



Year-end survey 2019/20

Survey report



Background

In July and August 2020, the HFMA surveyed its members about the year-end process to see whether there were any lessons that could be learned.

The survey also included a series of questions looking ahead to the implementation of IFRS 16 *leases*.

The results of this survey have been shared with the Department of Health and Social Care, NHS England and NHS Improvement, and the National Audit Office to form part of their year-end review process. The HFMA's Accounting and Standards Committee will use the results of the survey to inform its work programme in 2020/21 as well as to develop the 2021 pre-accounts planning conference programme.

Overall results

In total, 86 (2018/19: 77) responses were received from:

- 15 CCGs (2018/19: 19)
- 1 CSUs (2018/19: 3)
- 40 NHS foundation trusts (2018/19: 32)
- 27 (NHS trusts 2018/19: 21)
- 3 others (2018/19: 2) - NHS England/Improvement, an auditor and an arm's length body.

Not all individuals answered every question and the percentages referred to are percentages of respondents answering the specific question. (Some tables may not add up to 100% due to rounding.)

We also asked respondents whether they were responding on a personal basis or on behalf of an organisation:

- 36 personal responses (32 in 2018/19)
- 5 responses on behalf of their organisation (13 in 2018/19)
- 42 responses were a combination of both (32 in 2018/19).

Our survey focussed on the process of producing the annual report and accounts rather than the output. Therefore, the results of this survey do not provide any information on whether deadlines were met, the quality of the annual report and accounts produced or whether the auditor made any report or referral.

The survey revealed the following key points:

- the Covid-19 pandemic affected the preparation and audit of the 2019/20 annual report and accounts – unsurprisingly some teams were affected more than others
- the changes to the timetable, agreement of balances process and other reporting requirements made by the DHSC and NHSE&I were welcomed, and respondents agreed that some of those changes should be made permanent although, generally, not the extended deadline for accounts preparation
- many finance staff were able to work from home and those that went into the office felt safe doing so
- the audit process went well although there were some difficulties with remote auditing and there continue to be concerns about the focus of auditors' work and access to senior auditors who can make decisions
- some respondents felt that the additional time to complete the audit of the accounts meant that auditors simply asked more questions meaning that finance teams could not get on with the financial management of 2020/21

Covid-19

The 2019/20 year-end was unlike any other. The announcement of lockdown 23 March 2020, a week and a day before the financial year-end would have impacted on any organisation's ability to produce an audited annual report and accounts. For NHS bodies, Covid-19 meant wholesale organisational change alongside a completely new financial regime introduced at pace. Our survey therefore included some questions specifically relating to the impact of the pandemic both in terms of working arrangements and the impact on the preparation of the annual report and accounts.

We asked whether finance staff were able to work from home – over half were able to work from home for the whole period. Most were able to work from home for some of the time, only two respondents were required to come into the office and another individual was unable to work from home because the technical capability was not there.

Most of the comments reflected the fact that it was often a choice to retain an office presence and organisations tended to respect individual's wishes. There were some technical issues for some, and some processes required someone to be in the office. For those in the office, only five respondents did not feel that adequate arrangements had been made to keep them safe, this is against 37 respondents who did feel safe. Other comments included:

'Approximately 40% of the team had COVID'

'At the time of accounts production/audit no arrangements in place. However, arrangements are in place now i.e. PPE Mask Stations.'

Just over half of the respondents, reported that the team preparing the annual report and accounts was not affected by Covid-19. For the others, the team was smaller:

- in ten cases, staff were off sick
- for nine respondents, staff were shielding or looking after children and could not work from home
- a further 12 reported that staff were deployed elsewhere in the organisation.

Others had very specific problems:

'Had 2 bereavements, 1 family member admitted to ICU and childcare issues in a team of 4'

'We were a member of staff down and couldn't use bank due to lack of laptops'

Some managed to put in different arrangements to offset the issue but the impact was not always in respect of the size of the team:

'However, we helped manage this by temporary redeployment of internal audit staff to help coordinate work between trust staff and external audit.'

