



**Oxford University  
Hospitals NHS  
Foundation Trust  
Auditor's Annual  
Report**

Year ended: 31 March 2023

Report date: 7 July 2023

# Contents



The contents of this report are subject to the terms and conditions of our appointment as set out in our engagement letter of 11 November 2022.

This report is made solely to the Audit Committee, Board of Directors and management of Oxford University Hospitals NHS Foundation Trust (the 'Trust') in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit Committee, Board of Directors and management of Oxford University Hospitals NHS Foundation Trust those matters we are required to state to them in this 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 Audit Committee, Board of Directors and management of Oxford University Hospitals NHS Foundation Trust for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# Introduction

## **Purpose**

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Trust or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

## **Responsibilities of the appointed auditor**

We have undertaken our 2022/23 audit work in accordance with the Audit Plan that we issued in October 2022. We have complied with the National Audit Office (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2022/23 financial statements;
- The parts of the remuneration and staff report to be audited;
- The consistency of other information published with the financial statements, including the annual report; and
- Whether the consolidation schedules are consistent with the Trust's financial statements for the relevant reporting period.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Trust;
- To the Secretary of State for Health and Social Care and NHS England if we have concerns about the legality of transactions or decisions taken by the Trust;
- If we identify a significant weakness in the Trust's arrangements in place to secure economy, efficiency and effectiveness in its use of resources;
- Any significant matters that are in the public interest; and
- Any significant issues or outstanding matters arising from our work which are relevant to the NAO as group auditor.

Responsibilities of the Trust:

The Trust is responsible for preparing and publishing its financial statements, annual report and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



## Introduction (continued)

### 2022/23 Conclusions

<b>Financial statements</b>	Unqualified - the financial statements give a true and fair view of the financial position of the Trust as at 31 March 2023 and of its expenditure and income for the year then ended. We issued our auditor's report on 29 June 2023.
<b>Parts of the remuneration report and staff report subject to audit</b>	We had no matters to report.
<b>Consistency of the other information published with the financial statement</b>	Financial information in the Annual report and published with the financial statements was consistent with the audited accounts.
<b>Value for money (VFM)</b>	We had no matters to report by exception on the Trust's VFM arrangements. We have included our VFM commentary in Section 03.
<b>Consistency of the annual governance statement</b>	We were satisfied that the annual governance statement was consistent with our understanding of the Trust.
<b>Referrals to the Secretary of State and NHS England</b>	We made no such referrals.
<b>Public interest report and other auditor powers</b>	We had no reason to use our auditor powers.
<b>Reporting to the Trust on its consolidation schedules</b>	We concluded that the Trust's consolidation schedules agreed, within a £300,000 tolerance, to the audited financial statements.
<b>Reporting to the National Audit Office (NAO) in line with group instructions</b>	The NAO included the Trust in its sample of Department of Health component bodies. We had no matters to report to the NAO.
<b>Certificate</b>	The final certificate is included in Appendix C.

# Audit of the financial statements

## Key findings

The Annual Report and Accounts is an important tool for the Trust to show how it has used public money and how it can demonstrate its financial management and financial health.

On 29 June 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 28 June 2023 Audit Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported 7 internal control recommendations and no areas for improvement in the control environment in the Audit Results Report.

