



# Auditor's Annual Report 2023/24

University Hospitals Bristol & Weston NHS Foundation Trust

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June 2024

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This report is addressed to University Hospitals Bristol & Weston NHS Foundation Trust](the Trust). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.



# 01 Executive Summary

# Executive Summary

## Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of University Hospitals Bristol & Weston NHS Foundation Trust (the ‘Trust’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Trust alongside the annual report and accounts.

## Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



**Accounts** - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Trust and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the Group Accounting Manual prepared by the Department of Health and Social Care (DHSC).



**Annual report** - We assess whether the annual report is consistent with our knowledge of the Trust. We perform testing of certain figures labelled in the remuneration report.



**Value for money** - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Trust’s use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



**Other reporting** - We may issue other reports where we determine that this is necessary in the public interest under the Local Audit and Accountability Act.

## Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities:

<b>Accounts</b>	We issued an unqualified opinion on the Trust’s accounts on 27 June 2024. This means that we believe the accounts give a true and fair view of the financial performance and position of the Trust.  We have provided further details of the key risks we identified and our response on page 7.
<b>Annual report</b>	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust.  We confirmed that the Governance Statement had been prepared in line with the Department of Health and Social Care requirements.
<b>Value for money</b>	We are required to report if we identify any matters that indicate the Trust does not have sufficient arrangements to achieve value for money.  We have nothing to report in this regard.
<b>Other reporting</b>	We did not consider it necessary to issue any other reports in the public interest.

# 02 Audit of the Financial Statements

# Audit of the financial statements

## **KPMG provides an independent opinion on whether the Trust's financial statements:**

- Give a true and fair view of the state of the Trust's affairs as at 31 March 2024 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by NHS England with the consent of the Secretary of State in February 2024 as being relevant to NHS Foundation Trusts and included in the Department of Health and Social Care Group Accounting Manual 2023/24; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006 (as amended).

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **Audit opinion on the financial statements**

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

The full opinion is included in the Trust's Annual Report and Accounts for 2023/24 which can be obtained from the Trust's website.

Further information on our audit of the financial statements is set out overleaf.

# Audit of the financial statements

The table below summarises the key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Risk	Procedures undertaken	Findings
<p><b>Valuation of land and buildings</b></p> <p>Land and buildings are required to be held at fair value. As hospital buildings are specialised assets and there is not an active market for them they are usually valued on the basis of the cost to replace them with a 'modern equivalent asset'.</p>	<ul style="list-style-type: none"> <li>— We critically assessed the independence, objectivity and expertise of the engaged valuers used in developing the valuation of the Trust's properties at 31 March 2024. In assessing this, we had regard to the report centrally commissioned by the NAO and prepared by Montagu Evans on the validity of the District Valuer's methodology.</li> <li>— We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the Group Accounting Manual;</li> <li>— We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;</li> <li>— We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information, such as floor plans, and to previous valuations, challenging management where variances are identified; and</li> <li>— We challenged the key assumptions within the valuation, including the use of relevant indices and assumptions of how a modern equivalent asset would be developed, as part of our judgement.</li> </ul>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We considered the estimate to be balanced based on the procedures performed due to the fact that the key assumptions applied by the valuer, such as BCIS indices and land values at the theoretical alternative site, are consistent with our expectations and benchmarked data.</p>
<p><b>Fraudulent expenditure recognition</b></p> <p>Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk over manual (i.e. not system generated) accruals.</p>	<ul style="list-style-type: none"> <li>— We evaluated the design and implementation of any relevant controls including management's controls over a review of the year end accruals balance to support our significant risk;</li> <li>— We inspected a sample of invoices of expenditure and cash payments, in the period around 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete;</li> <li>— We inspected journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence; and</li> <li>— We performed a year-on-year comparison of a sample of the largest accruals in the prior year and current year and challenge management where the movement is not in line with our understanding of the entity.</li> </ul>	<p>We did not identify any material misstatements relating to this risk.</p>

# Audit of the financial statements

The table below summarises the key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Risk	Procedures undertaken	Findings
<p><b><i>Management override of controls</i></b></p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<ul style="list-style-type: none"> <li>— We assessed accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;</li> <li>— In line with our methodology, we evaluated the design and implementation of controls over journal entries and post-closing adjustments;</li> <li>— We assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;</li> <li>— We assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Trust’s normal course of business, or are otherwise unusual; and</li> <li>— We analysed all journals through the year and focus our testing on those with a higher risk, such as journals impacting expenditure recognition posted during the final closedown.</li> </ul>	<p>We did not identify any material misstatements relating to this risk.</p>

# 03 Value for Money

# Value for Money

## Introduction

We are required to consider whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Trust for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



**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.



**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

## Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Trust.

## Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	12	13-14	15
Identified risks of significant weakness?	No	No	No
Actual significant weakness identified?	No	No	No
2022-23 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel	↔	↔	↔

# Value for Money

## NATIONAL CONTEXT

### *Financial performance*

The 2023-24 financial year saw a significant increase in the level of financial pressures facing the NHS sector. This followed the end of Covid-19 related financing arrangements. The sector has faced cost pressures from a range of factors, most significantly the impacts of inflation felt during the year and the costs of industrial action.

