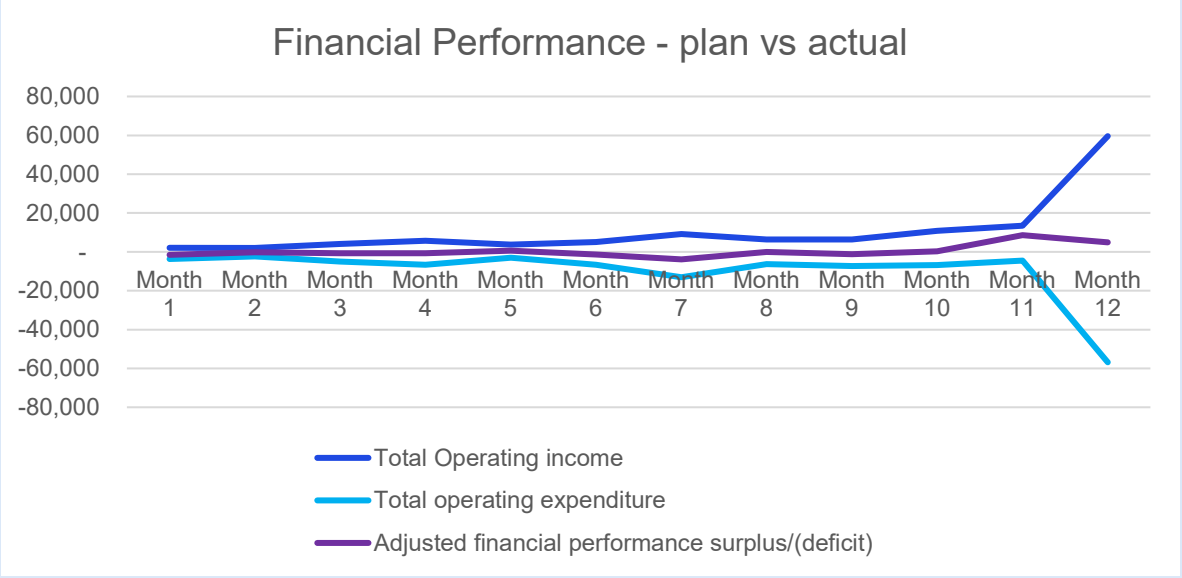
How the Trust plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Trust ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Trust plans to bridge its funding gaps and identifies achievable savings;
- How the Trust plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Trust ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Trust identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Budgeted performance vs. actual (continued)

Monthly performance monitoring indicates that the Trust consistently exceeded its planned expenditure levels throughout the year, with this overspend offset by higher-than-planned income. The overall variance between the initial plan and final outturn comprised an overspend of £122.2m, offset by additional income of £128.6m. Of the total additional income received, £83.9m was recognised in the final three months of the financial year. Further detail on monthly income and expenditure performance is set out in the graph below.



- The significant spike in the additional income and expenditure in the final month of the year relates to the additional pension contribution funding of £37.1m which is matched by an equivalent level of expenditure. Without this significant balance, the average additional income for the year was £7.6m which is the result of increased activity within the Trust and represents an increase compared to plan of income from patient care activities.

Financial Sustainability

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

We have considered the following in our work:

