

# Auditor's Annual Report

**University Hospitals Bristol and Weston NHS Foundation Trust**

Year ended 31 March 2021

June 2021

FINAL





Audit Committee  
University Hospitals Bristol and  
Weston NHS Foundation Trust  
Trust Headquarters  
Marlborough Street  
Bristol  
BS1 3NU

June 2021

## **Report to the Audit Committee**

Dear Ladies and Gentlemen,

We are pleased to present our Auditor's Annual Report summarising the results of our audit for the year ended 31 March 2021.

Yours faithfully,

**PricewaterhouseCoopers LLP**

**Reports and letters prepared by external auditors and addressed to governors, directors or officers are prepared for the sole use of the NHS Foundation Trust and no responsibility is taken by auditors to any governor, director or officer in their individual capacity, or to any third party.**

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# Introduction

## The purpose of this document

This letter provides the Council of Governors of University Hospitals Bristol and Weston NHS Foundation Trust (the “Trust”) with a high level summary of the results of our audit for the year ended 31 March 2021, in a form that is accessible for you and other interested stakeholders.

We have already reported the detailed findings from our audit work to the Audit Committee in the following reports:

- audit opinion on the financial statements for the year ended 31 March 2021; and
- report to those charged with governance (ISA (UK) 260).

## Scope of work

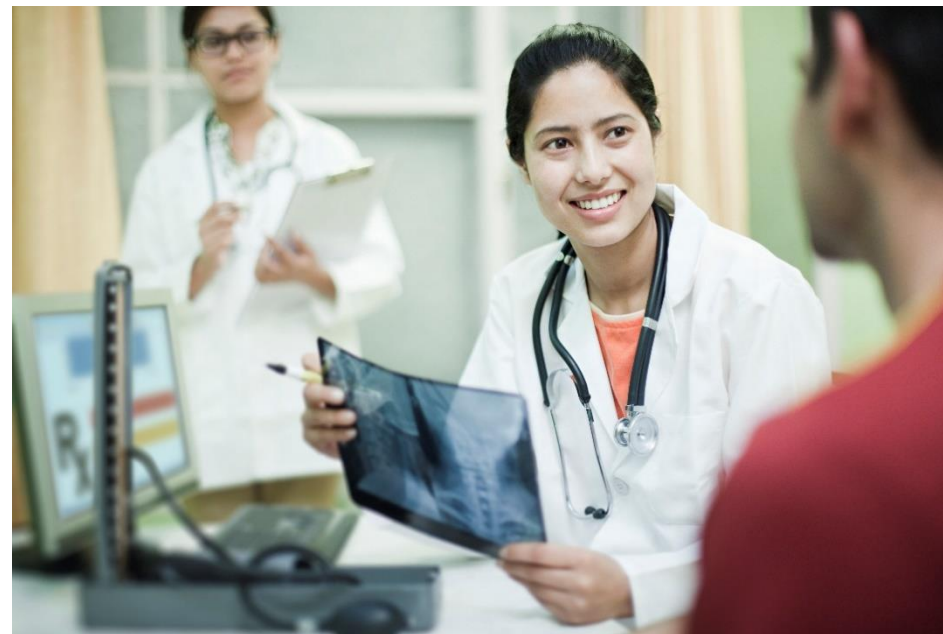
We performed our audit in accordance with the International Standards on Auditing (UK) (“ISAs (UK)”) and the Comptroller and Auditor General’s Code of Audit Practice (“the Code”), which was issued in April 2020. Our reports and audit letter are prepared in accordance with ISAs (UK), the Code, all associated Audit Guidance Notes issued by the National Audit Office, and relevant requirements of the NHS Act 2006.

The Board of Directors is responsible for preparing and publishing the Trust’s financial statements, including the Annual Governance Statement. The Board of Directors is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Trust’s resources.

As auditors we need to:

- form an opinion on the financial statements;
- review the Trust’s Annual Governance Statement; and
- satisfy ourselves on whether the Trust has made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

We carried out our audit work in line with our Audit Plan that we issued in January 2021 and our Update Report that we issued in April 2021.



