



University Hospitals of Leicester

NHS Trust

UHL 2019/20, 2020/21 accounts update

Joint HOSC

16th November 2022



University Hospitals of Leicester
NHS Trust

Accounts Progress Update

2019/20

- Adopted and published 31st March 2022 with a disclaimer opinion.

2020/21

- Audited Accounts adopted by Trust Board on 9th September 2022 with an adverse opinion.

Audited accounts are available on the Trust website. All papers accompanying the accounts that were presented to Board are available on the Trust website on the 31st March and 9th September respectively.

19/20 Balance Sheet Re-Statement

19/20 Impact and outcome of restatement work

An overview of key restatement areas undertaken is provided in the table below.

Balance Sheet Area	Key Restatement Procedures Included
Fixed Assets	<ul style="list-style-type: none"> • Revaluation of Land and buildings based on agreed Estates Strategy • Review of a sample of additions/disposals/AUC • Review and restatement of the revaluation reserve for a 10 year period
Accounts Payable	<ul style="list-style-type: none"> • Review of a significant sample of payments made after the balance sheet date
Accounts Receivable	<ul style="list-style-type: none"> • Review of a sample of cash received after balance sheet date
Payroll Liabilities	<ul style="list-style-type: none"> • Recalculation of annual leave accrual
Leases	<ul style="list-style-type: none"> • Detailed review and recalculation of medical equipment and IT lease assets and liabilities
Provisions	<ul style="list-style-type: none"> • Review of VAT and Glenfield land provisions
Journals	<ul style="list-style-type: none"> • Review of all balance sheet-affecting journals greater than £300k and independent (self assessment) review of journals by the Trust.

Completion of the work to restate the balance sheet resulted in the Trust's reported deficit moving from **£76.8m** to **£122.7m** following adjustments agreed during the course of the audit.

19/20 Balance Sheet Re-Statement

Grant Thornton (GT) provided an updated audit findings report (AFR) upon conclusion of their audit of the 2019/20 financial statements, which included the restated balance sheet. Although GT were unable to conclude that the 2019/20 accounts were free from material error, the AFR noted the following:

- The work done by management to restate the balance sheet was necessary to correct and identify potential errors in the financial statements.
- The work done has provided a better foundation for future financial reporting. Following the completion of the 2019/20 audit, the Trust aim to build on this foundation.

The Trust had previously developed an action plan based on the statutory recommendations made in GT's original 2019/20 AFR. This plan was developed to deliver finance transformation and strategic changes by addressing risks to the Trust's financial sustainability and is used to monitor and manage progress on factors including governance, culture, capacity, capability and controls at a thematic level. The majority of the actions have now been completed or closed.

- Following consideration and review at the Audit Committee on 25 March 2022, the 19/20 accounts were recommended to and formally adopted by UHL Trust Board on 31 March 2022.
- Formal submission of these accounts and supporting schedules were subsequently passed to NHSE.
- The Trust received a “**Disclaimer**” opinion.

20/21 Accounts

- The draft Accounts for 2020/21 were submitted in accordance with the national timetable (June 2021) but prepared and submitted at the same time as the 2019/20 Accounts re-statement work was underway. There was a swing in the reported financial position in 2020/21 from draft Accounts to Audited accounts. The financial position improved by **£29.8m** to **£46.2m**. This movement largely arose from the re-patriation of expenditure into the previous financial year (2019/20) as a result of the 2019/20 balance sheet re-statement, to ensure that the costs were accounted for in the correct accounting period. Across 19/20 and 20/21, the Trust reported a net deterioration of **£16.1m** compared with the draft Accounts that were originally submitted for both years to NHSI for the purposes of NHS consolidation.
- As recognised by our external auditors, the accounts presented for audit represented a further improvement on 19/20, with an improvement in the financial controls, in particular the journal control environment and elimination of audit concerns in relation to management override of controls. However, the Auditors identified continued pervasive errors, accounting processes and control weaknesses, in particular relating to the accounting process and controls over non pay expenditure, capital expenditure and management of plant and equipment.
- Officers recognised there was still more work to do, but are clear what actions are required, which has formed the basis of the financial improvement plan, as UHL enters the next phase on its journey towards achieving a qualified by exception audit opinion and ultimately an unqualified audit opinion.
 - Following consideration and review at the Audit Committee on 31 August 2022, the 20/21 accounts were recommended to and formally adopted by UHL Trust Board on 9 September 2022.
 - Formal submission of these accounts and supporting schedules were subsequently passed to NHSI.
 - The Trust received an improved, albeit an **“Adverse”** audit opinion.