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Great Western Hospitals NHS Foundation Trust

Auditor's Annual Report 2023/24

18 July 2024

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Key Messages

Audit opinion on the financial statements

We issued an unqualified opinion on the Trust and group's financial statements on 28 June 2024.

The Trust's arrangements to secure Value for Money

Financial Sustainability

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

The NHS financial planning framework for 2023/24 focussed on several key priorities aimed at addressing ongoing challenges including financial sustainability, core service recovery and productivity at a local, system and national level.

Whilst we concluded that there was no significant weakness in the Trust's arrangements, it is notable that the Trust has reported a deficit at group level of £9.7m (2022/23: restated deficit of £24.4m), with the Trust only deficit of £9.9m (2022/23: restated deficit of £12.5m). The Trust's submitted plan for 2024/25 is for a £4.1m deficit (£10.2m on an adjusted basis), achievement of which would require £21.9m of savings (higher than the level achieved in 2023/24 of £14.4m). During 2023/24, the Trust achieved actual efficiencies of £14.4m, with recurrent savings of £5.6m, which is approximately 2.9% of the Trust's total operating expenses for the year. The total planned efficiencies for 2023/24 were £16.7m, with recurrent savings of £9.9m. For 2024/25, a CIP target of £21.9m, with £14.5m recurrent savings, has been included within the plan, which are significantly higher than 2023/24. We have also noted that around 49% (£10.7m) of the planned savings for 2024/25 are categorised as high risk by management, while around 58% (£12.7m) of total savings required are categorised as either unidentified or as opportunity within the NHS return submitted 12 June 2024.

As the planned deficit forms part of the overall system plan and is agreed with the ICB and the rest of the system, we do not consider that it indicates a significant weakness in arrangements to achieve financial sustainability. We note, however, that there remains a risk to the delivery of the 2024/25 plan and the Trust's ongoing financial position, which is a common challenge across the NHS.

Whilst the Trust has a history of achieving significant amounts from its saving plans in the past, management has to continue to monitor financial performance on a monthly basis to ensure that the required savings level is achieved for the financial year 2024/25.

Key Messages (continued)

The Trust's arrangements to secure Value for Money (continued)

Financial Sustainability (continued)

Also, the Trust Board should ensure that it is assured on the deliverability of the plan and that the increased risks to financial sustainability of the Trust are carefully managed.

We did not identify a significant weakness in the Trust's arrangements in this area.

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 an 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 internal audit function undertakes detailed scrutiny of the Trust's assurance framework. The Trust entered into a new internal audit contract in April 2023 with KPMG (BDO being the predecessor).

The Trust received a 'significant assurance with improvement opportunities' opinion from Head of Internal Audit in relation to the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

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.

Maternity Services were inspected in September 2023 and a CQC inspection report was published in March 2024. The Maternity Service rating was downgraded to "Requires Improvement" from "Good" with some improvement actions in relation to compliance. However, CQC has not taken any enforcement action against the Trust.

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 2024.

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") 2020 Code of Audit Practice and its supporting Auditor Guidance Note ("AGN") 03 Value for Money, and AGN 07 Auditor Reporting. These are available from the NAO website. The 2024 Code of Audit Practice will apply for 2024/25 onwards.

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 identify recommendations, we indicate whether these are:

- Recommendations in respect of significant weaknesses in the Trust's VfM arrangements, which we are required to make in accordance with AGN 03 where we identify a significant weakness, or.
- Other recommendations, which we have indicate as "Deloitte Insights" (and which are summarised in Appendix 1).

We have not identified any significant weaknesses in the Trust's VfM arrangements, and so have not reported any recommendations in respect of significant weaknesses.

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 Trust (in the green rows) and how this fits with some of the other assurances available over the 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 Trust's financial statements:

- Give a true and fair view of the financial position of the Trust and its group at 31 March 2024 and of the Trust's and group's income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by NHS England; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006.

The full opinion is included in the Trust's Annual Report and Accounts, which can be obtained 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 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 and group's financial statements on 28 June 2024. 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 2024 is consistent with the financial statements.

Reports in the public interest and reports to NHS England:

We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2024.

Opinion on the financial statements (continued)

Reporting to the group auditor:

In line with the group audit instructions issued by the NAO, we reported on 4 July 2024 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 18 July 2024, following completion of our responsibilities in respect of the audit for the year ended 31 March 2024.

Our financial statement audit approach

An overview of the scope of the audit

Our audit was scoped by obtaining an understanding of the Trust 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.

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 Trust to be £9.7m, on the basis of 2% of revenue, which is c2.5% of gross assets and c5.2% of taxpayers' equity.