- How the Trust ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Trust plans to bridge its funding gaps and identifies achievable savings;
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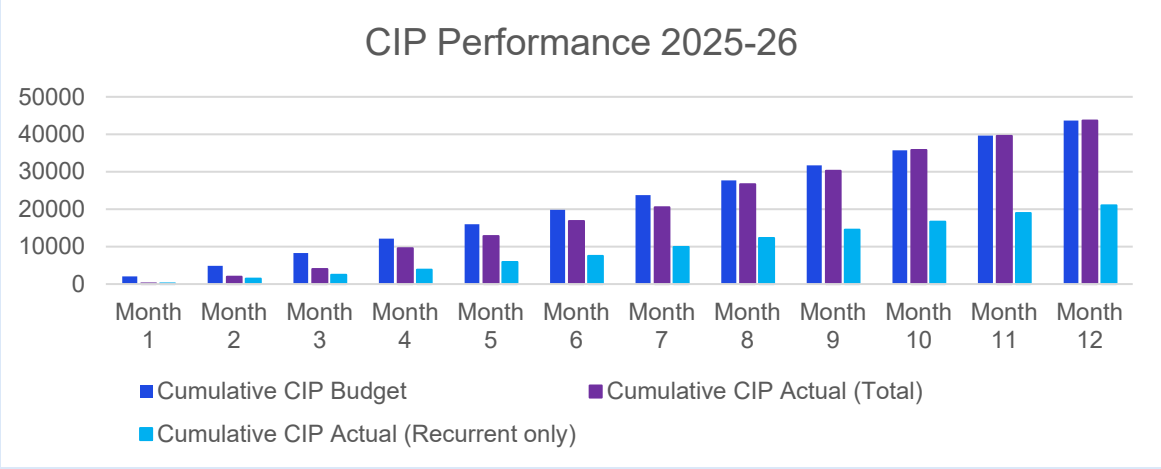
- How the Trust ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Trust identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

CIP Performance

- In the prior year it was noted that the ability for the Trust to prepare a breakeven budget for the financial year, was largely as a result of an increase in the CIP requirement during the financial planning cycle. This increased from £24.2m in the initial budget to £43.7m in the final submission. For the year ended 31 March 2026, the Trust delivered CIP of £43.7m which was in line with the budgeted plan.
- However this had a full year effect of £26.9m which is £16.8m adverse to plan and the achievement of the CIP performance in the current year was largely the result of non-recurrent additional funding receipts including deficit support funding (£4.9m) and Q4 sprint funding received (£3.2m). This overall split of the CIP delivery in the 2025-26 financial year saw £22.7m (52%) of this being delivered via non-recurrent schemes compared to a budgeted non-recurrent plan of £5m (11%).



- The Trust has recognised a risk within the Trust Financial risk register with a score of 12 linked to the delivery of the financial strategy where efficiency plans are not delivered. This risk is reviewed on a monthly basis as part of the finance report, which tracks the financial impact of the under delivery. It is evident through the review of minutes of the Finance, Investments and Performance Committee, that there was sufficient scrutiny of the Trust's CIP performance throughout the year.

Financial Sustainability

Planning to date for future periods

- KPMG have reviewed 2026-27 financial plan and note a this shows a breakeven position for the Trust. Included within the breakeven plan is an efficiency requirement of £52.2m, which is 4.9% of operating expenditure in line with the 2025-26 requirement. It is noted that the efficiency requirement includes 29.7% of non-recurrent efficiencies. This is an increase in the overall non-recurrent planned efficiencies however a large decrease compared to the actual levels of non-recurrent efficiencies noted in 2025-26. CIP continues to be a key area of focus linked with the improving economy, efficient and effectiveness domain, see reporting set out on page 21.

Financial sustainability conclusion

Based on the procedures performed we have not identified a significant weakness in relation to financial sustainability. The Trust achieved a £4.9m surplus on an adjusted performance basis compared to a breakeven budget.

It is acknowledged that the Trust delivered its CIP requirement in the current year however this was largely on a non-recurrent basis and the result of additional funding received rather than the successful delivery of cost savings, whilst this is considered to be a risk to the Trust as a result of the full year effect of schemes identified being £16.8m below the target levels, this did not prevent the Trust from delivering its overall financial plan. As such whilst a significant risk has been identified in relation to the impact of CIP delivery on financial sustainability, this is not considered to have crystallised into a significant weakness.

KPMG will continue to monitor financial performance for future periods acknowledging the breakeven plan for 2026-27 requires the delivery of a larger CIP plan than in the current financial year.

