



Great Western Hospitals NHS Foundation Trust

Auditor's Annual Report 2022/23
25 July 2023

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Key Messages

Audit opinion on the financial statements

We issued an unqualified opinion on the Trust's financial statements on 30 June 2023.

Trust Value for Money Arrangements

Financial year 2022/23 actual

Despite challenging financial forecast, the Trust has achieved breakeven with an adjusted financial performance surplus of £28K. For 2022/23, the Trust has achieved actual savings of £8.8m as compared to planned savings of £11.1m.

Financial Year 2023/24 plan

The Trust's has been able to submit a breakeven plan for financial year 2023/24 from an initially forecasted £13.8m deficit as per the 'Final Trust Operating Plan & Capital Plan' approved by Board on 6 April 2023. However as per the submitted plan for 2023/24, the Trust is required to achieve savings of £16.7m to reach at breakeven. Out of these £16.7m required savings, £7.9m (47%) are considered under high risk category. Whilst the Trust has a history of achieving saving plans in past, the management has to continue monitoring financial performance on a monthly basis to ensure that the required savings level is achieved to breakeven for the financial year 2023/24.

Financial Sustainability

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

The Trust prepares annual planning in line with national NHS timetables. The budget process requires significant divisional involvement through Finance Business Partners at an operational level and through cross Divisional meetings at Deputy/Director level. All budgets require Divisional sign off and monitoring via the Accountability Framework.

The Trust carried out a major review of the planning process following the submission of H1 plan and launched a new planning process from H2 2021/22. This process has also been followed for 2022/23. The process links internal planning to ensure an integrated activity/workforce and financial plan but also links to overarching system plan.

For the 2023/24 financial planning round, the Trust used its planning round table weekly group to ensure alignment between activity, finance and workforce planning. It was also linked into the Trust Investment Group (TIG) – a monthly forum for peer review, check and challenge around potential investments from throughout the Trust. TIG makes recommendations to Trust Management Committee, where additional costs are approved or rejected.

Alongside TIG, business planning 2023/24 used Executive escalation meetings through January and February 2023 to check and challenge divisional and directorate proposals, and to authorise funding of some cost pressures.

Key Messages (continued)

Governance

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

The Trust has an established risk management process with set roles and responsibilities. A range of formal processes and systems (including policies and procedures, risk registers and internal audit framework) enable the effective management of both strategic and operational risks. The Trust has engaged 3rd party specialists to prepare and conduct annual internal audit plan and report to the Board through Audit, Risk and Assurance Committee (ARAC). The annual internal audit plan is reviewed and approved by the Board.

The risk register is reviewed on a regular basis through senior management and ARAC meetings and new risks are added and managed as they emerge.

The Trust received a 'Substantial' opinion from BDO in relation to the design of Divisional Governance Structure internal audit where they concluded that the Trust had a 'sound governance structure, designed and embedded at the Divisional Level'.

Improving economy, efficiency and effectiveness

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

The Trust Board and its Committees (including the ARAC) receives in advance of their meetings detailed papers and reports setting out decisions that are to be taken, along with supporting information and evidence put forward to support any recommendations. The lead executive presents the paper and invites comment and challenge from other executive and non-executive Board or Committee members. Every member has the opportunity to challenge the recommendation or seek further information.

Purpose of this report

Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at Great Western Hospitals NHS Foundation Trust ("the Trust") for the year ended 31 March 2023.

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

In preparing this report, we have followed the National Audit Office's ("NAO") Code of Audit Practice and its Auditor Guidance Note ("AGN") 03, Value for Money, and AGN 07, Auditor Reporting. These are available from the NAO website.

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

Assurance sources for the Trust

The diagram below illustrates how the assurances provided by external audit around finance, quality, controls and systems and the future of the Foundation Trust (in the green rows) and how this fits with some of the other assurances available over the Foundation Trust's position and performance.



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

Opinion on the financial statements

We provide an independent opinion whether the financial statements:

- Give a true and fair view of the financial position of the group and Trust at 31 March 2023 and of their income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by NHS Improvement; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006.

The full opinion is included in Trust's Annual Report and Accounts, which is available from the Trust's website.