We agreed with the 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 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 Trust's financial statements included:

- developing an understanding of the Trust, 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 Trust's financial statements;
- interviewing members of the Trust's management team and reviewing documentation to test the design and implementation of the Trust's internal controls in certain key areas relevant to the financial statements; and
- performing sample tests on balances in the Trust's 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 testing, using our Spotlight data analytics platform.

Our financial statement audit approach (continued)

Approach to audit risks

We focused our work on areas where we considered there to be a higher 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 reporting ARAC 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 valuations

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 an independent desktop valuation carried out for the purposes of the 31 March 2024 financial statements. There was a full revaluation carried out for the purposes of the 31 March 2023 financial statements. The Trust's revaluation has increased land values by £40k (0.17%), and buildings by £1.4m (0.78%). The impact of this will be to increase PDC dividends payable in the coming year by around £50k.

Deloitte response

- We tested the design and implementation of key controls in place around the property valuation.
- We tested the inputs to the valuation/the key asset information provided by the Trust to the valuer back to supporting documentation.
- We requested that management prepare an accounting paper over the valuation, including assurance over data inputs provided to the valuer, the basis for key judgements, and how the Trust responded to any matters excluded by the valuer from their consideration.
- We used our valuation specialists (Deloitte Real Assets Advisory) to review and challenge the appropriateness of the assumptions used in the year end valuation of the Trust's Land and Buildings.

Key observations Based on our Design & Implementation of controls, we did not identify any issues to report. The Trust's valuation assumptions were in line with other Trusts and fall within the expected range highlighted by our property specialists. We identified a prior year adjustment related to revaluation as detailed in our ISA 260 report.

Financial statement audit significant risks (continued)

Capital expenditure

Risk identified	<p>The Trust has an extensive £75.1m capital programme, including most importantly the Way Forward Program, with spend for the year of £43.5m compared to capital control total of £75.1m. As detailed in our Audit Plan, accounting for capital expenditure can involve significant judgements. Whether expenditure is capitalised, and the period it is recognised in, can significantly impact against the budgetary control totals the Trust is assessed against by NHS England.</p> <p>The increased 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 due to fraud in light of these factors.</p> <p>The Trust has a significant amount of assets under construction balance for current on going capital projects (£41.3m as at 31 March 2024). 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. We have tested this as a significant risk as part of our work on capital expenditure. Given the level of capital expenditure, we consider that this is also an area that could be open to management override, particularly in the context of the Trust needing to meet financial control totals, and so have tested as part of the significant risk on capital expenditure.</p>
Deloitte response	<ul style="list-style-type: none">• We 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 tested the design and implementation of controls around the capitalisation of costs.• We tested completed projects on a sample basis to ensure depreciation is charged from the correct date.• We tested 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 didn't use any vesting certificates this year, therefore we didn't perform further procedures on vesting certificates.
Key observations	<p>We did not identify any misstatement during our testing. However, based on our Design & Implementation of controls, we identified control findings and recommended to management as detailed in our ISA260 report.</p>

Financial statement audit significant risks (continued)

Management override of controls

Risk identified 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.

The key judgments in the financial statements are those which we have selected to be the significant audit risks capital expenditure 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.

Deloitte response We considered the overall control environment and 'tone at the top' and noted no issues to report. We considered the overall sensitivity of judgements made in preparation of the financial statements, and noted that:

- in the current year there are not direct financial incentives for achieving particular results; the Trust reported a deficit for the year of £9.7m.
- senior management's remuneration was not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Manipulation of accounting estimates

- We tested the design and implementation of controls in relation to accounting estimates.
- We reviewed accounting estimates for biases that could result in material misstatements due to fraud and performed testing on key accounting estimates.
- In testing accounting estimates, we considered our 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.

Manipulation of journal entries

- We tested the design and implementation of controls in relation to journals and of "top side" adjustments between the general ledger and financial statements.
- We 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.

Financial statement audit significant risks (continued)

Management override of controls (continued)

Deloitte response	<p>Manipulation of journal entries (continued)</p> <ul style="list-style-type: none">• We used Spotlight data analytics tools to select journals for testing with characteristics indicative of potential manipulation of reporting focusing in particular upon manual journals. We traced the journals to supporting documentation, considered whether they had been appropriately approved, and evaluated the accounting rationale for the posting. We evaluated individually and in aggregate whether the journals tested were indicative of fraud or bias. <p>Accounting for significant or unusual transactions</p> <p>We considered whether any transactions in the year required specific consideration. We did not identify any material unusual transactions outside the normal course of business.</p>
Key observations	<p>We did not identify any significant bias in the key judgements made by management.</p> <p>Whilst the overall result of our Design & Implementation were satisfactory, we raised certain control recommendations. These control recommendations were detailed in our ISA260 report.</p>

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. In accordance with 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. We have not identified any significant weaknesses in arrangements.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. Our assessment of potential indicators has been performed in the context of the overall operating environment for the NHS during 2023/24, including the impact of industrial action, demand pressures, and the activities to recover elective activity levels following the pandemic.