Key financial and performance metrics:	2025-26	2024-25
Planned surplus/(deficit)	£0m	£0m
Actual surplus/(deficit)	£4.9m	£0m
Actual CIP as a % of spend		
- Recurrent	48%	61%
- Non-recurrent	52%	39%
Year-end cash position	£73.5m	£63.2m

Governance

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

We have considered the following in our work:

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

Transition to group model

- On 1 November 2025, the Norfolk and Waveney University Hospitals Group (N&WUHG) was established, bringing together Norfolk and Norwich University Hospitals (NNUH), James Paget University Hospital (JPUH), and Queen Elizabeth Hospital King's Lynn (QEHKL). This transition introduced aligned governance arrangements across the three Trusts, including the appointment of a single Group Chief Executive Officer (CEO), Chief Financial Officer (CFO), and a joint Audit Committee.
- Whilst each organisation within the Group remains a separate legal entity with its own statutory responsibilities, shared arrangements have been implemented in relation to governance structures, risk management processes, and reporting frameworks.
- Accordingly, the following sections of this report consider the governance arrangements in place at NNUH prior to the establishment of the Group, as well as the revised arrangements operating under the new Group model.

Risk management (Pre-group model)

- The Trust operates an established risk management framework, with risks identified, assessed and managed in line with the Trust's Risk Management Strategy. Our review of the risk register and relevant committee minutes indicates that reporting is sufficiently detailed, balanced and timely to support informed decision-making by management.
- The Trust applied a 5x5 risk scoring matrix to assess and monitor risks. Both the Board Assurance Framework (BAF) and Corporate Risk Register (CRR) are subject to regular review, with clear actions identified and tracked to mitigate risks to target levels.
- We observed that the Trust's budget-setting process adhered to appropriate governance arrangements, including oversight by relevant sub-committees and formal approval by the Trust Board. A review of Board minutes demonstrated evidence of robust challenge to management. In addition, progress against the Cost Improvement Programme (CIP) and delivery of the financial outturn are reported regularly and transparently to the Finance, Investments and Performance Committee, with escalation to the Board as appropriate.
- We also note the existence of structured processes for regular engagement with budget holders, through which variances against budget are reviewed, discussed and appropriate corrective actions are agreed and implemented.

Risk management (Post-group model)

- Following the establishment of the Norfolk and Waveney University Hospitals Group (NWUHG) in 2025, the Trust revised its risk management policy to ensure consistent application across the Group. The policy was developed by the Head of Corporate Risk and Compliance (NNUH) and approved by the Group Audit Committee on 18 September 2025, with implementation from 1 October 2025. The policy is subject to annual review by the Committee.

Governance

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

We have considered the following in our work:

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

Risk management (Post-group model) (Continued)

- The policy establishes a single, standardised risk management framework for NWUHG and its constituent organisations. The Group has adopted the Norfolk Enhanced Model (NEM), which strengthens traditional risk management approaches by explicitly assessing risk exposure, control effectiveness, and strength of assurance.
- All risks are evaluated using a 5 + 5 + 5 scoring model, comprising Consequence, Likelihood, and Control Effectiveness, with higher scores indicating greater exposure and weaker control. For Board-level risks, an additional Assurance Rating is applied to assess the quality and independence of evidence supporting control effectiveness.
- The risk escalation framework ensures that risks with higher scores, persistent control weaknesses, or Group-wide implications receive appropriate oversight and timely intervention. While assurance strength is reported to the Board, escalation is primarily driven by defined risk score thresholds and sustained control weaknesses. Risks with a control effectiveness score of 4 or 5, sustained for more than three months, are escalated to the Group Executive and Group Risk Assurance Committee, regardless of any change in overall risk score. The Group Risk Assurance Committee also reviews risks scoring 12 or above, ensuring structured and evidence-based scrutiny.