'Fortunately, staff were not sick but there were definitely other pressures around Covid-19 to manage - e.g. cash arrangements, charity donations, assistance to procurement'

'Impact of agile working, looking after children. Loss of 'efficiency' of being able to react quickly and consistently across the whole team (needed to set up Teams calls, e-mail as opposed to just discussing and sorting in office)'

'The team was affected in the fact that everyone was having to try and deal with being out of the office environment and getting used to a different way of working and communicating. Everyone had the mental strain from what was happening in the wider world, with a lot of uncertainty and worry about the health of ourselves and loved ones.'

Most finance teams undertake a de-brief after the accounts closedown to identify where lessons can be learned. This year, we asked if there were any changes that teams would make as a result of the different working arrangements – most of the comments related to remote working both by finance teams and auditors, with a range of views:

'We are in the process of procuring new external auditors and will put a premium on provision of audit technology to enable remote working.'

'We are already planning that we may well be working from home next year (anticipating a winter surge in CV19) and taken lessons learnt from this year - mainly around communications and better use of Microsoft Teams now we know how to use it properly. We will make year-end timetable changes to get information to audit earlier and do an interim closedown ready to produce schedules for audit as we experienced issues this year as we supplied the information after a final closedown which was delayed and this resulted in knock on effects through the audit.'

'Working from home benefitted myself enormously as I usually spend weekends in the office. I will not have to do this again and I'm sure that the working from home flexibility will continue. Audit Committees were easier to arrange as they were virtual. It will be interesting to see if these types of meetings continue. More specific to our Trust I am looking at changes to the asset register as this was one area that required staff to work in the office.'

'Things took longer to prepare when everyone is working from home. this is being built into the timetable.'

'External audit - the auditors have suggested that they may wish to split the audit between working from home and on-site next year. Also, have suggested that the extended period for audit may be retained subject to NHS I? Finance team likely to be a mix of working from home and on-site. Stock

take with audit in attendance planned for M9 and M12. M9 could then be rolled forward to M12 if auditors not allowed on site on 31 March.'

'Understand auditor requirements well in advance.'

'Definitely make sure that the audit is not done remotely. It did not work well. In fact, it caused multiple problems and created a very challenging working arrangement that must not be repeated in future years.'

'We're preparing the TACs each quarter leading up to the year end and then compiling the 4 quarters at the end.'

HFMA's response to the pandemic

To try to support NHS finance teams through the year-end process, the HFMA produced a series of briefings and also developed a discussion forum for NHS finance staff. We therefore asked specific questions about these initiatives.

The HFMA produced a year-end checklist that set out the issues that might impact on the annual report and accounts both pre-Covid-19 and as a result of the pandemic. 47 respondents (64% of those who answered the question) used the checklist and found it useful, nine did not need to use it because they had prepared their own. The others did not know it existed or found it late in the process. Gratifyingly for us, one audit firm signposted their audit clients to it.

68 respondents said that would find a similar checklist useful next year – work has already started on that checklist and it will be produced earlier next year.

The HFMA also launched a finance forum to help the finance community support each other during the pandemic, most respondents did not know it existed but would have used it:

- six respondents said they were a member of the forum and they had used it
- 19 said that were a member but had not posted to it
- 42 said that they did not know about it but would have joined it
- Only six respondents said it was not of interest to them.

'The lack of response to the query raised was disappointing but you need a critical mass to sustain.'

'Kept looking up at the beginning as there were some interesting conversation threads. I think it's a shame it wasn't utilised as much as it could have been.'

Preparing for the year-end

Centrally produced guidance

We asked whether respondents felt well prepared in terms of centrally produced guidance, templates and other information – see **table 1**. This is a question that we ask every year to allow us to make year on year comparisons. It is unsurprising, given the circumstances, that the percentage of respondents that had the information that they wanted when they needed it is lower than last year. It is pleasing that around half of the respondents had everything or were only missing one thing.