Significant risk	Conclusion
<b>Misstatements due to fraud or error through management override</b>	Our audit work found no indication of fraud in either revenue or expenditure balances.
<b>Risk of fraud in revenue and expenditure recognition, including the risk of management override</b>	We have not identified any material weaknesses in the recognition of revenue or expenditure. We have not identified any instances of inappropriate judgements or estimates being applied.
<b>Inappropriate capitalisation of revenue expenditure</b>	Our work did not identify any material weaknesses in controls or evidence of material management override concerning the capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied. Our work did not identify any other transactions during our audit which appeared unusual or outside the Trust's normal course of business.
<b>Valuation of land &amp; buildings and investment properties</b>	<p>Our work is complete and we reported the following differences:</p> <ol style="list-style-type: none"> <li>1) <b>Adjusted judgemental difference:</b> the Trust restated the comparatives for 2021/22 and 2020/21 to include the non-recoverable VAT in the value of non-PFI buildings in a total of £43m as at 31 March 2022 and £39m as at 31 March 2021. The impact as at 31 March 2023 reflected in the first draft of the accounts was an increase of £49m in the value of non-PFI buildings.</li> <li>2) <b>Unadjusted factual difference:</b> reclassification of properties' revaluation gain or loss between surplus and deficit and other comprehensive income of £3.5m.</li> </ol> <p>We have also reported a number of control recommendations with regards to the maintenance of the fixed asset register.</p>
Inherent risk	Conclusion
New accounting standards - leases	Our testing is complete and we raised an internal control recommendation on documentation retention.
Inventory	Our work is complete and we have no findings to report.
Private Finance Initiative ('PFI')	We engaged our PFI specialist to assist with the review of the accounting models for a number of PFI arrangements of the Trust. Our work is complete and we have no findings to report.
Area of focus	Conclusion
Going concern	We reviewed management's going concern assessment and the cash flow forecasts until 30 June 2024. We also reviewed the going concern disclosures in the accounts. We have no findings to report on this area of focus.

We did not identify any risks of significant weaknesses in the Trust's VFM arrangements for 2022/23

Our VFM commentary highlights relevant issues for the Trust and the wider public

We had no matters to report by exception in the audit report

## Scope

We are required to report on whether the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the 14 June Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Trust committee reports, meetings with the Chief Finance Officer and the Deputy Director of Assurance and evaluation of associated documentation through our regular engagement with Trust management and the finance team.

## Reporting

We completed our risk assessment procedures by 14 June 2023 and did not identify any significant weaknesses in the Trust's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2022/23 is set out over pages 7 to 17. The commentary on these pages summarises our conclusions over the arrangements at the Trust in relation to our reporting criteria (see below) throughout 2022/23. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Trust plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
<b>Governance:</b> How the Trust ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
<b>Improving economy, efficiency and effectiveness:</b> How the Trust uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified



## Value for Money (continued)

### Financial Sustainability: How the Trust plans and manages its resources to ensure it can continue to deliver its services

The Trust is part of the wider Buckinghamshire, Oxfordshire and Berkshire West Integrated Care System ('BOB ICS'). ICSs are partnerships that bring together NHS organisations, local authorities and others to take collective responsibility for planning services, improving health and reducing inequalities across geographical areas. The BOB ICS is under significant financial pressure. A final deficit plan for 2023/24 was produced and submitted to NHS England for the BOB ICS.

The Trust recorded a deficit for the year of £5.5m in 2022/23 on a statutory reporting basis and it has submitted a plan for 2023/24 showing a surplus of £17m on a statutory reporting basis and an adjusted expected deficit of £2.8m, after removing the impact of capital donations, grants and peppercorn leases. It is within this overall context that we comment and make our judgements set out below.

Despite an expected adjusted deficit, the Trust prepared a cash flow forecast which shows a positive closing cash balance through to the end of June 2024. In addition to this, management has assessed a range of scenarios that could present risks to the cash resilience of the Trust. The scenarios considered include the potential for delays to expected cash inflows, the potential for costs to increase and the potential for undelivered efficiencies. These scenarios, individually and collectively, generate the potential for periods of negative cash. The Trust has a Productivity Committee which manages the delivery of efficiencies and productivity improvements, however, the mitigations that management would introduce in any of these scenarios may not sufficiently mitigate the negative cash position, in which circumstance, management would engage with NHS England who have issued their provider revenue support process for 2023/24. This process provides cash support to Trusts facing cash resource issues, either due to a deficit or short term cashflow difficulties and would take the form of Public Dividend Capital rather than a repayable loan facility.

The funding environment for the NHS has been challenging and it is incumbent on services to operate as efficiently as possible to optimize the resources available. Any agreed cost pressures add to the overall efficiency requirement to be made by the divisions and corporate directorates.