Risk Level	Oversight
Significant 12 – 15	Owned: Local Management Team/ Care Group/ Division Oversight by: Group Executive Director Monitored by: Group Board / Group Audit Committee / Executive Risk & Assurance Group/ Hospital Management Group Review frequency: Monthly
Serious 10 -11	Owned: Local Management Team/ Care Group/ Division Oversight by: Executive Managing Director Monitored by: Hospital Management Group / Hospital Risk Group / Hospital Senior Leadership Team Review frequency: Monthly
Moderate 6 – 9	Owned: Local Management Team Oversight by: Care Group / Divisional Leadership Team Monitored by: Division / Care Group Meeting Review frequency: Every 3 months
Low 3 - 5	Owned: Local Management Team Oversight by: Care Group / Divisional Leadership Team Monitored by: Local Governance meeting Review frequency: Every 6 months

Governance

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

We have considered the following in our work:

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

Risk management (Post-group model) (Continued)

- In addition to site-specific and divisional risks, the framework recognises the existence of shared and strategically significant risks affecting multiple organisations within the Group. Such risks are designated as Group risks and recorded within the Group Risk Register. For significant risks at Group level, the Group Executive Team assigns an Executive Risk Owner responsible for coordinating controls and mitigation actions. These risks are subject to Group-level escalation and oversight by the Group Risk Assurance Committee , irrespective of their originating risk score.
- The Group Board Assurance Framework (BAF) sets out the key control systems in place to manage principal risks and defines the assurances required by the Board to confirm effective operation of those controls. The BAF is used as a dynamic management tool and is reviewed by the Group Board at least annually.
- Notwithstanding the Group-wide framework, individual statutory organisations retain their own detailed risk registers, reflecting local risk profiles and operational differences. For example, estate-related risks differ across sites, with James Paget University Hospital and Queen Elizabeth Hospital King's Lynn significantly impacted by reinforced autoclaved aerated concrete (RAAC) and included within the New Hospital Programme, whereas this issue does not affect the NNUH site.

Governance structures (Pre-Group Model)

- For the period prior to the establishment of the Group model, we reviewed the Trust's governance structure and noted that each sub-committee operated under clearly defined Terms of Reference. Summary reports from sub-committees were routinely escalated to the Trust Board, enabling effective oversight of key decisions and activities across the organisation.
- The reporting and accountability framework was clearly articulated and sufficiently detailed, including well-defined reporting lines and effective escalation and communication across the Trust.
- We also note that, during the pre-group period, there was a relatively low level of turnover among Executive and Non-Executive Directors, contributing to stability and continuity within the Trust's leadership and governance arrangements.

Governance structures (Post-Group Model)

- As a result of the move the group structure, there has been a change in the Terms of Reference for each of the Committees as these now operate at a group level rather than for the individual statutory entities. KPMG have reviewed the Group Standing Financial Instructions, Group Board Terms of Reference, Group Audit Committee Terms of Reference and the Group Risk Assurance Committee Terms of Reference.
- From the review of these documents, they key roles and responsibilities for each committee are clearly outlined to allow for effective group decision making and escalation processes.

Governance

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

We have considered the following in our work:

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

Governance structures (Post-Group Model) (Continued)

- The introduction of the group model required a full restructuring of the organisation structure across the group, with both statutory and non-statutory committees now operating at a group level with escalation up to the Group Board. The individual Trusts continue to operate their own Hospital Management. Quality Safety & Effectiveness, People & Culture and Finance and Performance management groups. These groups report through to their group equivalent committees as required.
- As part of the restructuring, the introduction of the group model has resulted in a change in Board members and associated interests and related parties. There was a significant delay in the provision of a group register of interests, as a result during this period there was insufficient oversight of the groups related parties and associated transactions. This presents a risk that the entities within the N&WUHG may enter transactions within unidentified related parties. This has been raised as a control recommendation.

Procurement (Pre-Group Model)

- We reviewed the Trust's Standing Financial Instructions (SFIs) and noted that these clearly set out the roles and responsibilities of both individuals and committees. The SFIs include a detailed matrix of delegated authorities, covering responsibilities across key areas including approval of the annual plan, and the management of losses, write-offs and compensation. Our review did not identify any thresholds or assigned responsibilities that were unreasonable or inconsistent with our expectations for a Trust of this size and nature.
- The Trust has established an appropriate approach to procurement. Compliance with Public Contracts Regulations is embedded within the SFIs, and engagement with the Trust's procurement team is mandated for all expenditure exceeding £50,000. We also note that the requirement for NHS England approval for consultancy expenditure above £50,000 is incorporated within the Trust's financial procedures.
- We reviewed the Single Tender Waiver (STW) register, which is reported to each Audit Committee meeting. No waivers were identified that would indicate weaknesses in procurement controls. The majority of waivers were the result of Direct awards under frameworks with either a clear benefit from continuing with the existing provider or a level of specialism required under the contract. All waivers had been appropriately reviewed and formally approved by the Trust's Chief Financial Officer.