At the end of January 2024 NHS England forecast that the NHS would record an overspend of £1.1bn against its agreed budgets. This came after additional funding had been made available earlier in the year to support with the costs of industrial action.

### *Operational performance*

In January 2023 the Government announced five pledges for 2023, including reducing NHS waiting lists and the time people wait for procedures. Waiting lists had grown significantly during the Covid-19 pandemic as elective activity was postponed in order to prioritise the treatment of Covid patients and ensure safe working.

According to the Health Foundation the NHS waiting list had grown from 6.2 million patients at the beginning of 2022 to 7.2 million in January 2023. There had also been a significant increase in the number of patients with long waits. At the end of 2023 there remained 355,000 patients that had been waiting over a year for treatment. Income arrangements for the acute sector were revised in year to reimburse providers for elective activity based on the actual number of patients treated.

### *System working*

The Health and Care Act 2022 formally established integrated care systems (ICSs), 42 partnerships within local geographies to promote closer working between the organisations responsible for healthcare delivery. Integrated Care Boards were formed on 1 July 2022, taking over commissioning responsibility from Clinical Commissioning Groups.

In their first full year of operation ICSs have continued to work to develop and embed governance arrangements both within the ICBs themselves and as systems.

## LOCAL CONTEXT

The Trust provides acute services in Bristol, serving a population of more than 500,000 with over 13,000 staff. The Trust is a member of Bristol, North Somerset and South Gloucestershire (BNSSG) ICS ('Healthier Together Partnership').

### *Financial performance*

The Trust has delivered an adjusted financial performance surplus of £41k for the year ending 31 March 2024. The position was in line with the original plan submitted to NHSE for 2023/24.

In year the Trust reported delivery of £21.1 million of cost savings compared to a planned target of £27 million. Delivery of the 24/25 financial plan remains a key challenge for the Trust, requiring a step up in savings from cost improvement programmes ('CIPs') of £41.2m.

### *System working*

The Trust and the ICS overall reported a breakeven position at year end and submitted breakeven plans for 2024/25. The Finance, Digital and Estates Committee approved the Trust's 2024/25 Operating Plan on 30 April 2024 ahead of the submission to NHSE on 2 May 2024. The plans include a challenging cost improvement target of 3.5% of expenditure across the whole system, with the Trust's target being 4.4% for the year.

# Financial Sustainability

**How the Trust plans and manages its resources to ensure it can continue to deliver its services.**

We have considered the following in our work:

- 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;
- 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 which may include working with other local public bodies as part of a wider system; and
- How the Trust identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

We found that the Trust has an appropriate reporting framework in place. The financial performance of the Trust is reported each month to the Finance and Performance Committee with identification of risks within the position. There was evidence of discussion and challenge by the Committee. A summary report is then provided to Board.

The Trust has a significant capital programme, with capital schemes totalling £54 million in the year. The Trust is forecasting to operate within the agreed capital allocation envelope for the year. We have considered the arrangements for the reporting of progress of the capital plans and have not identified a value for money risk.

The Trust has identified the financial risk relating to the funding of the Trust’s strategic capital programme on the Strategic Risk Register reported to the Audit Committee and the Board. The risk recognises that Trust’s 2024/25 revenue plan is break-even, however, the Trust’s underlying or recurrent deficit is estimated at £75m and mitigation of this position will require action with an agreed three-year Financial Recovery Plan.

NHSE has allocated the Trust to segment 3 in the NHS oversight framework (where “1” indicates that there are no specific support needs and “4” requires mandated intensive support), which means that support will be provided that is tailored to the needs of the system.

At year end, the Trust reported a breakeven position, in line with the planned position. A breakeven plan for 2024/25 for the BNSSG ICS was submitted in March but this includes significant challenges and savings not yet identified.

Key financial and performance metrics:	2023-24	2022-23
Planned adjusted financial performance	£0	£0
Actual adjusted financial performance	£41k	£23k
Planned CIP as a % of spend - Recurrent	1.3%	1.5%
- Non-recurrent	0.8%	0.5%
Actual CIP as a % of spend - Recurrent	0.7%	0.6%
- Non-recurrent	1.0%	0.8%
Year-end cash position	£96,723k	£128,035k

# Governance

## *How the Trust ensures that it makes informed decisions and properly manages its risks.*

We have considered the following in our work:

- how the Trust 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 Trust approaches and carries out its annual budget setting process;
- how the Trust ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Trust 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 management or Board members' behaviour

We consider the Trust to have effective processes in place to monitor and assess risk. The Trust's Board Assurance Framework is formed of two elements: assurance around the achievement of the Trust's strategic objectives; and, assurance that any risks to the achievement of the strategic objectives are being adequately mitigated or controlled. The second element is addressed by the Strategic Risk Register, which is reviewed by the Risk Management Group, the Senior Leadership Team and reported quarterly to the Audit Committee and then the Trust Board.