**Conclusion: The Trust had the arrangements we would expect to see in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**



## Value for Money (continued)

### Governance: How the Trust ensures that it makes informed decisions and properly manages its risks

The Trust's Board has the overall responsibility for setting the strategic direction for the Trust. It makes sure that the Trust adheres to the principles set out in the NHS Constitution, NHS England's NHS Foundation Trust Code of Governance, and other related publications.

The Audit Committee oversees the establishment and maintenance of an effective system of internal control throughout the organisation, by means of independent and objective review of financial and corporate governance, and risk management arrangements, including compliance with law, guidance and regulations governing the NHS. It ensures there are effective internal audit arrangements in place that meet mandatory NHS Internal Audit Standards and provide independent assurance to the Board.

Risk is monitored and assessed through a combination of board assurance framework and the Trust risk register and assessment processes. Each division and directorate is responsible for maintaining its own risk register in accordance with the Risk Management Policy. These risk registers are reviewed regularly by divisional and directorate forums. They are required to escalate relevant risks for inclusion in the Corporate Risk Register, which is reviewed by the Board Committees.

The Trust has in place a robust internal audit process implemented by the external provider BDO. For 2022/23, the Head of Internal Audit provided 'moderate assurance that there is a sound system of internal control, designed to meet the Trust's objectives and that controls are being applied consistently'.

The Trust appointed a counter fraud external specialist, TIAA, whose services are underpinned by the Trust's counter fraud policy. TIAA concluded that the Counter Fraud function is embedded well within the Trust and the work undertaken successfully addressed the Trust's Counter Fraud Strategy.

**Conclusion: The Trust had the arrangements we would expect to see in 2022/23 to enable it to make informed decisions and properly manage its risks.**





## Value for Money (continued)

### 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

The Trust has a Performance Management and Accountability Framework approved by the Trust Management Executive, which lays out policies for effective and efficient governance processes for accountability and performance management. The purpose of the Framework is to work with partners to collaboratively deliver integrated and sustainable services in order to improve the access, quality, and experience of care for patients.

The Chief Executive Officer has overall responsibility for the management of the Trust with personal responsibility for managing the organisation efficiently and effectively.

An Integrated Performance Report ('IPR') is produced monthly for the Integrated Assurance Committee ('IAC') - this incorporates all aspects of financial performance, activity and workforce as well as quality metrics. The IAC provides detailed scrutiny and challenge of the report at its meetings.

The Trust has an Integrated Quality Improvement Programme for period 2022-2025, which covers KPIs related to improving the quality and efficiency of its service delivery. Following approval at the Integrated Assurance Committee in June 2022, the scope of the Improvement Programme was expanded to include recruitment and avoidable patient harm. The Trust's Productivity Committee receives a monthly update on the impact of the programme on efficiency and effectiveness as well as the financial implications. The Productivity Committee also has the role of reviewing external benchmarking tools, such as GIRFT (Getting It Right First Time), to identify areas for process improvement or cost optimisation.

In addition, the Trust receives quality inspections from the external regulator, Care Quality Commission ('CQC'). At the end of 2022/23, the Trust's overall combined CQC quality rating was 'Requires Improvement'. More details on this can be found in the VFM Appendices that follow.

The Trust's Annual Report sets out its performance against key indicators and how it evaluates and assesses performance and improvement opportunities.

**Conclusion: The Trust had the arrangements we would expect to see in 2022/23 to enable it to use information about its costs and performance to improve the way it manages and delivers services.**