Procurement (Post-Group Model)

- We reviewed the group Standing Financial Instructions which were reviewed and approved by the Audit Committee and Group Board with final approval on 14th July 2025. The SFIs detail the financial responsibilities, policies and procedures to be adopted by the Group. They are designed to ensure that its financial transactions are carried out in accordance with the Law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. Our review did not identify any thresholds or assigned responsibilities that were unreasonable or inconsistent with our expectations across the Group and ensured alignment across the three statutory bodies.

Governance

Procurement (Post-Group Model) (Continued)

From 1 October 2025, waivers are reported to the Group Audit Committees in Common across the 3 acute providers. It is noted that throughout 2025-26 there has been an inconsistency in the waiver process whereby QEH do not record waivers for direct awards from a framework which are recorded by both NNUH & JPUH and therefore it appears that there are a much lower number of waivers at the entity. This will be a focus for 2026-27 however it is noted that whilst these are not reported they do follow the approval process and therefore this is not a significant risk or weakness in arrangements however is considered a recommendation for QEH to align its reporting processes with the rest of the group.

Contract management

- Following the transition to the group model, contract management continues to operate at an individual entity level. NNUH manages a number of ongoing contracts, most significantly the PFI contract with Octagon Healthcare. Following our review of the annual programme, we note that the estates team receives an annual schedule of works to be performed relating to the lifecycle maintenance costs allowing them to track delivery of works performed again those noted in the PFI contract.
- Management have identified a risk relating to the receipt of these maintenance works has been identified due to the challenges in creating decant ward space to allow the works to be performed. In 2023-24 The Trust prepared a Strategic Outline Case requesting £80.6 million additional funding to build a new decant facility to allow these works to be completed. This was not considered to be an affordable solution, however NNUH have successful identified a ward for closure within the 2025-26 CIP programme with further wards being considered within 2026-27. Due to the ongoing pressure on waiting lists this continues to be an area of focus and challenge for the Trust.
- Whilst to date the arrangements are considered appropriate, KPMG will continue to monitor the PFI contract to ensure it continues to provide effective value for money

Governance Conclusion

Based on the procedures performed we have not identified a significant weakness associated with governance.

	2026	2025
Head of Internal Audit Opinion	The Organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.	The Organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.
Oversight Framework segmentation	3	3
Care Quality Commission rating	Requires Improvement	Requires Improvement

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

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Trust ensures effective processes and systems are in place in order to develop their cost saving efficiency saving program;
- how the Trust evaluates the services it provides to assess performance and identify areas for improvement;
- how the Trust ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Trust commissions or procures services, how it assesses whether it is realising the expected benefits.