# Audit findings

## Financial statements

We completed our audit work over the financial statements during May and June 2021, and we issued our audit opinion on the financial statements on 14 June 2021.

We have identified two uncorrected misstatements for reporting to the Audit Committee as part of our audit and this is set out in Appendix 1 of this report. We also raised four control recommendations, which are summarised in Appendix 2.

## Value for money

For the year ended 31 March 2021, under the 2020 Code of Audit Practice and the NAO's updated Auditor Guidance Note 03 ("AGN 03"), we must reach a statutory conclusion on your arrangements to obtain Value for Money in the use of the Trust's resources against the following overall evaluation criterion:

*In all significant respects, the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.*

This represents a significant change in the work we have previously conducted on Value for Money in prior years. Our commentary and conclusions are informed by three broad sub-criteria:

- financial sustainability;
- governance; and
- improving economy, efficiency and effectiveness.

We have set out the work that we have performed on the Trust's arrangements in Appendix 3, which includes our commentary against the specified reporting sub-criteria.

We determined that there were no significant weaknesses to report.

## Annual Governance Statement

The aim of the Annual Governance Statement ('AGS') is to give a sense of how successfully the Trust has coped with the challenges it faced, drawing on evidence on governance, risk management and controls. We reviewed the AGS and considered whether it complied with relevant guidance and whether it was misleading or inconsistent with what we know about the Trust.

We found no areas of concern to report in this context.

## Reporting of additional matters

We are required to report, by exception, on whether we have:

- issued a report in the public interest under Schedule 10 (3) of the National Health Service Act 2006, or
- referred a matter to Monitor under Schedule 10 (6) of the National Health Service Act 2006.

We have no exceptions to report in respect of these responsibilities.

# Appendices

# Appendix 1: Summary of uncorrected misstatements

We found the following misstatements during the audit that have not been corrected by management. Both management and the Audit Committee were satisfied that these misstatements remained uncorrected as they did not have a material impact on the financial statements.

No.	Description of misstatement		Statement of Comprehensive Income		Statement of Financial Position		Cash flow	
			Dr (£000)	Cr (£000)	Dr (£000)	Cr (£000)	Inflow (£000)	Outflow (£000)
	F = factual, J = judgemental, P = projected							
1	Dr Operating expenses Cr Property, plant and equipment <i>Being an adjustment for the purchase of several laptops. The Trust has capitalised the items as they were PDC funded. However, they do not meet the Trust's capitalisation threshold of items over £5k being capitalised.</i>	F	471			(471)		
2	Dr. Accruals Cr. Operating expenses <i>Being an adjustment to reverse a VAT accrual recognised.</i>	J		(3,320)	3,320			
<b>Total uncorrected misstatements</b>			471	(3,320)	3,320	(471)	-	-
<b>Net impact on the SOCI of uncorrected items</b>			(2,849)					



# Appendix 2: Summary of control recommendations (financial statements audit)

We identified the following control or process deficiencies during the audit of the financial statements and have made relevant recommendations to the Trust.