# Appendices

## Appendix A – Summary of arrangements

### Financial Sustainability

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The Trust is guided by a Performance Management and Accountability Framework, which outlines the processes to identify, monitor and respond to performance against agreed standards, and identifies the roles, functions and responsibilities for Committees and individuals in order to celebrate success, share good practice, oversee continuous improvement, and identify areas in need of performance improvement.</p> <p>There are monthly and quarterly performance reviews within each division attended by Executive Directors, where financial, performance and operational pressures are discussed. There are also Corporate Performance Reviews being performed whereby Chief Officers are being held accountable for the Strategy and Objectives of the Executives. The key issues, pressures and risks are reported either to the Integrated Assurance Committee ('IAC') or Board of Directors, depending on the meeting timetable, to ensure that there is clear oversight of emerging issues and corresponding actions are agreed to respond to those pressures.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>The Trust has a Productivity Committee which manages the delivery of efficiencies and productivity improvements. This committee meets monthly chaired by the Chief Executive Officer.</p> <p>In addition, the Trust continues to progress quality improvements through the Integrated Quality Improvement Team. The Quality improvement programme is focused on key strategic themes. Both the Trust Management Executive ('TME') and the IAC receive a monthly report on the deliverable of the projects, including key metrics, and financial savings, where applicable. This is discussed on a monthly basis at the Productivity Committee.</p> <p>Where the actions engaged by management would not sufficiently mitigate a potential cash negative position, management would engage with NHS England who have issued their provider revenue support process for 2023/24. This process provides cash support to Trusts facing cash resource issues, either due to a deficit or short term cashflow difficulties and would take the form of Public Dividend Capital rather than a repayable loan facility.</p>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Trust's strategic and statutory priorities, which are detailed in the Trust's Strategy for 2020-2025, are directed by the NHS national priorities and operational planning guidance.</p> <p>The Trust has a planning oversight group to ensure that all aspects of planning, that is quality, operations, workforce and finance are aligned with the Trust's strategic and statutory priorities. This group reports to TME and through it to the Trust Board.</p> <p>The budgeting process is aligned to commissioning priorities and NHS strategy, as outlined in the budget setting paper and the planning structure.</p>

## Appendix A - Summary of arrangements

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### Financial Sustainability

Reporting Sub-Criteria	Findings
How the body 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	<p>The overall plans for the Trust are aligned and agreed on an Integrated Care Board ('ICB') basis via the joint Chief Officers forums. Consistency within the Trust is achieved through the oversight group as mentioned in the previous section.</p> <p>Capital planning is aligned to the Trust's needs and regional priorities and the Trust's capital envelope is part of the overall ICB's capital envelope. The capital prioritisation plan is managed by the Capital management group with membership from all clinical and corporate divisions.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>Risks are identified, reported and managed/mitigated in reforecasting or mid-year planning processes. This includes intended use and transparent management of reserves/contingencies.</p> <p>The Trust has a clear business case process when services are faced with changes which impact activity and financials requiring resources via the weekly business planning group, fortnightly TMEs, and a route to Trust Board through the Investment committee when the decisions exceed the TME delegated limit.</p>

## Appendix A – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

#### Findings

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

The Trust has an established Risk Committee which is chaired by the Chief Executive Officer. The committee considers emerging risks, risks highlighted by the divisions and the Trust's risk register and Board Assurance Framework.

The Trust has a risk management system, Ulysses, which can be used by any member of staff to alert the Trust to potential or actual risks.

The Trust work in tandem with the Trust's internal auditors, BDO, to identify key areas of risk. Based on this risk assessment, an internal audit plan is derived which seeks to provide assurance on the internal controls in key risk areas identified. Management is actively involved in the selection of areas with higher levels of risk and in implementing the recommendations from these reviews in a timely manner, demonstrating an effective loop from findings to implementation.

The Trust's anti-crime external provider, TIAA, undertakes a fraud and bribery risk assessment that considers the risk of fraud across all business segments of the Trust. This assessment is undertaken in conjunction with management and it incorporates both internal and external key risks. Where there are areas of high risk, emerging risks across the health economy or within the Trust, remedial work is undertaken by TIAA to mitigate these fraud risks. The fraud and bribery risk assessment is a live document that is regularly reviewed and updated as new risks and issues emerge.