Performance in delivering efficiency programme

- For the financial year ended 31 March 2026, the Trust delivered Cost Improvement Programme (CIP) savings of £43.7m, in line with the planned target. However, the full-year impact of these savings was £26.9m, representing a £16.8m adverse variance against plan. The original CIP plan included £5m (11%) of non-recurrent schemes; however, the final outturn included £22.7m (52%) of non-recurrent savings. This indicates a significant reliance on non-recurrent measures to achieve the overall CIP position.
- The Trust has established a structured governance framework for CIP delivery, overseen by the Programme Management Office (PMO). This includes the application of a Governance Gateway methodology for the oversight, review and appraisal of individual schemes. Following initial PMO appraisal, schemes are further developed through detailed scoping, including action planning, financial profiling, and completion of Clinical Quality Impact Assessments (CQIA). Schemes are subsequently reviewed and approved by the Combined Financial Improvement and CQIA Approval Committee, ensuring that both financial and quality implications are appropriately considered. The Trust seeks to identify and approve the full efficiency requirement in advance of the financial year through engagement with clinical divisions and corporate functions. Delivery is monitored through a live project workbook, which feeds into an automated reporting system that is refreshed on an hourly basis.
- During 2025–26, the Trust's CIP arrangements were subject to internal audit review. The review assessed the adequacy and effectiveness of controls relating to the development, recording, and monitoring of CIP schemes. An overall rating of substantial assurance was provided, confirming that the Trust has a well-established framework supported by appropriate governance structures, approval processes, and monitoring tools. The review identified four low-risk findings, of which two were addressed within the financial year.
- Whilst we note appropriate governance arrangements are in place, the Trust faces a significant challenge in reducing its reliance on non-recurrent savings. The 2026–27 financial plan includes a CIP requirement of £52.2m, representing an increase of £8.5m (19.4%) compared to the current year. This requirement exceeds both recent delivery levels and the £26.9m recurring benefit achieved in 2025–26. A review of historical performance highlights that the Trust has underdelivered against its CIP targets in the previous two financial years. The inclusion of a higher CIP requirement within the 2026–27 plan, in order to achieve a breakeven position, therefore presents a significant delivery risk.

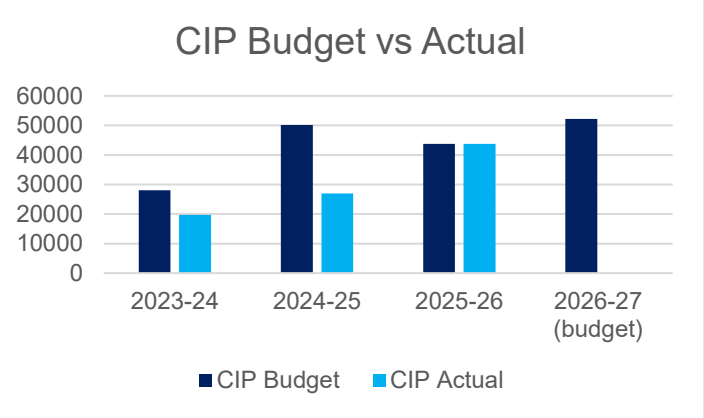
Improving economy, efficiency and effectiveness

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

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Trust ensures effective processes and systems are in place in order to develop their cost saving efficiency saving program;
- how the Trust evaluates the services it provides to assess performance and identify areas for improvement;
- how the Trust ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Trust commissions or procures services, how it assesses whether it is realising the expected benefits.

Performance in delivering efficiency programme (Continued)



- Overall, while the Trust demonstrates robust governance and control over CIP development and monitoring, there remains a significant weakness in the Trust arrangements relating to the identification and delivery of recurrent cost savings. See page 24 for details of recommendation.

CQC Inspections

- The Trust received its most recent CQC inspection report in August 2024. This inspection covered the surgery, outpatients and diagnostic imaging services due to concerns around the safety and quality of the services provided and also inspected the well led domain for the Trust overall. The Trust received a rating of requires-improvement" with no changes to the previous ratings for all areas of the inspection.
- Key areas of improvement identified by the CQC related to access to the services with patients waiting a long time for treatments of having appointments cancelled. The waiting times for referral to treatment were not in line with national standards. It was also noted that services did not always have sufficient staffing to provide safe care for patients. The areas identified within this inspection are considered as part of the review of operational performance below.

Operational Performance

- Trust-wide Key Performance Indicators (KPIs) are agreed by the Board each year and are included in the Trust's Integrated Performance Report (IPR). Performance against KPIs is RAG rated to determine how each area is performing against national and local standards/targets. Note that from 1 November 2025 this operational performance report is performed at a group level covering the performance of NNUH, JPUH & QEH.

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

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Trust ensures effective processes and systems are in place in order to develop their cost saving efficiency saving program;
- how the Trust evaluates the services it provides to assess performance and identify areas for improvement;
- how the Trust ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Trust commissions or procures services, how it assesses whether it is realising the expected benefits.