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

Audit opinion on the financial statements:	We issued an unqualified opinion on the Trust's financial statements on 30 June 2023. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.
Remuneration and Staff Report:	We reported that the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the National Health Service Act 2006.
Annual Governance Statement:	We did not identify any matters where, in our opinion, the Annual Governance Statement did not meet the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual, was misleading, or was inconsistent with information of which we are aware from our audit.
Annual Report:	We reported that the information given in the Performance Report and Accountability Report for the year ended 31 March 2023 is consistent with the financial statements.
Reports in the public interest and reports to NHS Improvement:	We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2023.
Reporting to the group auditor:	In line with the group audit instructions issued by the NAO, we reported on 5 July 2023 that the Trust's consolidation schedules that feed into the Consolidated NHS Provider Account and Department of Health and Social Care's group accounts were consistent with the audited financial statements.
Audit Certificate	We certified completion of the audit on 25 July 2023 , following completion of our responsibilities in respect of the audit for the year ended 31 March 2023.

Our financial statement audit approach

An overview of the scope of the audit

Our audit was scoped by obtaining an understanding of the Group and the environment it operates in, including internal control, and assessing the risks of material misstatement to the financial statements. Our risk assessment procedures include considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address identified risks of material misstatement. The group accounts consist of the Trust and its associated Charity which based on the size of the Charity as a proportion of the group is not considered material and has not been tested for the purposes of the group audit. The Charity is subject to a separate Independent Examination, which will be completed later in the year.

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

Materiality

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

Based on our professional judgement, we determined materiality for the group to be £9.6m, on the basis of 2% of group operating income.

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

Procedures for auditing the Trust's financial statements

Our audit of the financial statements included:

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

Data analytic techniques were used as part of audit testing, in particular to support profiling of populations to identify items of audit interest and in journal entry testing.

Approach to audit risks

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

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

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

Financial statement audit significant risks

Property valuation

Risk identified The Trust is required to hold property assets within Property, Plant and Equipment at valuation, which will usually be on a modern equivalent use basis. As detailed in our Audit Plan, valuations are by nature significant estimates which are based on specialist and management assumptions, and which can be subject to material changes in value. The Trust has had a full revaluation carried out for the purposes of the 31 March 2023 financial statements.

Trusts are required to revalue property assets when there is evidence of significant movements in asset values, and the GAM suggests that this should be at least every five years with more frequent revaluations in rapidly changing property markets. As mentioned above, the Trust has performed a full revaluation in the current year, previously full revaluation was undertaken as of 31 March 2020, hence the Trust has carried out full valuation after three years.

Deloitte response

- We tested the design and implementation of key controls in place around the property valuation.
 - We engaged early with the Trust, using our valuation specialists to challenge the assumptions applied by management in the valuations.
 - We traced the revaluation movements to the financial statements and recalculated the treatment as revaluation gains or impairment.
 - We tested the inputs to the valuation, and the key asset information provided by the Trust to the valuer, back to supporting documentation.
 - We used our valuation specialists, Deloitte Real Asset Advisory (DRAA), to review the mathematical accuracy of the calculations used by the external valuer to compute the valuation of assets and challenge the appropriateness of the assumptions used in the year end valuation of the Trust's Land and Buildings, including considering movements compared to those of other trusts performing valuations for 2022/23. Our specialists reported no exception in their review report.
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Key Observations

We completed our work on property valuations including the procedures undertaken by our specialists. We did not note any misstatements based on the outcome of our work completed.

Based on our Design & Implementation of controls, we identified a control finding and recommended to management as detailed in our ISA260 report dated 30 June 2023.

Financial statement audit significant risks

Management override of controls

Risk identified	<p>In accordance with ISA (UK) 240 management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Trust's controls for specific transactions.</p> <p>The key judgments in the financial statements are those which we have selected to be the significant audit risks – capital expenditure, validity of accruals and valuation of the Trust's estate. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.</p>
Deloitte response	<p>We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:</p> <ul style="list-style-type: none">• in the current year there are no direct financial incentives for achieving particular results; the Trust's reported results were ahead of plan by £0.027m• senior management's remuneration is not tied to particular financial results <p>We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.</p> <p>We considered the overall control environment and 'tone at the top'.</p> <p>We tested the design and implementation of controls in relation to journals and accounting estimates.</p> <p>We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p>

Financial statement audit significant risks

Management override of controls (continued)

**Deloitte
response**

We have used Spotlight data analytics tools to select journals for testing, based upon identification of items of potential audit interest. Our analysis covered the journals posted in the year. Investigation of items selected using Spotlight did not identify indicators of management override. In addition, we tested the appropriateness of journals and adjustments made in the preparation of the financial statements.