How the body approaches and carries out its annual budget setting process

The Trust is applying an incremental budgeting approach wherein a budget is prepared by taking the current period's budget or actual/forecast financial performance and using it as a base and then adjusting it by incremental amounts. Under the pre-pandemic financial regime, the method was a mix of incremental and activity-based budgeting. There is a reassessment of in-year forecasts and underlying run rate analysis throughout the financial year with bridge analysis to identify key changes. These are included as part of the IAC performance reports.

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 where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

There are monthly and quarterly performance reviews within each division, attended by executive directors, where financial, performance and operational pressures are discussed. The key issues, pressures and risks are reported either to the IAC or Board depending on the meeting timetable to ensure that there is clear oversight of emerging issues.

An Integrated Performance Report (IPR) is produced monthly for IAC - this incorporates all aspects of financial performance, activity and workforce as well as quality metrics. The IAC provides detailed scrutiny and challenge of the report at its meetings.

## Appendix A - Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

#### Findings

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

The Trust's Board has the overall responsibility for setting the strategic direction for the Trust. It makes sure that the Trust adheres to the principles set out in the NHS Constitution, NHS England's NHS Foundation Trust Code of Governance, and other related publications. To maintain balanced unitary decision-making, all Board members hold voting positions.

The principles of compliance with the NHS Foundation Trust Licence contain processes to support the Non-Executive Directors in their scrutiny and challenge of Executive management actions, as well as processes to support the Board's assessment of evidence to enable the Board to make evidence-based unitary decisions. The Trust has assessed that it is compliant with these conditions.

In relation to capital decisions and review, an annual capital plan is developed by the capital management group, which has input for all divisional teams as well as heads of departments. The plan is agreed by the Trust's Board, and performance against the plan is reported to and discussed at the Investment Committee.

The Audit Committee meets regularly and challenges the Trust on performance and budgeting reporting.

How the body 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/conflicts of interests)

The Trust has a declaration of interest policy, which states that all staff must declare any personal, professional or business interest which may conflict with their official duty, or may be seen to compromise their personal integrity in any way. There is a register of interest maintained for all staff by the company secretariat. Additionally, the Trust maintains a register of interests for all Board members. This is reviewed annually as part of the annual report process to ensure completeness and accuracy of declarations.

In addition, the Trust partakes in the National Fraud initiative exercise managed by the Counter Fraud Authority, and the Trust is supported by their anti-crime specialist, TIAA. Part of TIAA's scope of work is to identify any members of staff who also have a beneficial interest in a supplier used by the Trust.

## Appendix A - Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings																		
How financial and performance information has been used to assess performance to identify areas for improvement	<p>The Chief Finance Officer presents updated financial performance reports at the regular meetings of the Trust Board and the Audit Committee, where the Trust's performance is assessed and management is challenged to identify areas for improvement in the operations of the Trust.</p> <p>The Integrated Quality Improvement Programme led by the Chief Operating Officer uses performance data to identify areas of improvement.</p> <p>The Productivity Committee reviews external benchmarking tools, such as GIRFT (Getting It Right First Time), to identify areas for process improvement or cost optimisation.</p>																		
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>Management presents a monthly Integrated Performance Report to the Trust Board, which includes an assessment of the Trust's performance against key quality indicators, both in total and by area.</p> <p>The Trust's internal audit is aligned with the priorities identified in the risk register and it provides insights to management on improvement areas.</p> <p>The Digital Oversight Committee (DOC) has been established to review the digital environment and co-ordinate development.</p> <p>An annual staff survey is conducted by the Trust and the results are analysed overall and by department in order to identify areas of improvement.</p> <p>The Trust also receives quality inspections from the external regulator, Care Quality Commission ('CQC'). At the end of 2022/23, the Trust's overall combined CQC quality rating was 'Requires Improvement', following an inspection performed during 19 - 21 November 2018 with the following domain scores published in June 2019:</p> <table border="1"> <thead> <tr> <th colspan="2">Oxford University Hospitals NHS Foundation Trust (Combined ratings from report Issued June 2019)</th> </tr> <tr> <th>Theme</th> <th>Rating</th> </tr> </thead> <tbody> <tr> <td>Combined quality and resource rating</td> <td>Requires improvement</td> </tr> <tr> <td>Are services safe?</td> <td>Requires improvement</td> </tr> <tr> <td>Are services effective?</td> <td>Good</td> </tr> <tr> <td>Are services caring?</td> <td>Good</td> </tr> <tr> <td>Are services responsive?</td> <td>Good</td> </tr> <tr> <td>Are services well-led?</td> <td>Requires improvement</td> </tr> <tr> <td>Are resources used productively?</td> <td>Requires improvement</td> </tr> </tbody> </table>	Oxford University Hospitals NHS Foundation Trust (Combined ratings from report Issued June 2019)		Theme	Rating	Combined quality and resource rating	Requires improvement	Are services safe?	Requires improvement	Are services effective?	Good	Are services caring?	Good	Are services responsive?	Good	Are services well-led?	Requires improvement	Are resources used productively?	Requires improvement
Oxford University Hospitals NHS Foundation Trust (Combined ratings from report Issued June 2019)																			
Theme	Rating																		
Combined quality and resource rating	Requires improvement																		
Are services safe?	Requires improvement																		
Are services effective?	Good																		
Are services caring?	Good																		
Are services responsive?	Good																		
Are services well-led?	Requires improvement																		
Are resources used productively?	Requires improvement																		

