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Key Messages

Audit opinion on the financial statements

We issued an unqualified opinion on the Trust's financial statements on 8 July 2022.

Trust Value for Money Arrangements

On 8 July 2022, as part of our audit opinion, we reported to the Trust a significant weakness in the Trust's arrangements to secure financial sustainability in how the Trust plans to bridge its funding gaps and identify achievable savings in order to achieve breakeven position over the medium term. The Trust was forecasting a deficit of £19m within its plan completed as at June 2022 for the year ended 31 March 2023, which includes £17m of additional funding which is uncommitted. If the additional £17m is not received this will have an impact on the Foundation Trusts liquidity within the next 12 months. Our recommendation for improvement is set out on page 23.

Financial Sustainability

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

The Trust prepares annual planning inline with national NHS timetables. The plans are prepared on a divisional basis. The budget/planning process has been different for last two financial years due to Covid. The 2021/22 planning process was split into two elements with a plan drawn up for the whole year in March 2021 but a requirement to only sign off months 1-6 (H1 2021/22).

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. 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.

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.

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 Foundation Trust") for the year ended 31 March 2022.

This report is intended to bring together the results of our work over the year at the Foundation Trust, including commentary on the Foundation 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 Foundation 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 Foundation Trust has put in place, based on our risk assessment. The commentary does not consider the adequacy of every arrangement the Foundation Trust has in place, nor does it provide positive assurance that the Foundation Trust is delivering or represents value for money.

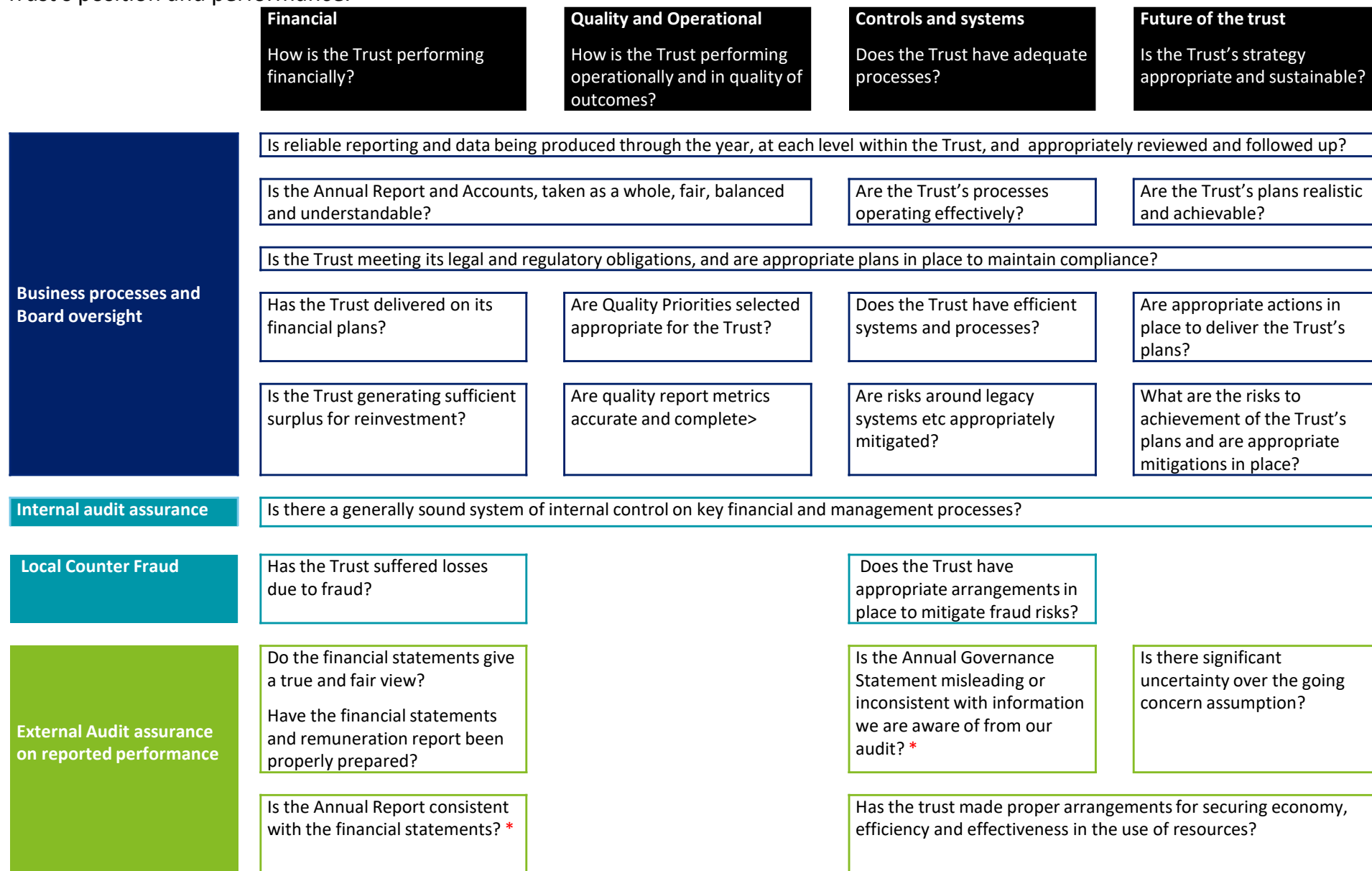
Where we identify recommendations, we indicate whether these are:

- Recommendations in respect of significant weaknesses in the Foundation Trust's VfM arrangements, which we are required to make in accordance with paragraph 54 of AGN 03 where we identify a significant weakness, or
- Other recommendations, which we have indicate as "Deloitte Insights".

During our work on VfM, we identified a significant weakness in the Foundation Trust's arrangements to secure financial sustainability in how the Foundation Trust plans to bridge its funding gaps and identify achievable savings in order to achieve a breakeven position over the medium term. The Trust was forecasting a deficit of £19m within its plan completed as at June 2022 for the year ended 31 March 2023, which includes £17m of additional funding which is uncommitted. If the additional £17m is not received this will have an impact on the Foundation Trusts liquidity within the next 12 months. Our recommendation for improvement is set out on page 23.

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 2022 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 8 July 2022. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.
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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.
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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.
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Annual Report:	We reported that the information given in the Performance Report and Accountability Report for the year ended 31 March 2022 is consistent with the financial statements.
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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 2022.
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Reporting to the group auditor:	In line with the group audit instructions issued by the NAO, we reported on 12 August 2022 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.
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Audit Certificate	We certified completion of the audit on 17 August 2022, following completion of our responsibilities in respect of the audit for the year ended 31 March 2022.
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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 £8.9m, 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

Management override of controls

Risk identified In accordance with ISA 240 (UK) management override is a significant risk due to fraud. 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.

We consider that in the current year there is a risk across the NHS that management may override controls to fraudulently manipulate the financial statements or accounting judgements or estimates. In previous years, this has been to meet or exceed control totals – however, in light of the increased funding in the current year, we have also considered the potential incentives to recognise excess liabilities in the current year.

Deloitte response We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that: in the current year there are no direct financial incentives for achieving particular results; the Trust's reported an adjusted position ahead of plan by £0.058m; and senior management's remuneration is 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. Specific areas of work are:

- We considered the overall control environment and 'tone at the top'.

Journals

- We tested the design and implementation of controls in relation to journals and accounting estimates.
- 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.
- We used analytics tools to select journals for testing, based upon identification of items of potential audit interest. Our analysis covered the journal lines posted in the year. We conducted various tests using Spotlight analytics to highlight journals which were indicative of fraud, due to their large value or being rounded in nature etc, with journal tests being refined to our significant audit risks in the current 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.