We reviewed accounting estimates for biases that could result in material misstatements due to fraud.

We performed testing on key accounting estimates.

We have confirmed that the Trust has adopted consistent assumptions on asset lives for the purposes of depreciation and valuation.

In addition to our work on key accounting estimates discussed above, our work included considering key areas of judgement for NHS providers (including those previously highlighted by NHS Improvement). In testing the principal accounting estimates, engagement team members were directed to consider their findings in the context of the identified fraud risk. Where relevant, the recognition and valuation criteria used were compared to the specific requirements of IFRS.

We did not identify any material unusual transactions outside the normal course of business.

**Key
Observations**

Whilst the overall result of our Design & Implementation is satisfactory, we raised certain control recommendations as detailed in our ISA260 report dated 30 June 2023.

Financial statement audit significant risks

Capital expenditure

Risk identified The Trust has an extensive £21.7m capital programme for the year 2022/23, with spend for the year of £20.6m. As detailed in our Audit Plan, accounting for capital expenditure can involve significant judgements.

The continuing high level of expenditure in the current year, and the annual cut-off of capital budgets and requirements of PDC funding increase the risk of amounts being incorrectly capitalised, or of incorrect recognition in the current period. This has been identified as a significant risk in light of these factors.

In addition, the Trust has a significant assets under construction balance for current on-going capital projects (£28.9m as at 31 March 2023). The timing in which projects are completed and assets are brought into use directly impacts the level of depreciation incurred by the Trust (and ultimately the Trust's surplus or deficit) and as such is an area that we judge could be open to management override, particularly in the context of the Trust needing to meet financial control totals.

Deloitte response

- We have reviewed the Trust's capital plans as part of the planning process and discussed with management potential risks or issues identified and we physically verified assets as appropriate.
- We have tested the design and implementation of controls around the capitalisation of costs
- We have tested completed projects on a sample basis to ensure depreciation is charged from the correct date.
- We have selected a sample of additions in the year to test whether they have been appropriately capitalised in accordance with the accounting requirements.
- We noted that the Trust made use of vesting certificates this year, we obtained detailed of these vesting certificates to test a sample to assess whether they are appropriately accounted for, and to consider from a Value for Money perspective whether their use is in accordance with Managing Public Money. However we noted that the amount for the year (£0.3m) is below our materiality, therefore we didn't perform further procedures on vesting certificates.

Key Observations We did not note any misstatement during our testing. However based on our Design & Implementation of controls, we identified a control finding and recommended to management as detailed in our ISA260 report dated 30 June 2023.

Financial statement audit significant risks

Validity of accruals

Risk identified The changes to the NHS funding and monitoring regime during the pandemic have meant that there has been a significant increase in the overall level of revenue and capital funding available to NHS providers. In 2020/21 and 2021/22, this resulted in a reduction in the overall pressure to achieve specific control totals. For 2022/23, the extent of pressure has varied between systems, and in some cases where organisations have missed control totals, there may be an incentive to increase reported deficits.

This may reduce the scrutiny of the validity of liabilities recognised at year-end and/or create an incentive to make overly prudent estimates and judgements so as to recognise expenditure in the current year and make future targets easier to achieve. In 2021/22 we identified a number misstatements with regards to the recognition and treatment of accruals. We also raised a control findings with regard to management’s review of the accruals balance. We have therefore identified significant risk on validity of accruals as communicated in our audit plan.

Deloitte response

- We have tested the design and implementation of management’s review controls over the year-end accrual process;
- We have tested a sample of accruals to supporting documentation to check whether they are valid liabilities, that the amount accrued is appropriately supported, and that the liability had been incurred as at 31 March 2023; and
- We have also considered the findings from our testing of capital expenditure with respect to the timing of recognition of expenditure and liabilities.