## Appendix A – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

#### Reporting Sub-Criteria

How the body evaluates the services it provides to assess performance and identify areas for improvement

#### Findings

During the same inspection, the CQC also rated each of the four hospitals as follows:

Oxford University Hospitals NHS Foundation Trust (Combined ratings from report Issued June 2019)	
Hospital	Rating
Nuffield Orthopaedic Centre	Good
Churchill Hospital	Good
Horton General Hospital	Good
John Radcliffe Hospital	Requires improvement

The CQC performed an unannounced inspection in November 2022 on two areas that were identified as requiring improvement in 2018, but it assigned no rating, and only listed areas of good performance and areas of improvement.

In its Annual Governance Statement, the Trust describes its action plan in response to the CQC recommendations, and this is reported through agreed governance processes.

Management has been pro-active and responsive to the CQC findings and recommendations and there is continuous engagement with the CQC in this respect. This demonstrates that the Trust has appropriate arrangements in place to respond to quality improvements requirements. We did not identify a risk of significant weaknesses in arrangements in this respect.

How the body 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

The key partners identified by the Trust are: the BOB ICB and other ICB provider Trusts, NHS England regional team, Oxford University, clinical networks. The Trust conducts stakeholder events when developing new services/major changes in service and it conducts Public Trust Board meetings.

The Trust has proactively developed strong working relationship with a number of partners over a number of years. This has resulted in strong collaborative working with a focus on delivering the greatest possible outcome across a number of areas. Management proactivity engages with stakeholders either directly (meetings, steering groups, committees etc.) or indirectly via broader communication channels to ensure the Trust's role with any partner or stakeholder is clearly communicated. Expectations are clearly documented at the outset of any engagement, and measured as the engagement progresses.



## Appendix A - Summary of arrangements (continued)

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### Improving economy, efficiency and effectiveness

#### Reporting Sub-Criteria

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

#### Findings

There are rigorous assessments of third party providers to establish whether they have adequate clinical governance arrangements in place, such as CQC licences.

The Trust's Procurement teams carry out tender and quotation processes in line with UK Procurement Directives. Such tenders are carried out using procurement best practices techniques and outcomes are reported and ratified by the Director of Procurement and Supply Chain, the Chief Finance Officer and the Trust Board.

The Trust uses the NHS approved frameworks to procure goods and services using competitions and direct awards to suppliers who provide the best value products and services for the Trust.

Where necessary, the team use waivers to ensure the continuity of service or where a competitive process does not deliver any extra value, the waiver process is overseen and approved by the supply Chain Director and the Chief Finance Officer.