Financial statement audit significant risks

Management override of controls (continued)

Deloitte response

Accounting estimates

- We reviewed accounting estimates for biases that could result in material misstatements due to fraud, this has included property valuations, capital expenditure, accruals and provisions.
- We performed testing on key accounting estimates as discussed above, and considered or other accounting.
- In addition to our work focused on accounting judgements in relation to the recognition of accruals and provisions to ensure valid accruals and provisions were recognised appropriately. In relation to property valuations, we challenged the assumptions applied in the desktop valuation through the use of our property specialists.

Significant transactions outside the normal course of business

- No significant transactions noted during the audit.

Key Observations

We noted that management have been more prudent in relation to the accruals with an increase in accruals noted from the prior year. This resulted in a significant risk being identified over the validity of accruals and a number of misstatements noted in relation to this balance, refer to page 12. A misstatement was noted in relation to the property valuation which has been corrected within the final financial statements, refer to page 13.

We did not identify any instances of management override of controls.

Financial statement audit significant risks

Accounting for capital expenditure

Risk identified	<p>Accounting for capital expenditure can involve significant judgements.</p> <p>The increased level of expenditure in the current year, the higher level of capital budgets available 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 recognised £32m of capital expenditure in the year which a significant proportion being recognised in last quarter of the year, of which £1.7m was recognised under vesting certificates with payment in advance of physical delivery of goods.</p>
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Deloitte response	<ul style="list-style-type: none">• We requested management prepare accounting papers in respect of any areas of judgement in the application of accounting standards to determine whether costs should be capitalised.• We tested the design and implementation of controls around the capitalisation of costs.• We tested spending on a sample basis to confirm that it complies with the relevant accounting requirements.• We tested the validity of year-end capital accruals to test cut-off of expenditure.• We tested a sample of vesting certificates to assess whether they were appropriately accounted for, and also considered from a Value for Money perspective whether their use was in accordance with the requirements of Managing Public Money (which requires bodies not to make payments in advance of need or solely for the purposes of managing performance against spending controls).
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Key Observations	<p>No issues noted in relation to the recognition of capital expenditure.</p> <p>We have raised an insight in relation to the use of vesting certificates see page 23.</p>
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Financial statement audit significant risks

Validity of accruals

Risk identified	<p>The changes to the NHS funding and monitoring regime in the prior and current year have meant that there has been a significant increase in the overall level of revenue and capital funding available to NHS providers, and a reduction in the overall pressure to achieve specific control totals.</p> <p>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. We therefore identified an additional significant risk due to fraud in updating our year-end risk assessment.</p>
Deloitte response	<ul style="list-style-type: none">• We tested the design and implementation of controls over the year-end accrual process;• We tested a sample of accruals to supporting documentation to check whether they were valid liabilities, that the amount accrued was appropriately supported, and that the liability had been incurred as at 31 March 2022; and• We also considered the findings from our testing of capital expenditure with respect to the timing of recognition of expenditure and liabilities.
Key Observations	<p>A number of misstatements were noted in relation to accruals which were communicated in our year-end report to the Audit, Risk and Assurance Committee, together with a related control finding and recommendation.</p>