Some commented that any delay was understandable given the pandemic:

'I do feel this is an unfair question. Covid 19 is something no one could be fully prepared for. To start with whether we need to do accounts for 2019/20, then by when etc I'm very happy with the guidance issued and communications from DHSC, NHS England and NHSE&I.'

'This was a different sort of year end due to Covid-19 so there were some occasions when things came out at short notice but that is not surprising. If it had been a normal year end the answer would have been 'yes, everything I needed was available'.'

'The circumstances were unique with the impact of Covid-19 so although guidance was being updated on a regular basis, this was entirely understandable in the situation. Updates were well communicated and were as timely as possible in an ever-evolving environment.'

'The number of guidance changes and updates meant you had to spend a lot more time reading rather than actually completing the work the updates related to.'

Table 1: Did you feel well prepared for the year-end in terms of centrally prepared guidance, templates and other information?

2019/20	From the DHSC	From NHS England	From NHS Improvement	From the auditor
Everything was available when needed	38 (51%)	36 (51%)	33 (49%)	29 (39%)
Everything except one thing was available	4 (5%)	3 (4%)	4 (6%)	6 (8%)
Most of the information was there	31 (42%)	30 (43%)	28 (41%)	26 (35%)
There were a lot of unanswered questions at a late stage	1 (1%)	1 (1%)	3 (4%)	14 (19%)

2018/19	From the DHSC	From NHS England	From NHS Improvement	From the auditor
Everything was available when needed	40 (63%)	33 (62%)	29 (57%)	35 (56%)
Everything except one thing was available	6 (9%)	2 (4%)	6 (12%)	4 (6%)
Most of the information was there	16 (25%)	17 (32%)	14 (27%)	21 (33%)
There were a lot of unanswered questions at a late stage	2 (3%)	1 (2%)	2 (4%)	3 (5%)

Despite the pandemic, the numbers of respondents who answered this question who only had most of the information when they needed it or had unanswered questions at a late stage remains a concern:

'Templates were still quite late - 23rd March. It would be preferable to have these earlier so that the task of setting up files and linking to accounts file can be completed as soon as possible to then be able to concentrate on the numbers.'

'The audit completion was delayed by two weeks as they had to complete their fieldwork and samples working remotely was a major factor. However both sides have learned from the experience and how to do things better.'

'Big issue over no physical stock takes and auditor non-attendance resulted in a qualified audit opinion notified to the Trust at a late stage in the annual audit cycle that was not picked up by Finance despite guidance being issued that this would occur. Lessons learned to have a dedicated team member reading the guidance and alerting senior management.'

'Lots of questions from our auditors on going concern due to Covid. We had to provide a lot of additional information to satisfy going concern.'

'Communication was pretty erratic, lots of TBC appreciate Covid-19 was unprecedent but we had to adapt very quickly - having an extension of 3 days 2 being over the weekend was insulting especially as the final submission deadline was pushed back so much further. I assume this is why it eventually slipped to being 11 May if required. It was initially unclear as to how to change submission deadline i.e. request, to who etc or just do it also some updates not emailed but put on portal which

meant constant checking was required. It generally felt harder than it needed be. My team is small, had we had a couple of key people affected by Covid-19 we would not have been able to meet the revised deadline. This significantly increased the stress levels of everyone in the team.'

'Late guidance on clinicians' pensions and updated AOB.'

'A central steer on accounting for the Flowers case would have been helpful.'

'Asset valuations in a covid environment very late.'

We asked specifically whether the actions taken by NHSE&I in the letter send out on 23 March were helpful (see **table 2**) and the response was mixed – the most welcomed changes were the move to electronic submission and the deferral of the implementation of IFRS 16. The increase in the agreement of balances threshold was welcomed by over half of those for whom this question was applicable.

Given that our survey was of finance staff, the amendments to the quality accounts and the annual report were of less value. But there were some comments that the changes did not go far enough and, while some organisations had done most of the work already, for others it was an additional burden at a difficult time.

The change that elicited the most comments was the change to the deadlines:

'The extension to the audit deadline helped the auditors get the audit completed as well.'