Benefits from supplier negotiations are captured on the Trust's procurement savings software PAM. The software captures all savings made and projects that are underway. The evidence of savings and efficiencies made are shared with the Trust leads on a monthly basis.

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## Appendix B – Summary of all recommendations

### Recommendations

The table below sets out all the recommendations arising from the financial statements audit in 2022/23. All recommendations have been agreed by management. There were no recommendations raised with regards to our value for money audit.

Issue	Recommendation	Management Response
<b>Financial statements:</b> Record keeping in the fixed asset register	<p>During our property, plant and equipment ('PPE') additions testing, we understood that there was a delay between the capitalisation date of an expense and the date of allocating the new asset in the fixed asset register by asset number. To ensure that the total closing balance of PPE is accurate at the reporting date, an 'asset clearing account' is created that combines the non-allocated assets by project.</p> <p>This poses difficulties in audit testing of in-year additions, thus resulting in additional un-budgeted time spent on the audit. It also creates a risk of misstatement in the closing gross book value by type of PPE, leading to a possible misstatement of depreciation charge in year due to incorrect measurement basis of assets under the clearing account.</p> <p>We recommend that all assets are allocated to the appropriate asset codes before the year-end accounts are prepared for issue and the balance of the 'asset clearing account' in the fixed asset register is reduced to Nil at every year-end reporting date as a minimum.</p>	Management have noted the need for an in depth review of Fixed Asset and will update Audit Committee of progress over the coming financial year.
<b>Financial statements:</b> Plant and machinery asset identification	<p>During our existence testing of plant and machinery, we identified that some assets do not have a unique identification number, thus it is not possible to track which specific asset is selected for testing (such was the case with laptops in our sample) and to determine which assets need to be written off from the fixed asset register once no longer in use.</p> <p>This poses a risk that assets in the closing balance of PPE might not exist as it is impossible for management to demonstrate existence of certain individual assets. This issue also poses difficulties and additional time spent on the audit.</p> <p>We recommend that each asset is assigned an inventory number, which should match the identification number in the accounting records. This will ensure that management is able to identify the assets that exist in the closing balance and gain assurance over the existence assertion at the reporting date of those balances.</p>	Management have noted the need for an in depth review of Fixed Asset and will update Audit Committee of progress over the coming financial year.

## Appendix B - Summary of all recommendations (continued)

### Recommendations

Issue	Recommendation	Management Response
<p><b>Financial statements:</b> Plant and machinery useful lives</p>	<p>We noted that a large proportion of the plant and machinery gross book value as disclosed in Note 14 for Property, plant and equipment was fully depreciated at the reporting date 31 March 2023 (approximately 50%). Management's assessment indicates that most of the fully depreciated assets were still in use at the reporting date. This indicates that the useful lives of assets applied in calculating their depreciation might not be up to date and proportionate to the usage of the benefits from those assets.</p> <p>Calculating depreciation on understated useful lives could lead to an overstated depreciation expense charge and an understated net book value of assets over time.</p> <p>We recommend that useful lives are revisited by management on a regular basis.</p>	<p>Management have noted the need for an in depth review of Fixed Asset and will update Audit Committee of progress over the coming financial year.</p>
<p><b>Financial statements:</b> Documentation retention</p>	<p>In relation to the audit difference reported in Audit Differences section on the VAT treatment in non-PFI DRC buildings valuation, we recommend the Trust retains detailed documentation to support their judgment on complex accounting issues. This recommendation also applies to first time implementation of new accounting standards, such as IFRS 16. The documentation should demonstrate that the assumptions and methods used are in line with the requirements of the DHSC GAM.</p> <p>Retention of detailed documentation of management judgments can aid consistency in management practices, it can improve continuity of functions in case of an emergency disruption and it adds efficiencies in the audit process.</p>	<p>Management will review its approach to the retention of key documents.</p>