Key Observations A number of misstatements were noted in relation to accruals which were raised within the findings section of our ISA260 report dated 30 June 2023. As a result of this a control finding was also raised. The combined misstatements were included in the Appendix - Audit Adjustments of our ISA260 report.

Financial statement audit other areas of focus

IFRS 16 adoption

Issue	<p>IFRS 16 was effective for NHS bodies from 1 April 2022 and the introduction of IFRS 16 has had a significant impact on the balance sheet and on recorded capital expenditure for the Trust.</p> <p>The impact of the implementation of IFRS 16 was disclosed in the 2021/22 financial statements and audited during the prior year audit with no issues noted.</p> <p>IFRS 16 disclosures have been updated to capture new leases entered into this year.</p> <p>We recommended in our planning report that an accounting paper is presented to the Audit, Risk & Governance Committee on the transition for review and approval as part of the Trust's governance over financial reporting.</p>
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Deloitte response	<ul style="list-style-type: none">• We requested from management an accounting paper on the implementation of IFRS 16 including the controls in place over reporting under the standard, and any additional judgements identified in transition and in year application.• We evaluated the design and implementation of controls during 2021/22 and reconfirmed our understanding this year over:<ul style="list-style-type: none">• The completeness of initial identification of leases requiring measurement under IFRS 16 on transition;• The calculation of initial lease liabilities and right of use assets on transition;• The on-going assessment of changes in lease payments requiring remeasurement of lease liabilities;• The assessment of whether right of use assets require revaluation;• The controls over revaluation of right of use assets.• We tested a sample of leases included on transition and for additions and changes in year.• We evaluated the adequacy of accounts disclosures.
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Key Observations	<p>We did not identify any misstatement from our audit work, however we raised a control finding and recommended to the management as detailed in our ISA260 report dated 30 June 2023.</p>
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Auditor's work on Value for Money (VfM) arrangements

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

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

Under the National Health Service Act 2006, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Under the National Audit Office's Auditor Guidance Note 3, we are required to assess arrangements under three areas:

Financial Sustainability	<i>How the body plans and manages its resources to ensure it can continue to deliver its services</i>
Governance	<i>How the body ensures that it makes informed decisions and properly manages its risks</i>
Improving economy, efficiency and effectiveness	<i>How the body uses information about its costs and performance to improve the way it manages and delivers its services</i>

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we are required to make recommendations so that the Trust can consider them and set out how it plans to make improvements.

From our prior year's audit we identified a significant weakness in the Trust's arrangements to secure economy, efficiency and effectiveness in the use of resources. We reported this weakness to the Trust, with recommendations for improvement. Due to this significant weakness reported last year, we considered it as a VfM risk for our current year audit. We followed up on this as part of our 2022/23 value for money work. We considered this specific areas in our work include the Trust's 2023/24 financial plan and how Trust is making arrangements to secure required efficiencies to achieve breakeven position. We discussed this with management to take an understanding of this weakness if applicable to 2022/23. As the Trust secured the uncommitted funding for FY23 plan, and managed to achieve breakeven, also FY24 doesn't include any such uncommitted funding from our review of FY24 plan, we don't consider it to be a significant weakness for current year.

Deloitte Confidential: Government and Public Services

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



Interviews with key stakeholders, including senior finance leadership team and finance staff



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



Reviewing reports from third parties including Care Quality Commission, Internal audit, and correspondence with NHS Improvement.