Deficiency	Recommendation	Management's response
<p><b>Medway and eFinancials user access reviews</b></p> <p>For Medway, user access rights are reviewed for appropriateness over admin users only, and this review is not formally signed off. Normal end user access rights are not periodically reviewed for appropriateness.</p> <p>For eFinancials, there is no control to periodically review user access rights within the eFinancials systems.</p>	<p>Management should carry out a periodic exercise to review the appropriateness of user access on Medway and eFinancials. Management may agree on the frequency of the review based on its risk appetite. This check should be carried out at least annually.</p> <p>All records should be retained for audit purposes.</p>	<p><u>Medway user access</u></p> <p>Digital Services review users with Administrator rights, but do not maintain a process that reviews all users of Medway. However, controls are in place which disable user access accounts when a user leaves the Trust or where the account has not been used for three months. Undertaking a review of all users would be resource intensive owing to the large number of Medway users across the Trust. However, the Chief Technology officer will consider how to implement a practical solution to periodically review user access rights on particular accounts.</p> <p><u>eFinancials user access</u></p> <p>eFinancials access is controlled in two ways, user access and role access. A set of roles has been established with assigned access rights. Users are granted access to the system and then assigned the appropriate user role which controls what they have access to and what they are able to do within that area. Users and the access roles assigned to them are reviewed on a quarterly basis to ensure that access to the finance system has been removed or changed as staff leave or change job roles. The access roles were established to support the different roles within the finance department and ensure segregation of duties. The structure has not significantly changed however the roles and their assigned access rights are not reviewed on a regular basis. There will now be an annual review by senior staff with additional reviews should the structure change.</p>



		Responsible person – Chris Berrington Target date – 31 December 2021
<b>eFinancials password controls</b> Password parameters are not in line with best practice. Strength of system enforced password parameters could be improved. Character length could be increased from 6 to 8 as a minimum and there are no complexity requirements (such as both alpha and numeric characters, use of special characters or case sensitivity). In addition, users are also not automatically locked out after a maximum number of attempts.	It is recommended that management update password parameters to be in-line with good practice (e.g. at least 8 characters, complexity, lockout policy).  In addition, it should enforce lockout of users after a maximum number of failed attempts.	A change request to support more complex passwords in eFinancials continues to be discussed with the system supplier and will be included in any upgrade or system supplier change. Responsible person – Chris Berrington Target date – 31 December 2021.
<b>Medway migration</b> Weston's patient administration system (PAS) system was migrated in September 2020, from Cerner Millennium to Medway. The migration was conducted by a third-party provider. While a summary reconciliation was provided by the third party, there was a lack of evidence retained over the mapping between the two PAS systems. In addition, we were unable to evidence any checks that were carried out by the Trust around the third party's reconciliations.  This has meant we were unable to perform an independent reconciliation. Instead, we had to perform alternative procedures. This was done by undertaking a sample test between both the old and new systems to ensure the data migrated across accurately and correctly.	When a third-party provider provides technical support, the scope of their work should be clearly defined by the Trust and documented. This includes providing the Trust with key information to reperform this at a later date if needed.	For future similar works undertaken, the Trust will request suppliers provide improved evidence of governance and control for data migration projects. Responsible person – Chris Berrington Target date – 31 December 2021
<b>eFinancials migration</b> Weston's eFinancials system migrated to UHBW eFinancials system in July 2020. The migration was an account level transfer. UHBW had reconciled the pre and post balances before the migration to ensure that there are no differences. However, we noted that the following points on the data migration governance: <ul style="list-style-type: none"> <li>- Meeting minutes were not maintained for stakeholder discussions of the migration;</li> <li>- Management completed reconciliations to confirm that the data had migrated is complete and accurate. However, the reconciliations were not formally reviewed and approved by senior individuals; and</li> </ul>	For future migrations and/or large projects, the Trust should retain evidence of governance in line with good practice including key decisions and senior review.	Given the operating environment the administrative process was streamlined to focus on value adding activities. Whilst formal meetings notes were not maintained, agreed actions were captured within the action plan and discussed directly with any stakeholders where appropriate.  Reconciliations were captured within the action plan which was reviewed and discussed at each system merger meeting led by the Associate Director of Finance. A formal approval was not considered essential given the circumstances. All data migrated was reconciled for completeness and accuracy.  Whilst a formal "go-live" approval was not obtained, there was oversight of the decision. An SBAR was provided to the Merger Programme Board (MPB) to notify the delay in the ledger merger. MPB noted and accepted that the plan would be

- A formal “Go Live approval” was not obtained prior to the migration.