'Changing the accounts deadlines actually made the process harder because it allowed the auditors longer time to review items and come back with queries.'

'Although the offer of extra time was helpful, we did not take this up and worked to the first set of deadlines in order to support operational areas. The additional time allowed for auditors was taken in full by them and while I appreciate it would have helped in their approach to the changed conditions, the audit felt protracted and particularly challenging especially when the 'question - response - further question' paradigm was taking place intermittently over several weeks.'

'The extension to 11th May was useful but the initial deferral from Fri 24th to Mon 27th April (a whole working day!) was not helpful as there was then pressure to be as close to the 27th April as possible rather than 11th May. No-one wanted to be last and also audit needed to get going asap so 11th May wasn't really a viable option. There was still a lot of pressure internally for an early completion date, regardless of the situation.'

'The extra time given to complete the accounts was not particularly generous and all the leeway seemed to be given to the auditors. Our team had to change to working from home with short notice with 'Heath Robinson' IT connections to complete the accounts and given an extra 2 days for completion, not including the weekend. This still feels like an imposition on staff at what was a difficult time. AOB, the auditors still asked for evidence of items below the threshold, so the change made little difference.'

'I think the approach was well judged but it's a shame the audit firms reacted how they did.'

Table 2: Were the actions taken by NHSE&I as set out in the letter on 23 March *Update to NHS accounts timetable and year-end arrangements* helpful with your preparations for a year-end closedown during Covid-19?

	Yes, it was just what I needed	It was helpful but they could have done more	It made no difference to our preparations	Other
The revised accounts deadlines	30 (37%)	17 (21%)	34 (41%)	1 (1%)
Increase in the agreement of balances threshold	44 (56%)	5 (6%)	26 (33%)	3 (4%)
Removal of the requirement to prepare a quality report	36 (58%)	4 (6%)	18 (29%)	4 (6%)
The reduced reporting requirements for the annual report	35 (48%)	11 (15%)	23 (32%)	4 (5%)
The move to electronic submission rather than hard copy	60 (77%)	2 (3%)	16 (21%)	
IFRS 16 deferral to 2021/22	65 (72%)	3 (3%)	20 (22%)	2 (2%)

We asked whether any of these changes should be made permanent, there was very clear support for the increase in the agreement of balances threshold to continue along with the move to electronic submission rather than hard copy. 58 and 66 respondents supported those changes respectively.

A majority of those who had a view supported the removal of the requirement to prepare a quality report – 22 respondents. One respondent commented that *‘A more concise version of the Quality Accounts would be more beneficial to readers of the Annual Report.’*

Views on the reviewed deadlines were less clear:

- 24 (36%) agreed that the change should be made permanent
- 33 (49%) disagreed
- 10 (15%) did not know.

‘The timetables are tight but effective working throughout the year helps manage this.’

‘The additional time dragged the audit out a bit both for us and for the auditors who had to go straight on to other local government audits.’

‘An extra few days to produce draft accounts would be helpful but the extension of the audit time just allows auditors to drag things out and still have last minute rushes, increasing the overall pressures on Finance staff.’

‘Although I would like to answer yes to the revised deadlines I know this did cause issues for NHSI. I think the deadlines could potentially be moved back as it is driven by submitting the DH accounts before the summer recess but in reality do they need to be submitted by then?’

‘This process highlighted that there are a number of areas that are actually not required or not required to be done in the way they have always been. I would fully support the changes for I have highlighted above (all but quality account changes) should be made permanent.’

Third party information

Every year we ask whether the third-party information that respondents need to prepare their annual report and accounts was available on a timely basis. **Table 3** shows only those respondents for whom the question was applicable.

As expected, Covid-19 impacted on the provision of third-party information, so respondents reported that service auditor reports were late and only arrived on the day that the audit was completed. Other respondents reported issues with valuation reports – not that they were late, but that the pandemic meant that many included a reference to material uncertainty that had a knock-on effect on the audit.

One respondent asked if the information from NHS Resolution could be provided earlier as it only arrived on 10 April.

Table 3: Did you feel well prepared for the year-end in terms of information from third parties?