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



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

VfM arrangements: Financial Sustainability

Approach and considerations

Commentary

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

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

- The Trust prepares annual planning in line with national NHS timetables. The budget process requires significant divisional involvement through Finance Business Partners at an operational level and through cross Divisional meetings at Deputy/Director level. All budgets require Divisional sign off and monitoring via the Accountability Framework.
- The Trust carried out a major review of the planning process following the submission of H1 plan and launched a new planning process from H2 2021/22. This process has also been followed for 2022/23. The process links internal planning to ensure an integrated activity/workforce and financial plan but also links to overarching system plan.
- For the 2023/24 financial planning round, the Trust used its planning round table weekly group to ensure alignment between activity, finance and workforce planning. It was also linked into the Trust Investment Group (TIG) – a monthly forum for peer review, check and challenge around potential investments from throughout the Trust. TIG makes recommendations to Trust Management Committee, where additional costs are approved or rejected.
- Alongside TIG, business planning 2023/24 used Executive escalation meetings through January and February 2023 to check and challenge divisional and directorate proposals, and to authorise funding of some cost pressures.
- The Trust identifies risks to financial resilience by flagging risks in the planning process via a formal risk register which is monitored through the year within the divisional structure under the Performance and Accountability Framework and reported to the Board within the monthly integrated performance report.
- NHS Planning guidance indicates the level of efficiency savings required. During 2022/23, the Trust has achieved efficiencies of £8.8m which is approximately 2% of the Trust's total spending for the year.
- The CIP target of £16.7m has been included within the plan to achieve the breakeven for financial year 2023/24, while the initial plan was showing £13.8m deficit for the year 2023/24. The required efficiencies is approximately 3.7% of total spending for the year 2023/24. Therefore the non-delivery of this plan would increase the deficit position and would increase the level of cash funding required in order for the Trust to be financially sustainable.

VfM arrangements: Financial Sustainability (continued)

Approach and considerations

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

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

Commentary

- Progress is monitored at Divisional level, through Integrated Performance Report and reported via the Trust Management Committee, Trust Board and the Finance, Infrastructure and Digital Committee. We confirmed our understanding by reviewing the latest CIP plan which was presented to and approved by Finance, Infrastructure and Digital Committee in March 2023. Management has prepared a 2023/24 plan which was presented in and approved by Finance, Infrastructure and Digital Committee (Extra-ordinary) on behalf of Board in March 2023.

VfM arrangements: Governance

Approach and considerations

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

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

Commentary

- The Trust has formal structures to identify, evaluate and control risks. The Trust has a Risk Management Strategy which is continually reviewed and improved. This sets out how risk is managed within the organisation and the formal reporting processes. A Risk Escalation Framework is in place which includes refreshed reporting that identifies new risks; risks changes in score from the previous month; overdue actions and overdue risk reviews.
- The reporting process includes an overview of risk themes and risk types which supports the early identification of issues for focus. This encourages management of risks to systems and controls as well as specific risks that emerge. During 2022/23 there has been a focus on ensuring that there is adequate understanding and discussion of risks to ensure actions to mitigate are progressed.
- The Risk Committee continued to deep dive into risks with a view to enforcing the need for effective challenge and scrutiny of risks, scores, controls and actions. Whilst the Board has overall responsibility for risk management, it has delegated responsibility to the Trust Management Committee, which scrutinises and challenges risk management, and the Audit, Risk and Assurance Committee which provides assurance that processes for risk management are effective. A risk tolerance statement aimed at supporting managers in decision making is in place. The statement sets out the Trust's appetite for risk and it is refreshed each year. The three main elements of the Trust's risk management strategy are:
 1. Risk assessment
 2. Risk register (referred to within the organisation as the risk management tool)
 3. Board Assurance Framework
- The Trust maintains a risk register to assess, document and monitor risks being faced by the Trust. The Risk Committee oversees the risk monitoring process. The Trust also has internal audit and counter fraud functions in place. The Trust has appointed a professional firm (BDO LLP) for its internal audit function, who prepares the annual internal audit plan and conducts audits during the year. The annual internal audit plan is formally approved by the Audit, Risk and Assurance Committee and the Trust Board. The Head of Internal Audit issued an overall 'moderate' opinion in relation to the Trust's internal control environment for the year.

VfM arrangements: Governance (continued)

Approach and considerations	Commentary
<p>We have considered how the Trust ensures that it makes informed decisions and properly manages its risks, including:</p> <ul style="list-style-type: none">• How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;• how the body approaches and carries out its annual budget setting process;• how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;• how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and• how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.	<ul style="list-style-type: none">• However the Trust received a 'Limited' opinion on operational effectiveness of Access Policy and Consultant Job Planning.• The Trust prepares annual planning in line with national NHS timetables. The plans are prepared on a divisional basis. The funding regime for 2023/24 is likely to remain as a system allocation and minimal investment money will be available meaning that budgets are fixed from 2022/23. Refer above comments in "Financial sustainability" section for further details on the annual budget setting process.• The budget process requires significant divisional involvement through Finance Business Partners at an operational level, and cross Divisional meetings at a Deputy/Director level. All budgets require Divisional sign off and monitoring via the Trust's Accountability Framework. Budgets are also linked to the CQC Domain and key risks are linked to both strategic pillars and risks.• There is a formal governance structure and governance process for signing off budgets. Budget setting process includes Divisions sharing pressures and priorities with rest of the organisation and over a series of meetings agreeing on priorities as a group (Trust Management Committee) and presenting to Finance, Infrastructure and Digital Committee for approval and recommendation for sign off by the Trust Board.• The Trust received a 'Substantial' opinion from BDO in relation to the design of Divisional Governance Structure internal audit where they concluded that the Trust had a 'sound governance structure, designed and embedded at the Divisional Level'.