These are best practice points for good governance. We have raised these to assist with any future migrations.

reviewed at the end of April and the timescales revised. There was no requirement for further approval via MPB prior to ‘Go Live’ given the challenges and significance of the priorities facing the Trust relating to the COVID-19 pandemic and the merger of the Trusts. Integration plans held by the Integration PMO were updated to reflect the revised timescales with highlight reports presented to the Integration Board through which oversight was maintained.

The approach for any future work of this nature will be reviewed in light of this recommendation.

Responsible person – Chris Berrington

Target date – 31 December 2021

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# Appendix 3: Our work on ‘Value for Money’

## The scope of our work

The scope of our work in relation to whether the Trust had in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021 is determined by the requirements outlined in Auditor Guidance Note 3 'Auditor's work on Value for Money (VFM) arrangements' ("AGN 03"), issued by the NAO in October 2020.

As part of designing our work in this area, we assessed the risks of the Trust not having put in place proper arrangements under each of the following criteria in accordance with AGN 03:

- financial sustainability (how the Trust plans and manages its resources to ensure it can continue to deliver its services);
- governance (how the Trust ensures that it makes informed decisions and properly manages its risks); and
- improving economy, efficiency and effectiveness (how the Trust uses information about its costs and performance to improve the way it manages and delivers its services).

These criteria are not separate and we are not required to reach a distinct judgement against each one.

## How we tailored the scope of our work

Our risk assessment was performed to ensure that we carried enough work in the areas of greatest risk to be able to report on whether the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our risk assessment identified no areas of specific concern or potential significant weakness. We obtained sufficient supporting evidence to support our risk assessment.

## Results of our work

Our work has been performed in the context of the guidance issued by NHS Improvement and NHSE England (NHSE/I) on the NHS response to the COVID-19 pandemic and the associated funding regime that was put in place for 2020/21:

### April to September 2020 ("H1 2020/21")

- Non-urgent elective activity suspended during Phase 1 of COVID-19 and move to remote consultations where possible for diagnostic and outpatient appointments. Restoration of these services began midway through this period.
- Cancellation of all routine CQC inspections during Phase 1 of COVID-19
- Move to block contract payments 'on account' for providers, agreed with commissioners, for April to September 2020, with suspension of the usual 'Payment by Results' and invoicing for non-contracted activity. A national top up payment to providers to reflect the difference between actual costs and the block contract payment. Additional funding provided to cover the extra costs of responding to the COVID-19 pandemic.
- The operational planning process and contracting were suspended for 2020/21.

### September 2020 to March 2021 ("H2 2020/21")

- Continued focus on restoration of non-urgent elective activity, diagnostic and outpatient activity.
- Systems issued with funding envelopes comprising funding for providers equivalent in nature to the block contract and top-up payments for the first half of the year, and a system wide COVID-19 fixed funding envelope.
- System plan covering this period submitted to NHSE/I.

### 2021/22 planning guidance

- Systems requested to develop fully triangulated plans across activity, workforce and money for the first half of the year.

- Focus on systems achieving highest levels of activity possible to address elective treatment waiting lists. Access to Elective Recovery Fund available for systems that achieve activity levels above the set thresholds (based on 2019/20 elective activity levels).
- Systems issued with funding envelopes based on the H2 2020/21 funding envelopes and a continuation of the system top-up and COVID-19 fixed allocation.
- Block payment arrangements will remain in place for providers and no contracts are required between commissioners and providers.

The funding regime in place for 2020/21 was essentially supposed to enable providers to deliver a break-even position for the year.

Our risk assessment and consideration of the arrangements in place therefore reflects the response by the Trust to the revised regime in place during 2020/21.

Further as a result of the revised regime a number of the external performance measures which would have previously be reflected on in the context of value for money as part our risk assessment have either been suspended, delayed or no longer applicable. These include publication of the 2020/21 National Cost collection Index (NCCI), NHS Improvement's Single Oversight Framework – specifically the 'finance and use of resources monitoring' section, 2020/21 Commissioning for Quality and Innovation (CQUIN) framework and the publication of Quality Report for 2020/21.

Our commentary on the arrangements in place is set out on the following pages.