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 staff.



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



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



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
<p>We have considered how the Trust plans and manages its resources to ensure it can continue to deliver its services, including:</p> <ul style="list-style-type: none">• 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.	<ul style="list-style-type: none">• The Trust prepares an annual plan 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’s review of planning process links internal planning to ensure an integrated activity/workforce and financial plan but also links to an overarching system plan.• For the 2024/25 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 2024/25 used Executive escalation meetings through last quarter of 2023/24 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.• 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 before submission to NHSE.

VfM arrangements: Financial Sustainability (continued)

Commentary

- NHS Planning guidance indicates the level of efficiency savings required. During 2023/24, the Trust achieved actual efficiencies of £14.4m (recurrent: £5.6m, non-recurrent: £8.7m) which is approximately 2.9% of the Trust's total operating expenses for the year. The total planned efficiencies for 2023/24 were £16.7m (recurrent: £9.9m, non-recurrent: £6.8m).
- For year 2024/25, the CIP target of £21.9m (recurrent: £14.5m, non-recurrent: £7.4m) has been included within the plan, which is significantly higher than last year. The required efficiencies are approximately 4.3% of total operating expenses for the year 2024/25 (as compared to planned 3.7% for 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.
- There are twice monthly meetings by the Financial Recovery and Workforce Committees, who review the CIP tracker to ensure the saving schemes still have a green rating, or to recommend actions to remediate those with deviations.
- Despite these planned savings, the Trust's plan still shows a £4.1m deficit. However, as the planned deficit forms part of the overall system plan and is agreed with the ICB and the rest of the system, we do not consider it to represent a risk of significant weakness in arrangements to achieve financial sustainability. We note, however, that there remains a risk to the delivery of the 2024/25 plan and the Trust's ongoing financial position, which is a common challenge across the NHS. Continued focus on identification and delivery of savings plans, as well as agreement of additional funding to match the Trust's cost base, will be key to achieving plan.

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 2023/24 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
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VfM arrangements: Governance (continued)

Commentary

- 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 (KPMG) for its internal audit function, which prepares the annual audit plan and conducts audits during the year.
- The annual internal audit plan is formally approved by the ARAC and the Trust Board. The Head of Internal Audit's Annual Opinion for 2023/24 was 'significant assurance with improvement opportunities' for the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. There was a recommendation to improve on CQC actions from internal audit review.
- Maternity Services were inspected in September 2023 as part of the national Maternity Inspection programme and a CQC inspection report was published in March 2024. The Maternity Service rating was downgraded to "Requires Improvement" from "Good" with some improvement actions in relation to compliance. However, CQC has not taken any enforcement action against the Trust.
- The Trust prepares annual planning in line with national NHS timetables. 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 new NHS Provider Code of Governance became effective from 1 April 2023. The Trust has applied the principles of the NHS Foundation Trust Code of Governance on a 'comply or explain' basis. We have considered the Trust's implementation of the new Code and noted that the Trust believes it complies with all of the requirements of the Code of Governance in the "comply or explain" category.
- Climate change presents significant challenges for the NHS in adapting to a changing environment. As part of its response to these challenges, the Government is adopting the Task Force on Climate-related Financial Disclosures (TCFD) as a framework for public sector bodies to analyse, understand and disclose climate-related financial information, in order to support the management of climate-related financial risks and opportunities. The Government is adopting a phased approach to implementing TCFD disclosures in the public sector, with 2023/24 only requiring disclosures under the "Governance Pillar". In line with these disclosures the Annual Governance Statement sets out the Board's oversight of the Trust's approach to assessing and managing climate-related issues, and the governance structures in respect of this. The Trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

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

- The Board of Directors are responsible for ensuring systems are in place to maintain the economic, efficient and effective use of resources within the Trust. The Board receives performance and financial reports at each of its meetings and receives reports from the chairs of its committees to which it has delegated powers and responsibilities.
- 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.
- The Trust is part of 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.