This is supplemented by the Corporate Risk Register, which contains those significant risks identified as having a potential impact on the Corporate Objectives, including risks identified at Divisional level. A 5 x 5 scoring matrix is used by the Trust to score risks. Through our attendance at Audit Committees, we have observed effective challenge provided by Non-Executive Directors.

Our review of the risk register found that this was sufficiently detailed to effectively manage key risks and we identified evidence of review within both the Audit Committee and Board throughout the year.

The effectiveness of internal controls is monitored by the Audit Committee, through reporting from Internal Audit and Local Counter Fraud. The programme of work for each organisation is approved at the start of the financial year by the Audit Committee, following input by the lead director. Any recommendations raised by Internal Audit or the Local Counter Fraud teams are reported to the Audit Committee. Our attendance at Audit Committee and review of the Audit Committee papers confirmed that there were appropriate discussions and follow up of recommendations for both Internal Audit and Local Counter Fraud. The Trust has numerous policies which clearly outline the expected behaviour of staff members in relation to areas such as Gifts and Hospitality, Whistleblowing Policy and Managing Conflicts of Interest. All policies have been approved in line with their review requirements. These policies continued to apply throughout the period.

The Trust has a staff code of conduct and staff handbook in place, as per the standards of conduct and business behaviour policy. Specific guidance is in place for teams and managers via standards of behaviour for these roles. Overall compliance with legislation, laws & regulations is monitored by an annual review of license conditions reported to Board. A register of interests is in place together with a policy for gifts and hospitality. The Trust conducts regular monitoring on new entries to the register with these taken for review to the Audit Committee.

# Governance

**How the Trust ensures that it makes informed decisions and properly manages its risks.**

We have considered the following in our work:

- how the Trust 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 Trust approaches and carries out its annual budget setting process;
- how the Trust ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Trust 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 management or Board members' behaviour

Financial plans are approved by the Board, following review and sign off by budget holders, who monitor performance on a monthly basis, with results reported to the Finance and Digital Committee.

We found there to be appropriate scrutiny and challenge of the budgets, and appropriate approval through the budget holders and the Finance and Performance Committee for the 2023/24 budget.

In order to understand financial performance against budget, budget holders are provided with monthly budget statements which are reviewed by the finance managers. Discussions between finance managers and budget holders enable appropriate challenge and response to adverse variances. The Finance and Performance Committee scrutinise monthly performance, before recommending if any specific actions should be escalated to the Board. Our review of the Committees indicated that there was sufficient detail and follow up to understand any significant variances to plan.

The latest CQC report was published in March 2024 following an inspection of medical care at the Bristol Campus. The report rated urgent and emergency services as requires improvement but the overall rating for the Trust remains as good. The Trust developed an action plan in response, progress against which is monitored by the Quality & Outcomes Committee with updates reported to the Board.

Key strategic decisions are made via the Trust's governance process. A scheme of delegation is in place which sets out where different decisions/approvals should take place. Key decisions are made through management and escalation processes for such matters at divisional operational, executive management and Board level. The Standing Financial Instructions and Scheme of Delegation provide guidance for authorisation limits and responsibility for decision making.

	2024	2023
Control deficiencies reported in the Annual Governance Statement	None that impact on VFM	None that impact on VFM
Head of Internal Audit Opinion	Significant Assurance	Significant Assurance
Oversight Framework segmentation	Segment 3	Segment 3

# 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*

We have considered the following in our work:

- 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 and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Trust commissions or procures services, how it assesses whether it is realising the expected benefits.

CIP performance is managed and monitored via monthly meetings with each division and also review at the Trust's Cost Savings Delivery meeting chaired by the Director of Finance and attended by Divisional Directors, Finance managers and various other Executive Directors and Heads of corporate services, allowing the Trust to assess the level of value for money being achieved.

For financial year 2023/24, formal CIP programmes have been re-introduced. At month 10, the Trust had achieved £17.5 million of savings, although only £7.6 million of this was considered to be recurrent.

Operational Performance is monitored through the weekly Operational Performance Group and monthly through the Finance and Performance Committee, and bi-monthly through the Board. A detailed Integrated Performance Report has been developed to ensure all key metrics are reported through to the Board. Our review of Board minutes and the weekly operating performance group reports found an appropriate level of review and challenge.

The Trust forms part of the BNSSG ICS and members of the Board and Leadership team are integrated within the governance of the system. The Trust's Chief Executive is the joint lead for the Healthier Together BNSSG ICS and reports to the Board via the CEO's update. The activities of the ICS are monitored by the Healthier Together Chief Executive Group, the Healthier Together Director of Finance Group and the Healthier Together Deputy Director of Finance Group. This ensures the Trust is integrated into key system decisions and feeds back to the Trust via relevant Board, Committee and operational/clinical meetings. Planning is performed at an ICS level as well as considering the individual entities that make up the ICS, with the aim of achieving financial sustainability at a system level, although there also remains a focus on achieving financial balance at a organisational level.



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**Document Classification: KPMG Public**