Financial statement audit significant risks

Property valuation

Risk identified	<p>The Trust held £188.1m of property assets (land and buildings) at 31 March 2021 which decreased to £187.5m as at 31 March 2022, due to the transfer of an asset to another NHS organisation, additions and an upwards revaluations as a result of the Trust undertaking a desktop valuation exercise during 2020/22.</p> <ul style="list-style-type: none">• The Trust is required to hold property assets within Property, Plant, and Equipment at a modern equivalent use valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.
	<p>We have pinpointed our significant risk to the following areas:</p>
	<ul style="list-style-type: none">• The assumptions used in the modern equivalent use valuation as these are significant estimates;• The information provided to the valuer, as if this information is not complete and accurate, the resulting valuations provided may not be complete and accurate; and• The accounting entries used to process the valuations as these are more complex than entries required in other areas of the accounts.
Deloitte response	<ul style="list-style-type: none">• We tested the design and implementation of key controls in place around the property valuation, specifically in relation to the modern equivalent use valuation assumptions, the information provided to the valuer, and the processing of accounting entries relating to the valuation.• Where sites are valued on an alternative site basis we challenged whether the assumptions made are consistent with the Trust's clinical strategy and have been considered and approved at an appropriate level within the Trust.• We tested the inputs used in the MEA including the gross internal areas provided to the valuer.• We selected a sample of revalued assets and tested these to determine whether or not the correct accounting entries have been made.• We used our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions used in the year-end valuation of the Trust's Land and Buildings.
Key Observations	<p>As a result of the audit testing a number of issues in the initial valuation of land where appropriate assumptions were made or where land had not been revalued, this resulted in a £6m adjustment which was corrected within the financial statements.</p> <p>A control finding was raised within the report provided to the Audit, Risk and Assurance Committee.</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. 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. The significant weaknesses we have reported are set out on the following page.

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. As a result of the COVID-19 pandemic, there have been changes in nationally led processes, changes in expectations around Trust's arrangements, and events occurring outside of the Trust's control, which affect the relevance of some of these indicators. We have still considered whether these indicators are present, but have considered them in the context of the circumstances of 2021/22 in assessing whether they are indicative of a risk of significant weakness.

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.

Significant weaknesses in VfM arrangements

During our 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.

Significant weakness Weakness in the Foundation Trust's arrangements to secure financial sustainability in how the Trust plans to bridge its funding gaps and identify achievable savings in order to achieve a breakeven position over the medium term.

Date reported to the Trust 7 July 2022

VfM criteria affected Financial sustainability

Description of the significant weakness During the audit we have identified the following significant weakness:

- Weakness in the Foundation Trust's arrangements to secure financial sustainability in how the Trust plans to bridge its funding gaps and identify achievable savings in order to achieve a breakeven position over the medium term. The Foundation Trust is forecasting a deficit of £19m for the year ended 31 March 2023 which includes £17m of additional funding which is uncommitted. If the additional £17m is not received this will have an impact on the Foundation Trust's liquidity within the next 12 months.

Evidence for our conclusion The annual plan that was prepared by management in June 2022 and included a planned deficit of £19m along with the uncommitted additional funding of £17m required in order for the Trust to remain financially sustainable. In addition, we held discussions with management.

Impact of the weakness on the body Trust's inability to bridge its funding gaps and identify achievable savings in order to breakeven across the medium term and operate within its financial envelope.

Recommendation We recommend that the Trust prepares a medium term financial plan and identifies savings in order to achieve a breakeven position.

Management response The Trust is awaiting national guidance with regard to the production of a 3-5 year financial plan with an anticipated submission date of January 2023. Work on this will be in conjunction with the 2023/24 Operating Planning round and the outputs of both will identify the solutions to make the Trust financially sustainable over the short and medium term.

