



Auditor's Annual Report 2020/21

**Great Western Hospitals NHS Foundation
Trust**

15 June 2021

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This report is addressed to the Audit Committee of the Trust and has been prepared for the sole use of the Trust. 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.

Summary

Introduction

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2020-21 audit of Great Western 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	<p>We issued an unqualified opinion on the Trust’s accounts on 15 June 2021. This means that we believe the accounts give a true and fair view of the financial performance and position of the Trust.</p> <p>We have provided further details of the key risks we identified and our response on page 4.</p>
Annual report	<p>We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust.</p> <p>We confirmed that the Governance Statement had been prepared in line with the DHSC requirements.</p>
Value for money	<p>We are required to report if we identify any matters that indicate the Trust does not have sufficient arrangements to achieve value for money.</p> <p>We have nothing to report in this regard.</p>
Other reporting	<p>We did not consider it necessary to issue any other reports in the public interest.</p>

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	Findings
<p>Valuation of land and buildings</p> <p>Land and buildings are required to be held at fair value. As hospital buildings are specialised assets and there is not an active market for them they are usually valued on the basis of the cost to replace them with a 'modern equivalent asset'.</p> <p>The Trust undertook an indexation review for the year ended 31 March 2021 to consider if assets values had changed materially since the previous valuation. The assessment of the fair value of the assets is a key estimate in the financial statements.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We considered the estimate to be balanced based on the procedures performed to challenge key assumptions, including the use of relevant indices.</p>
<p>Fraud risk from expenditure recognition</p> <p>Professional standards require us to make a rebuttable presumption that the fraud risk from expenditure recognition is a significant risk. We considered this is most likely to occur through manipulating accruals at the end of the year to bring forward expenditure which should be deferred to the following year.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised one recommendation in relation to the coding of items within the financial ledger.</p>
<p>Fraud risk from revenue recognition</p> <p>Auditing standards set a rebuttable assumption that there is a risk revenue is recognised inappropriately.</p> <p>We recognised this risk over the variable elements of income that the Trust has received during the year.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised one recommendation as we identified that certain invoices within the Trust could be self approved. We recommended the Trust amend the process to ensure approvals were completed in line with the Scheme of Delegation.</p>
<p>Management override of controls</p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p>We did not identify any material misstatements relating to this risk.</p>

Value for money

Introduction

We consider whether there are sufficient arrangements in place for the Trust for each of the elements that make up value for money. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

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.

Further details of our value for money responsibilities can be found in the Audit Code of Practice at [Code of Audit Practice \(nao.org.uk\)](http://nao.org.uk)

Matters that informed our risk assessment

The table below provides a summary of the external sources of evidence that were utilised in forming our risk assessment as to whether there were significant risks that value for money was not being achieved:

Care Quality Commission rating	Requires improvement – June 2020
Single Oversight Framework rating	2 – Targeted support: support needs identified in Quality of care, Finance & use of resources and Operational performance
Governance statement	There were no significant control deficiencies identified in the governance statement.
Head of Internal Audit opinion	Unqualified

Commentary on arrangements

We have set out on the following pages commentary on how the arrangements in place at the Trust compared to the expected systems that would be in place in the sector.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	One significant risk identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weakness identified

We have not identified any significant weakness with regards to the Trust's arrangements for ensuring value for money. We reported this as part of our audit report and have provided further details in our commentary on pages 6 to 8.

We have not identified any recommendations based upon our risk assessment or work completed in response to the identified risk. We have provided management with performance improvement observations based upon our risk assessment for future consideration.