## Conclusion

We determined that there were no significant weaknesses to report.

## Financial sustainability

Reporting sub-criteria	Commentary including key documents and processes reviewed	Risk assessment conclusion
<b>How the Trust ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them</b>	The Trust submitted its 2020/21 Financial Planning Return for H2 on 22 October 2020 to NHSE/I. This reflected the Trust's discussions with the Bristol, North Somerset and South Gloucestershire (BNSSG) STP and NHSE/I, the financial plan projected a year-end net deficit of £13.5m for the Trust. From the review of minutes and relevant papers, there is evidence of challenge and review of the process at the established governance levels within the Trust.	Based on the procedures performed we have not identified any significant risks that the Trust does not have appropriate arrangements in place to ensure financial sustainability.
<b>How the Trust plans to bridge its funding gaps and identifies achievable savings</b>	The suspension of the operational planning process for 2020/21 and the revised operational planning process for 2021/22 has meant the pre-agreed financial improvement trajectories and indicative recovery allocations to FY22/23 as communicated by NHSE/I in October 2019 have been paused.	
<b>How the Trust plans finances to support sustainable delivery of services in accordance with strategic priorities</b>	<p>The Trust has a vision and a long-term strategic plan which articulates how it will deliver its statutory responsibilities. The Trust translates this into an annual operating plan including the financial plans for enabling sustainable delivery of services. This forms the basis of monthly Trust Board reporting.</p> <p>The Trust submitted its 2020/21 Financial Planning Return for H2 on 22 October 2020 to NHSE/I. The Trust has in place an Operational Plan for 2021/22. The strategic priorities have been considered at both a Trust and BNSSG STP level.</p>	
<b>How the Trust ensures that its financial plan is consistent with other plans workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system</b>	The Trust's has an Operational Plan for 2021/22. From the review of minutes and papers, along with discussions with management, the Trust's strategy and delivery priorities for 2021/22 have been considered and triangulated with financial (including capital investment), activity and workforce data.	
<b>How the Trust identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans</b>	<p>The Trust identified risks in relation to the H2 2020/21 budget. These were monitored as part of the monthly financial management information along with financial actual and forecasted results of the Trust. From the review of meeting minutes and papers, we have seen evidence that this data is presented and discussed at the established governance levels of the Trust.</p> <p>As part of the monthly provider finance in year monitoring returns to NHSE/I, the Trust reports any key risks and provides commentary where required. The Finance &amp; Digital Committee receive a monthly Finance Update report which they then present to the Board every two months. The report includes actual financial outturn as well as the expected/projected outturn position for the financial year. The report also highlights risks to achieving the planned outturn position, any changes to the original plan and how the Trust plans to address the new risks.</p>	