VfM arrangements: Improving economy, efficiency and effectiveness (continued)

Commentary

- We understand HOSCs (known as the Adults' Health, Adults' Care and Housing in Swindon and the Health Select Committee in Wiltshire) are a statutory function of Local Authorities comprising elected representatives whose role it is to scrutinise decisions and changes that impact on health services in the area. In 2023/24 the Chief Executive of the Trust, or a deputy, attended each of the Swindon meetings to present the key issues relating to the Trust.
- The Trust remains a regular contributor to NHS Benchmarking and uses this data to compare performance at both a trust-wide and divisional level as well as to identify CIP opportunities. Efficiency is benchmarked in a variety of ways, including through the cost collection, by use of national benchmarking data including use of the Model Hospital data sets. Further benchmarking is undertaken through peer review.
- As in the previous few years, the system has continued allocating the overall system deficit to organisations within the ICS on a fair share basis, based on a proportion of the individual organisation's expenditure budgets.
- The Trust would potentially be looking into the use of Artificial Intelligence (AI). We recommend that should the Trust continue to develop its use of AI internally, that it considers that risks associated with the deployment of AI solutions are adequately reflected in the Trust's wider risk registers and risk management processes, and whether an overarching governance framework (including reporting to Board) and supporting policies are needed, particularly in respect of the provision of services.

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

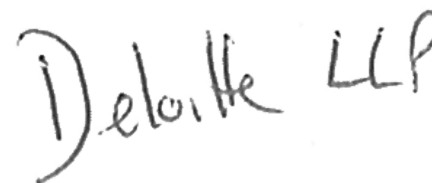
This report is made solely to the Board of Governors and Board of Directors ("the Boards") of Great Western Hospitals NHS Foundation Trust, as a body, in accordance with the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Boards those matters we are required to state to them in our Audit Report and Auditor's 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 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 Directors and Board of Governors 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 | 18 July 2024

Appendix 1: Recommendations

We have summarised below Deloitte insights where there are opportunities to strengthen arrangements to secure economy, efficiency and effectiveness in the use of resources.

Financial sustainability

Deloitte insight

Observation

Whilst we concluded that there was no significant weakness in the Trust's arrangements, it is notable that the Trust has reported a deficit at group level of £9.7m (2022/23: restated deficit of £24.4m), with the Trust only deficit of £9.9m (2022/23: restated deficit of £12.5m). The Trust's submitted plan for 2024/25 is for a £4.1m deficit (£10.2m on an adjusted basis), achievement of which would require £21.9m of savings (higher than the level achieved in 2023/24 of £14.4m). The planned CIP for 2023/24 includes £7.4m of non-recurrent savings. We have also noted that around 49% (£10.7m) of the planned savings are categorised as high risk by the management, while around 58% (£12.7m) of total savings required are categorised as either unidentified or as opportunity.

Recommendation

We recommend that management should continue monitoring financial performance on a monthly basis to ensure that the required savings level is achieved for the financial year 2024/25. Also, the Trust Board should ensure that it is assured on the deliverability of the plan and that the increased risks to financial sustainability of the Trust are carefully managed. Furthermore, the Trust should prepare an MTFP to get back to breakeven in future years.

Governance over the use of Artificial Intelligence tools

Deloitte insight

Observation

The Trust would potentially be considering the use of Artificial Intelligence in future, including in delivery of services.

The Trust currently does not have a risk in the Trust's Corporate Risk Register in respect of risks associated with the use of AI in provision of services.

Furthermore, there is not currently an overarching policy on governance and decision making in respect of AI solutions.

Recommendation

We recommend, should the Trust plan a potential use of AI in future, the Trust consider whether the risks associated with the deployment of AI solutions are adequately reflected in the Trust's risk registers and risk management processes. We recommend the Trust review whether an overarching governance framework and supporting policies are needed for the deployment and operation of AI, particularly in provision of services.

Appendix 1: Recommendations (continued)

Governance over climate-related risks

Deloitte insight

Observation

The Trust's disclosures in the Performance Analysis section of the Annual Report set out the board's oversight of the Trust's approach to assessing and managing climate-related issues, and underlying management structures in respect of this.

As noted in the Annual Report, the Trust considers it is at an early stage in its sustainability journey and there is currently no task force on climate-related financial disclosures for this reporting year, and to embedding sustainable development in its arrangements.

Recommendation

Given the extent of TCFD reporting will increase over the next two years, we recommend the Trust review its anticipated disclosures ahead of next year-end to ensure that relevant information is available to support the increased disclosures, and to consider whether any actions are required as part of its sustainability programme.

We recommend the Trust reviews whether climate-related risks are sufficiently reflected in the Trust's risk registers and Board Assurance Framework and how climate-related issues are considered when setting its strategies.

Care Quality Commission inspection

Deloitte insight

Observation

Maternity Services of the Trust were inspected in September 2023 and a CQC inspection report was published in March 2024. The Maternity Service rating was downgraded to "Requires Improvement" from "Good" with some improvement actions in relation to compliance.

The management has established an action plan to address the items to do. Areas of improvement identified included mandatory training completion, triage processing and audit & incident reviews.

Recommendation

We recommend that management continue implementation and monitoring of established action plan through regular updates to Quality and Safety Committee, with "Must do" items to be addressed on priority basis.

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 England, 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, 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 2024. 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 England 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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