Financial sustainability	
Description	Commentary on arrangements
<p>This relates to ensuring that the Trust has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> How the Trust sets its financial plans to ensure services can continue to be delivered; How financial performance is monitored and actions identified where it is behind plan; and How financial risks are identified and actions to manage risks implemented. 	<p>The Covid-19 pandemic has had a major impact on the NHS and this has resulted in changes to the financial planning regime. On 17 March 2020 normal contractual arrangements with NHS providers were suspended and the NHS moved to block contract payments on account. The value of these were determined centrally, rather than being agreed between the CCG and the providers. NHS organisations were also reimbursed with additional funding as required in order to reflect the additional costs incurred as a result of Covid-19. The Trust did not have to submit a formal plan to NHSE/I for this period.</p> <p>For months 7-12 of NHSE/I provided allocations for each CCG, with further funding made available to cover additional cost pressures due to Covid-19 and the provision of services. Following the agreement of the system wide funding allocation for M7-12, the Trust presented a Financial Plan in October 2020 with a forecast deficit of £5.3m. Although the position improved to break even by 31 March 2021, the ICS continues to report an underlying deficit. An externally commissioned 'Drivers of the Deficit' report noted a £56.8m deficit in June 2020, which has further increased through 2020/21.</p> <p>We found effective arrangements for the alignment of financial, workforce and operational plans and also noted that the Trust has an appropriate reporting framework in place. The financial performance of the Trust is reported each month to the Board with identification of risks within the financial position. There was evidence of discussion and challenge by the Board and at Finance and Investment Committee. Reporting had been expanded to the Board during Covid-19 which includes additional COVID relate operational and financial impacts.</p> <p>Reducing the deficit across the ICS continues to be a key priority within the system that in turn impacts the Trust due to the nature of the collaboration agreement. We have identified a significant risk in relation to financial sustainability within the system.</p> <p>In response to the identified risk, we noted that the Trust had reported the financial position as a risk within relevant governance documents and considered the process to finalise the 2021-22 financial plan. The ICS financial plan was presented to the Trust Board on 6 May 2021 ahead of submission to NHS England, in accordance with the relevant planning guidance. The Trust has followed the planning guidance by working within the ICS and has included efficiency targets which were identified at 0.5% of the six month forecast income.</p> <p>We considered the arrangements in place to align the Trust financial plan with the ICS financial plan. The Director of Finance and Strategy was involved in the planning process and the Trust has continued to engage with the ICS, forming part of a new BSW Partnership Oversight and Delivery Group. The ICS continue to develop a number of options for addressing the underlying deficit, with work ongoing at a ICS and local place level, and have identified a transformation funding to support the future ambitions. This is expected to deliver transformation across an organisational, place and system level.</p> <p>Through considering these arrangements, we have not identified a significant weakness linked to the identified risk.</p>

Value for money

Governance	
Description	Commentary on arrangements
<p>This relates to the arrangements in place for overseeing the Trust's performance, identifying risks to achievement of its objectives and taking key decisions.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> Processes for the identification and management of strategic risks; Decision making framework for assessing strategic decisions; Processes for ensuring compliance with laws and regulations; How controls in key areas are monitored to ensure they are working effectively. 	<p>We consider the Trust to have effective processes in place to monitor and assess risk. Strategic risks are recorded and identified using the Board Assurance Framework, and any identified risks are reported to the Board. The Board Assurance Framework is reviewed quarterly by the Board of Directors. A 5 x 5 scoring matrix is used by the Trust to score operational risks, and any with a score of 15 or higher are included within the 15+ Risk Register, reported to Executive Committee on a monthly basis and subsequently to the Board. Our review of the risk register found this was sufficiently detailed to effectively manage key risks and we reviewed evidence of review within both the Committee minutes with clear escalation up to the BAF where required.</p> <p>The effectiveness of internal controls is monitored by the Audit Committee, through reporting from Internal Audit and Local Counter Fraud. The programme of work for each organisation is approved at the start of the financial year by the Audit Committee. Any recommendations raised by Internal Audit or the Local Counter Fraud are reported to the Audit Committee. We noted eight overdue internal audit recommendation, with follow up by the Audit Committee to challenge the implementation date.</p> <p>The Trust has a set of policies, which clearly outline the expected behaviour of staff members in relation to areas such as Gifts and Hospitality, Whistleblowing Policy and Managing Conflicts of Interest. All policies have been approved in line with their review requirements. These policies continued to apply throughout the period. The Trust has in place a staff code of conduct as per the standards of business policy. Specific guidance is in place for teams and managers via standards of behaviour for these roles. Overall compliance with legislation, laws & regulations is monitored by the Director of Governance and Assurance and through the Quality and Governance Committee.</p> <p>We found there to be appropriate scrutiny and challenge of the budgets, through regular meetings between budget holders and Management Accounts, and appropriate approval through the budget holders. We also found appropriate processes in place to ensure accurate recording and monitoring of the additional costs associated with Covid-19. Monthly submissions are made to NHS Improvement through the PFR which is approved by the Director of Finance and Strategy.</p> <p>Key strategic decisions are made via the Trust's governance process. A scheme of delegation is in place which sets out where different decisions/approvals should take place, with major decisions requiring specific business cases. Key decisions are approved through a process that includes consideration at divisional, executive management and Board level. Examples of the key major decisions during the period include the move towards an Integrated Care System, which was discussed by the Board with the CCG Chief Executive present. The Draft application was reviewed in October 2020, with further discussion to be held at Board workshop in 2021 as part of a wider update include reviewing business cases to move towards an ICS. Another key project was the Way Forward Programme, which was approved in December 2020.</p>