Operational Performance (Continued)

- Performance is assessed on a monthly basis, with YTD and trend analysis performed to identify significant variations. The aggregation of these individual KPI ratings then determine a domain rating for each domain in the IPR. This in turn provides an overall performance rating for each domain and for the Trust overall. Prior to the move to the group model, the IPR was presented to the Finance, Investments and Performance Committee and Board on a monthly basis. This is now presented as a group IPR to the Group Risk Assurance Committee and to the Group Board.
- The KPI performance structure is replicated at divisional level. Performance is scrutinised through Divisional management meetings and Executive-led Divisional Performance meetings (monthly). Benchmarking data is used by divisions as well as at Board level to identify areas of improvement. We have obtained the IPR presented to the Performance Committee, Group Risk Assurance Committee and the Trust and Group Board throughout the year and note that the information is provided in an appropriate format and note that it contains many of the relevant performance measures as set out in the Oversight Framework.
- In line with the risks noted in the FY25/26 Operational Planning cycle, one of the key areas of challenge for the Trust in the current year has been the backlog in elective recovery and compliance with the NHS England operational planning targets in relation to 65 and 52 week waits. As per review of the February 2026 IPR, this remained an area of challenge with local targets agreed for overall waiting times and RTT performance following the elective sprint activity commissioned in quarter. Through these sprints NNUH were able to significantly reduce their overall waiting list although it remained high risk for no patients waiting over 65 weeks by 31st March.

Working in partnerships and with stakeholders

- As noted on page 16, during the year, the Trust became part of the Norfolk and Waveney University Hospitals Group (N&WUHG) This transition introduced aligned governance arrangements across the three Trusts, including the appointment of a single Group Chief Executive Officer (CEO), Chief Financial Officer (CFO), and a joint Audit Committee.
- This has been designed to respond to the ongoing financial and clinical pressures across the Norfolk and Waveney ICS and further strengthens the collaborative working arrangements across the acute healthcare providers in Norfolk. During the 2025-26 year, NNUH have provided additional support to QEHKL through the extension of payment terms to ease cashflow challenges. In addition, to support with the finding from the QEHKL review of General Surgery from the Royal College of Surgeons, the Group mandated new leadership, oversight, and service arrangements as part of a move towards a shared service with Norfolk and Norwich University Hospitals NHS Foundation Trust from December 2025. This included stronger clinical leadership, mandatory Norfolk and Norwich consultant oversight of emergency surgery, and work to align standards, pathways, and expectations across both hospitals.

Improving economy, efficiency and effectiveness conclusion

Based on the procedures performed we have identified a significant weakness in relation to improving economy, efficiency and effectiveness linked to the reliance on non-recurrent funding to deliver CIP requirement.

Recommendations

We raised the following recommendations in response to significant weaknesses identified in our value for money procedures.

