



# Response to the Public Accounts Committee's inquiry into the DHSC annual report and accounts 2021/22

## Summary

The report of the comptroller and auditor general (C&AG) on the Department of Health and Social Care (DHSC) annual report and accounts 2021/22 makes for difficult reading for finance professionals working in the NHS.

The HFMA is concerned about the timeliness of the preparation and audit of the annual report and accounts by DHSC group bodies as well as the pressure producing multiple sets of accounts puts on finance staff.

## Detailed response

The C&AG reported that there has been a continued deterioration in the timely finalisation of NHS bodies' accounts and completion of local audits. The reasons for this vary and some are very specific to a single body. However, the C&AG goes on to reflect that this is unlikely to improve in 2022/23 due to the impact of the Health and Care Act 2022 (the Act). We share these concerns.

We do not expect that the C&AG's concern about the timeliness of reporting will be resolved for the 2022/23 year-end and the position may even get worse.

As the Act came into force on 1 July 2022, part year accounts will need to be prepared and audited for all the bodies that dissolved on 30 June as well as those established on 1 July. Added to this NHS Digital was merged with NHS England from 1 February 2023.

The timing of these changes will double the workload on finance teams and audit firms. Preparing and auditing part year accounts does not take any less time than full year accounts. In terms of audit fees, there is also an additional cost pressure. The pressures on the local audit market (discussed in our submission to the inquiry on the timeliness of local auditor reporting) will be exacerbated in 2022/23 by the additional workload. It is therefore likely that there will be delays to the completion of the 2022/23 audits.

There are a small number of NHS organisations that have been unable, as at the end of February 2023, to appoint an auditor for the current year (2022/23). We are not clear what impact this will have on the preparation and audit of the DHSC, NHS England and consolidated provider accounts. The six NHS organisations without audited accounts at the end of January 2023 were immaterial to the overall consolidation in 2021/22 – the organisations without appointed auditors includes an integrated care board (ICB) which may mean that they are material to the national consolidations. As far as we



are aware, this is unprecedented so it is difficult to know what the impact on the timeliness of reporting will be.

At least one set of accounts unsigned at the end of January 2023 was a direct consequence of the issues with the completion of local authority accounts. Where NHS bodies employ staff who are members of local authority pension schemes, they need to include audited information about the pension scheme in their accounts. In one case, the impact of the pension scheme liability is material to the accounts so the audit of the NHS body's accounts cannot be completed without that information. Other NHS bodies are members of local authority pension schemes but, in those cases, additional audit procedures could be performed. Additional procedures are another pressure on accounts preparers as well as auditors. As NHS bodies work more closely with local authorities, this issue could get worse.

Reporting delays are not simply frustrating for those waiting to scrutinise the final accounts. It means that finance staff at NHS bodies have less time available to plan and report on the financial position of the current year. For NHS bodies, the submission deadline for the 2021/22 draft annual report and accounts was the same day as the submission deadline for 2022/23 plans. For most organisations, the same small team prepares both the financial element of the plans and the annual accounts and so this was not helpful.

Our members report their frustration that the current NHS reporting timetable allows auditors more time to complete their audits. The reasons for the timetable are well understood but as the audit runs over month ends, the workload increases as in-year reports need to be prepared alongside answering audit queries.

Reporting delays also mean that the staff working at the national bodies are trying to prepare guidance for the year ahead while still managing the current year's financial position and preparing the previous year's accounts and dealing with auditors. For staff working for NHS England, this is all being done while a major restructuring exercise is being undertaken, meaning that there is uncertainty around their continuing employment.

As the Public Accounts Committee considers the DHSC's annual report and accounts for 2021/22 it would be helpful to consider the barriers to more timely reporting going forward and the action the DHSC can take to help to resolve the issues in the local audit market and to reduce pressure on NHS finance teams.

# About the HFMA

The Healthcare Financial Management Association (HFMA) is the professional body for finance staff in healthcare. For over 70 years, it has provided independent and objective advice to its members and the wider healthcare community. It is a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through its local and national networks.

The association also analyses and responds to national policy and aims to exert influence in shaping the wider healthcare agenda. It has particular interest in promoting the highest professional standards in financial management and governance and is keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

The HFMA offers a range of qualifications in healthcare business and finance at undergraduate and postgraduate level and can provide a route to an MBA in healthcare finance. The qualifications are delivered through HFMA's Academy which was launched in 2017 and has already established strong learner and alumni networks.

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