Improving economy, efficiency and effectiveness

Description	Commentary on arrangements
<p>This relates to how the Trust seeks to improve its systems so that it can deliver more for the resources that are available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> ▪ The planning and delivery of efficiency plans to achieve savings in how services are delivered; ▪ The use of benchmarking information to identify areas where services could be delivered more effectively; ▪ Monitoring of non-financial performance to assess whether objectives are being achieved; and ▪ Management of partners and subcontractors. 	<p>We note that from the 17 March 2020 QIPP/CIP programmes were put on hold in accordance with national guidance. This was to allow CCGs and providers to respond to the pandemic. It was therefore not possible for the Trust to implement and deliver the identified savings plans for the majority of areas; NHSE/I did not require the Trust to report on the delivery of efficiency schemes for months 1-6. Historically, all schemes over £50k have a Quality Impact Assessment approval from the Deputy Chief Nurse & Medical Officer.</p> <p>Typically CIP performance is reported as part of the Integrated Performance Report to the Board, allowing the Trust to assess the level of value for money being achieved, however it has not been included during the pandemic as CIP reporting has been halted. The Trust has continued to provide other financial reporting to the Board to ensure they remain aware of performance. Management also maintains and monitors costs by reviewing the information received from the Model Hospital, as well as benchmarking within the STP as part of shaping efficiency plans and contracting rounds.</p> <p>The Trust has a performance management framework, which details the format of reporting and outlines roles and responsibilities at each level. The main element of performance reporting is the Integrated Performance Report which provides the Board with key operational performance indicators, aligned to the Trust strategy and CQC Domains on a monthly basis. Similar reports are also reported at Divisional levels. This report highlights performance in different domains in line with the Trust’s strategy and notes key areas for improvement within each domain.</p> <p>The Trust forms part of the BSW STP. Members of the Board and leadership team work closely with other ICS partners, which ensures the Trust is integrated into key system decisions. Updates from the ICS are reported back to the Trust via relevant Board, Committee and operational/clinical meetings, which includes regular updates within their Board reports from the Trust CEO and Chair.</p> <p>Working in the system, the interaction between providers and other stakeholders is essential to ensure the appropriate operational and clinical flow across the system and achievement of longer term objectives, which is flagged as a strategic risk on the Board Assurance Framework. System working is becoming more embedded as business as usual to enact the appropriate actions and change. This is underpinned by the Long Term Plan ‘Our Plan for Health and Care 2020-24’, which states the agreed principles to work together in aiming towards an ICS.</p>



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