#	Recommendation	Management Response
1	**Reliance on non-recurrent funding to deliver CIP requirement** **Issue:** We inspected the financial planning return for 2025-26 noting a CIP requirement of £43.7m. As at the year end, the Trust had delivered CIP of £43.7m which was in line with the budgeted plan. However, this had a full year effect of £26.9m which is £16.8m adverse to plan. The shortfall is CIP identified during the year was largely supported via the receipt non-recurrent additional funding receipts rather than through the effective delivery of recurrent improvements in cost. The original CIP plan included £5m (11%) of non-recurrent schemes; however, the final outturn included £22.7m (52%) of non-recurrent savings. The 2026–27 financial plan includes a CIP requirement of £52.2m, representing an increase of £8.5m (19.4%) compared to the current year. This requirement exceeds both recent delivery levels and the £26.9m full-year effect achieved in 2025–26. **Recommendation:** The Trust needs to work with budget holders to perform a detailed review of spending of spending across the organisation, to identify areas and opportunities for the delivery of cost savings for the full year budget. This should cover the full-year effect of the CIP programme with the level of non-recurrent delivery being aligned to the plan with limited reliance on additional funding being received. Assurance will need to be provided to the Group Board throughout the year that sufficient cost improvement schemes are in place to achieve the full £52.2m of CIP.	Throughout the Trust's planning processes there is a focus on the requirement to identify areas for cost reductions, focusing on recurrent savings. The proposed schemes to deliver the 2026/27 CIP Plan includes areas such as outpatients and theatres transformation and reducing Length of Stay, which will support sustainable financial improvements. This work is continuing in the current financial year to identify the full value of the £52.2m CIP scheme. This has been through whole day sessions to identify opportunities and progress these through into development, focus on CIP delivery at monthly Delivery Oversight Meetings and FIRMs and working at a group level through the One Recovery Programme. Progress against CIP identification and delivery is also managed through monthly Financial Improvement and Management Board meetings and the Finance and Performance Management Group, reporting into Hospital Management Group. Care Groups are required to provide monthly updates on CIP progress against target, including whether schemes are recurrent or non-recurrent in nature and the FYE of schemes. Where Care Groups are off plan, additional scrutiny and support is provided via Care Group Financial Improvement and Recovery Meetings. There is regular reporting to the Group Risk Assurance Committee on CIP delivery, including year to date performance compared to Plan and risk adjusted position. **Site Finance Director, Ongoing**

Prior year findings

Significant weaknesses followed up from the prior year

In our annual auditor's report for the financial year 2024-25 we reported that the Trust had a significant weakness in arrangements over improving economy, efficiency and effectiveness surrounding the identification and delivery of CIP. As required by the Code of Audit Practice we have revisited this issue and set out in the table below an update in regards to the arrangements in this area.

#	Recommendation	Management Response	Current status
1	**Identification and delivery of CIPs** **Issue:** We inspected the financial plan for 2024-25 and this included a breakeven plan with £50.1m of efficiencies (CIP and productivity), which is significantly higher than the levels previously delivered by the Trust. Whilst there is a robust governance process in relation to CIP, there continues to be challenges for the Trust in relation to CIP identification and delivery. The Trust requires significant engagement from budget holders and clinicians across the Trust to drive the efficiency and productivity programmes needed to support longer term financial sustainability. As a result of the work that the Trust still needs to do to drive efficiency internally we have raised a significant weakness in relation to the arrangements that the Trust has had in place during the year linked to improving economy, efficiency and effectiveness. The arrangements in place during the year to March 2025 were insufficient to ensure a fully worked up plan to address the gap was in place as at 1 April 2024 and we consider there to be a significant risk of financial loss if the Trust is unable to deliver the savings and efficiency gains required. **Recommendation:** The Trust will need to undertake a programme of engagement and buy-in from budget holders and clinicians across the organisation to ensure they are signed up to a realistic delivery plan and that this is in place for the 2025/26 financial year. Assurance will need to be provided to the Board that the plans that are being put in place are delivering and a fully worked up CIP plan should be in place ahead of the start of the next financial year	As at 1 April 2025, the Trust had not identified its full in-year CIP requirement; however, there was a programme of work in place via the Financial Intervention and Recovery programme to identify and deliver this. Each Care Group and corporate area has a CIP target and the Care Group senior leadership team, which includes nursing and clinical leads, is held to account for the delivery of their budget, which includes the CIP requirement, through Delivery Oversight Meetings. As part of the 2025/26 planning process, the Board received updates on the CIP plan and actions were taken to accelerate the identification and delivery of CIPs, supported by the Turnaround team since February 2025. The Finance, Investments and Performance Committee receives monthly updates on the CIP position, including delivery and development and provides assurances to the Trust Board in this respect	It is noted that for 2025-26 management were able to deliver £43.7m which was in line with the budgeted plan. As such the identification and delivery of CIP is considered to have been appropriately actioned. However, as noted on page 24, the delivery of CIP had a full year effect of £26.9m which is £16.8m adverse to plan due to high levels of additional income, as such a new recommendation has been raised in relation to Reliance on non-recurrent funding to deliver CIP requirement in the current year.

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