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations

We have considered how the body uses information

about its costs and performance to improve the way it manages and delivers its services, including:

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

Commentary

- Identification of areas for improvements is achieved through monthly performance meetings and use of the Trust's Performance and Accountability Framework, this is a framework that has been developed in order to hold the divisions to account for their individual performance. On a monthly basis the Trust Board receives the Integrated Performance Report (IPR) which provides overview and detail of the key measures of performance and supporting indicators to ensure that a balanced performance position is understood. It sets out over 100 measures and is posted to the Trust's website to allow for public scrutiny. This information is provided for the last month, trending over time, and, where available or relevant, against a benchmark.
- The above key measures are then monitored through the Performance and Accountability Framework in both static and operational reports provided through the Trust's Business Intelligence Unit (BIU). These are monitored through a series of daily, weekly and monthly performance reviews that provide a view of the current and past position as well as a forecast. Other details of quality and performance measures are provided by the BIU and are considered by the Executives at weekly meetings.
- This year marked the first year of the new Bath and North East Somerset, Swindon and Wiltshire (BSW) Integrated Care Board (ICB). The Trust continued working closely with the Royal United Hospitals NHS Foundation Trust and Salisbury NHS Foundation Trust as part of the BSW Acute Hospital Alliance.
- The Trust achieved success in opening of the new Radiotherapy Centre on the Great Western Hospital site in June 2022, which marked a long-awaited step forward in the provision of care in Swindon and Wiltshire in partnership with Oxford University Hospitals NHS Foundation Trust and the incredible fund-raising of our Trust charity, Brighter Futures.

Purpose of our report and responsibility statement

What we report

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

The scope of our work

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

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

Use of this report

This report is made solely to the Board of Governors and Board of Directors ("the Boards") of Great Western Hospital NHS Foundation Trust, as a body, in accordance with paragraph 4 of Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Boards those matters we are required to state to them in an auditor's 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 Boards as a body, for our audit work, for this report, or for the opinions we have formed.

What we don't report

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

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

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

Deloitte LLP

Bristol | 25 July 2023

Appendix 1: Recommendations

Financial sustainability

We note a Deloitte Insight in relation to financial sustainability, in particular the Trusts significant reliance on CIP delivery in order to achieve a breakeven position for the financial year 2023/24. We do not believe there is a risk of significant weakness as the Trust has a strong history of achieving efficiencies and continues to monitor financial performance on a monthly basis at Divisional level, through Integrated Performance Report and via the Trust Management Committee, Trust Board and the Finance, Infrastructure and Digital Committee. We do however believe a recommendation is required in relation to the level of CIP savings forecasted in the current year (£16.7m) versus the prior year (£11.1m) and that £7.9m (47%) of CIP are categorised as high risk.

Therefore, we recommend the management continue monitoring financial performance on a monthly basis to ensure that the required savings level is achieved to breakeven for the financial year 2023/24.

Appendix 2: Trust's responsibilities

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

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

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

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

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

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

The Accounting Officer is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Trust's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Trust, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounting Officer and the Board are responsible for ensuring proper stewardship and governance, and reviewing regularly the adequacy and effectiveness of these arrangements.

Appendix 3: Auditor's responsibilities

Auditor's responsibilities for the audit of the financial statements

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

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

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

We are required under the Code of Audit Practice and the National Health Service Act 2006 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in April 2021, as to whether the Trust has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Trust a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. Other findings from our work, including our commentary on the Trust's arrangements, are reported in our Auditor's Annual Report.

Auditor's other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the National Health Service Act 2006 to:

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



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