VfM arrangements: Financial Sustainability

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

- The Trust prepares annual planning inline with national NHS timetables. The plans are prepared on a divisional basis. The budget/planning process has been different for last two financial years due to Covid. The 2021/22 planning process was split into two elements with a plan drawn up for the whole year in March 2021 but a requirement to only sign off months 1-6 (H1 2021/22).
- 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.
- A Planning Round Table Group was established in July 2021. The Group has representatives from Finance, Operations, Strategy, Business Intelligence, Workforce, Transformation and improvement as core membership plus Quality (nursing and medical). The Group oversees planning process and meets weekly throughout the year to oversee planning process with focus on key aspects such as annual plan/efficiencies/strategy at certain points throughout the year. The Group reports through Trust Management Committee and Finance, Infrastructure and Digital Committee.
- 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. Budget process requires significant divisional involvement through Finance Business Partners as operational level and through cross Divisional meetings at Deputy/Director level. All budgets require Divisional sign off and monitoring via Accountability Framework.
- NHS Planning guidance indicates level of efficiency savings required. As part of the planning process the Trust has identified a savings target of £11.1m. At the end of May 2022 the Trust had identified plans for 56% of the target on a recurrent basis. The Trust does not yet have a fully identified efficiency plan, which is being addressed through Divisional platforms as well as cross Divisional workshops to mitigate the risk to in year delivery. The CIP target of £10m has been included within the £19m deficit plan that has been prepared for the year 2022/23, therefore the non-delivery of this plan would increase the reported 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 Trust Management Committee, Finance, Infrastructure and Digital Committee and Trust Board. We confirmed our understanding by reviewing the latest CIP plan which was presented to and approved by Finance, Infrastructure and Digital Committee in June 2022. Management has prepared a FY2023 plan which was presented in and approved by Finance, Infrastructure and Digital Committee (Extra-ordinary) on behalf of Board in June 2022.

Whilst the Trust has certain controls in place to ensure its financial sustainability as described above, we have however identified a significant weakness in the Trust's arrangements to secure financial sustainability in how the Trust plans to bridge its funding gaps and identify achievable savings in order to achieve a breakeven position over the medium term. The Trust is forecasting a deficit of £19m within its plan completed as at June 2022 for the year ended 31 March 2023, which includes £17m of additional funding which is uncommitted. If the additional £17m is not received this will have an impact on the Foundation Trusts liquidity within the next 12 months.

We have therefore recommended to the management that the Trust prepares a medium term financial plan and identifies savings in order to achieve a breakeven position.

The significant weakness was also reported in our audit opinion dated 8 July 2022 for the year ended 31 March 2022.

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 2021/22 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

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 prepares annual planning in line with national NHS timetables. The plans are prepared on a divisional basis. 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.
- 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.

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.
- The Trust aims to work in partnership to build strong relationships that enable it to obtain best value for money. As part of the Acute Hospital Alliance, the Trust work closely with Salisbury NHS Foundation Trust and the Royal United Hospitals Bath NHS Foundation Trust which aims to provide the best use of procurement resources, skills, and best value for money.
- The Trust has a partnership with Oxford University Hospitals NHS Foundation Trust (OUH) in relation to Swindon Radiotherapy Centre, which will be an OUH-run service on the Great Western Hospital site the Trust is working closely with OUH to ensure the partnership is working effectively.

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 | 17 August 2022

Appendix 1: Recommendations

We have summarised below the Deloitte insights where there are opportunities to strengthen arrangements to secure economy, efficiency and effectiveness in the use of resources- this is in addition to the significant weakness noted on page 15

Vesting certificates

The Trust's use of vesting certificates increased from nil at 31 March 2021 to £1.7m at 31 March 2022. We understand that the Trust has not made use of vesting certificates during the year, and only made use of them towards the end of the year. Vesting certificates are legal agreements that are intended to transfer legal title ahead of receipt of goods, in exchange for payment in advance. Vesting certificates can be a legitimate risk management tool if advance payments are required for commercial reasons to secure orders for goods in high demand or with long lead times – however, in these cases, their use is driven by the underlying commercial circumstances to provide protection to a buyer making payments in advance of delivery, rather than any considerations on accounting treatments. Managing Public Money states that public sector organisations should not make payments in advance of need, or use interim payments to circumvent spending controls, such as to avoid underspending the capital budget for the year.

Managing Public Money states that public sector organisations should not make payments in advance of need, or use interim payments to circumvent spending controls, such as to avoid underspending the capital budget for the year.

We recommend the management review the use of vesting certificates and ensure they are used in line with Managing Public Money guidance and ensure controls are in place to mitigate the risk of vesting certificates being used inappropriately.

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 2022. 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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