## Governance

Reporting sub-criteria	Commentary including key documents and processes reviewed	Risk assessment conclusion
<b>How the Trust monitors and assesses risk and how the Trust gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</b>	The Trust has a risk management policy which describes its approach to risk management and outlines the risk architecture in place to support this approach. The Board has overall responsibility for the management of risk but it delegates the work to the Trust's Senior Leadership Team and Risk Management Group. The Audit Committee oversees and monitors the performance of the Trust's risk management system, which is attended by internal audit, external audit and local counter fraud specialist. The Trust's internal auditors undertake reviews and provide assurances on the systems of control operating within the Trust. The Trust works closely with the Local Counter Fraud Specialist to implement the NHS Counter Fraud Authority (CFA) national strategy on countering fraud.	Based on the procedures performed we have not identified any significant risks that the Trust does not have sufficient governance arrangements in place to oversee and monitor value for money achievement.
<b>How the Trust approaches and carries out its annual budget setting process</b>	Please see commentary included in the 'Financial sustainability' section in relation to the approach to the budget setting process in 2020/21. From review of minutes and related papers, we have seen evidence that there were discussions and challenges over the budget and that it was authorised pre-submission to NHSE/I. This occurred firstly with the Trust's senior leadership team, then the Finance & Digital Committee and then the Trust's Board.	
<b>How the Trust ensures an effective budgetary control system in communicating relevant, accurate and timely management information (including non-financial information where appropriate), supports its statutory financial reporting requirements and ensures that corrective action is taken where needed</b>	The Trust has an established governance structure at a divisional level up through to the Board level as set out in the Trust's Annual Report and Accounts 2020/21. Management information, both financial and non-financial is presented at different levels of the Trust's hierarchy. From the review of a selection of meeting minutes, there is evidence that management information is presented, discussed and actions identified to allow for timely and accurate discussion, which are then followed up at subsequent meetings.	
<b>How the Trust ensures it makes properly informed decisions, supported by appropriate evidence and allowing for scrutiny and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and</b>	As documented above, the Trust has an established governance structure that allows it to make properly informed decisions. From the review of meeting minutes and its scheme of delegation, there is evidence that detailed papers along with supporting management information is provided which is used by the Trust to make decisions.  As external auditors we are attendees of the Audit Committee. In attending these meetings, we have observed the challenge applied by the non-executive members in its areas of responsibilities.	
<b>How the Trust monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations of interests)</b>	The Trust's Board has oversight of ensuring that it meets legislative/regulatory requirements. Each Executive Director is responsible for their specific area to ensure this occurs.  In terms of officer or member behaviour, a list of conflicts of interest is maintained by the Trust and the register of interest of the members of the Trust Board are listed on the Trust's website. From the review of meeting minutes, there was a standard agenda item on 'conflicts of interests'. The Trust maintains a Gift and Hospitality register and a code of conduct.	

## Improvements in economy, efficiency and effectiveness

Reporting sub-criteria	Commentary including key documents and processes reviewed	Risk assessment conclusion
<b>How cost and performance information has been used to assess performance to identify areas for improvement</b>	In addition to the financial and performance information provided to committees and the Board as discussed in the above sections on 'Financial Sustainability' and 'Governance' section, more granular cost and performance information is assessed at in the Trust's monthly Integrated Quality & Performance Reports. We have seen evidence of cost and performance being presented, discussed, actions noted which are followed up at subsequent meetings.	Based on the procedures performed we have not identified any significant risks that the Trust does not have sufficient arrangements in place for improving economy, efficiency and effectiveness.
<b>How the Trust evaluates the services it provides to assess performance and identify areas for improvement</b>	Performance data including that on workforce, finances, safety standards and CQC compliance are presented (to varying levels of detail) to relevant committees and the Trust Board which facilitates the Trust in evaluating its services.  Other areas where the Trust evaluates services it provides to assess performance and identify areas of improvement are set out in its 'Annual Report and Accounts 2020/21'.	
<b>How the Trust ensures it delivers its role within significant partnerships, engages effectively with stakeholders, monitors performance, and ensures action is taken where necessary to improve</b>	The Trust's main commissioner is BNSSG and the Trust plays an active part in system planning. There are a range of forums, involving different executive directors from the Trust. These include the STP Board, supported by a wide range of other committees, including system enablers, programme boards and the resources steering group. From discussions with management and review of documentation we have seen some evidence of engagement and monitoring of performance of its partnerships.	
<b>Where the Trust commissions or procures services, how the Trust ensures that this is done in accordance with relevant legislation and internal policies, and how the Trust assesses whether it is realising the expected benefits</b>	The Trust has standing financial instructions which sets out the procedures, controls and the authorisation sign offs that are required for the commission or procurement of services. Once authorised, a third party – 'Partners Procurement Services' supports the Trust in the actual procurement process. For all significant contracts, there is a level of ongoing contract and performance management.  As a result of the COVID-19 pandemic and considering the Procurement Policy Note (PPN 02/20) that was issued in March 2020 by the Cabinet Office, normal procurement arrangements were part suspended. However, any tender waivers were retrospectively reviewed by the Audit Committee during the year.	



# Thank you

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