## Appendix B - Summary of all recommendations (continued)

### Recommendations

Issue	Recommendation	Management Response
<p><b>Financial statements:</b> Quality of working papers and audit trail</p>	<p>In our first year audit, we noted that the quality of working papers, listings and audit trail evidence provided to the audit team was deficient in multiple areas of the audit. This led to a significant number of iterations in the audit process. Some examples include: incomplete listings that do not reconcile with the trial balance, incomplete working papers with missing audit trail, supporting evidence which does not agree with the sampled amount and/or does not address the assertions tested. We would recommend additional training to support some key accounting personnel in understanding the audit trail quality requirements.</p> <p>Good quality audit evidence is key in delivering a cost efficient and effective audit while enabling the accounting team to tend to ongoing routine duties outside of the audit process. Getting it right first time is also likely to lead to a more rewarding professional experience for individuals involved in the audit process.</p>	<p>Management will carry out a post-audit review, including issues with the working papers which arose during the audit. Changes to processes, including working papers from the review will be actioned.</p>
<p><b>Financial statements:</b> Good received not invoiced process</p>	<p>During our testing of expenditure related to goods received and not invoiced journal source, we noted that not all estimated expenditure accrued based on a purchase order is adjusted for the actual amount once the invoice is received in the same accounting period.</p> <p>The process described above could lead to an over or under-accrual of expenditure in a certain accounting period, which may be material to the accounts on a cumulative basis.</p> <p>We would recommend to streamline the process to ensure that amounts accrued in the period are reflective of the activity related to that period to the extent that information is available to management at the reporting date.</p>	<p>There is a significant volume of transactions which constitute the automated GRNI accrual, and includes data from procurement and clinical recipients. We will work with both groups to identify structural issues to be resolved in order to improve the accuracy.</p>

## Appendix B - Summary of all recommendations (continued)

### Recommendations

Issue	Recommendation	Management Response
<b>Financial statements:</b> Revaluation gains or losses accounting	<p>We reported an uncorrected audit difference on classification of the properties' revaluation gain or loss between surplus and deficit and other comprehensive income. This audit difference was identified upon our testing of accounting treatment of the revaluation impact in the statement of comprehensive income. We noted that the recalculated amount did not agree with the amounts recorded through the fixed assets system 'RAM', however the root cause of the difference was not explained by management at the time of our procedures.</p> <p>An incorrect accounting treatment of a revaluation movement could lead to a material misstatement in the accounts, which in turn could lead to an incorrect surplus/(deficit) for the year and an incorrect total comprehensive income.</p> <p>Our recommendation is to ensure that figures used in the accounts which are calculated through accounting programmes are verified by management.</p>	Management have noted the need for an in depth review of Fixed Asset and will update Audit Committee of progress over the coming financial year.



## Appendix C - Certificate

### AUDITORS CERTIFICATE WHERE THE OPINION PREVIOUSLY ISSUED IN ADVANCE OF CLOSURE OF THE AUDIT

#### INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF GOVERNORS OF OXFORD UNIVERSITY HOSPITALS NHS FOUNDATION TRUST

##### Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2023 issued on 29 June 2023, we reported that, in our opinion, the financial statements:

- ▶ gave a true and fair view of the financial position of Oxford University Hospitals NHS Foundation Trust as at 31 March 2023 and of its income and expenditure for the year then ended;
- ▶ had been prepared properly in accordance with the Department of Health and Social Care's Group Accounting Manual 2022 to 2023; and
- ▶ had been properly prepared in accordance with the National Health Service Act 2006 (as amended by the Health and Social Care Act 2012).

##### Certificate

In our report dated 29 June 2023, we explained that we could not formally conclude the audit on that date until we had issued our Auditor's Annual Report for the year ended 31 March 2023. We have now completed our procedures and no matters have come to our attention that would have resulted in a different opinion on the financial statements or additional exception reporting on significant weaknesses in the Foundation Trust's value for money arrangements.

We certify that we have completed the audit of the accounts of Oxford University Hospitals NHS Foundation Trust in accordance with the requirements of the National Health Service Act 2006 and the Code of Audit Practice issued by the National Audit Office on behalf of the Comptroller and Auditor General.

Janet Dawson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

London

07 July 2023

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