	Everything was available when needed		Everything except one thing was available		There were a lot of issues which needed to be resolved	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
NHS BA (pensions information)	48 (69%)	57 (80%)	21 (30%)	10 (14%)	1 (1%)	4 (6%)
<i>NHSBSA were not able to provide updated values due to C-19 restrictions</i>						
<i>Pensions - queries on Greenbury data took a very long time to get resolved. Could maybe do with a target response time. In fairness I don't think this was aided by our Payroll provider who has the access to Pensions Online and we have to chase each year to get the initial Greenbury information. If there was a target date by which NHS BSA had to complete the Greenbury information then we would know that the delay was with our Payroll provider and not the BSA.</i>						
Co-commissioning information	24 (77%)	19 (73%)	6 (19%)	4 (15%)	1 (3%)	3(12%)
Information from valuers	31 (50%)	38 (76%)	23 (37%)	7 (14%)	8 (13%)	5 (10%)
<i>Valuers - material uncertainty issue caused by Covid-19 was an ongoing issue during the year-end process.</i>						
<i>Whilst the valuer provided her report in good time, the inclusion of a material uncertainty clause led to a lot of additional review by the External Auditor which resulted in additional costs to the Trust</i>						
Information from local authorities	30 (79%)	22 (85%)	6 (16%)	4 (15%)	2 (5%)	
<i>In terms of LAs there was Better Care Fund memorandum information that was not available until late on in the process.</i>						
Shared service assurance reports	31 (67%)	36 (92%)	10 (22%)	3 (8%)	5 (11%)	
<i>The Capita shared services report was significantly delayed although this did not impact on the conclusion of our audit</i>						
<i>Shared services - a delay in the issuing of assurance reports caused an issue with audit but reports were received just before sign off and submission.</i>						

	Everything was available when needed		Everything except one thing was available		There were a lot of issues which needed to be resolved	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Sickness data and ill health retirement information	54 (84%)	56 (84%)	9 (14%)	10 (15%)	1 (2%)	1 (1%)

Preparing the annual report and accounts

We wanted to understand whether any particular issues had had an impact on the preparation of the draft annual report and accounts and the financial outturn. The list of issues selected was based on the issues discussed at the Pre-accounts Planning conferences in January 2020 and in subsequent Accounting and Standards Committee meetings.

Only three issues had an impact on the financial position of anything other than a few respondents – Covid-19 related expenditure, provisions for the Flowers holiday pay and overtime case and annual leave accruals (see **table 4**).

On the other hand, most of the issues listed did make the preparation of the annual report and accounts more difficult. Only the changes made to the contracting arrangements from April 2020 split respondents into two almost equal groups between those who said it made preparing the accounts more difficult and those who said it made accounts preparation more straightforward.

Table 4: Did any of the following impact on the preparation of the draft annual report and accounts?

	The issue impacted on the preparation of the annual accounts		The issue impacted on our financial position	
	Making it more straightforward	Making it more difficult	No impact	Yes, there was an impact
Covid-19 related expenditure	3	25	22	21
Changes to the contracting arrangements from April 2020 as a result of Covid-19	11	13	37	0
IFRS 9 Financial instruments	2	2	39	1
IFRS 15 Income from contracts with customers	0	5	41	1
Material uncertainty statement in the RICS valuation report	2	37	15	3
Impact of Brexit		3	37	1
Difficulties with stock takes due to Covid-19	3	22	22	2
New auditor	2	5	4	0

	The issue impacted on the preparation of the annual accounts		The issue impacted on our financial position	
	Making it more straightforward	Making it more difficult	No impact	Yes, there was an impact
Auditor working remotely	8	40	1	1
Grossing up pension contributions	7	13	30	3
Provisions for the Flowers overtime and holiday pay case	2	8	24	7
The provision for clinicians' pension tax reimbursement	5	15	20	6
Provisions for untaken annual leave	3	15	22	11
Accounting for donations of goods and services	2	3	25	0
The announcement of the conversion of debt to PDC	3	9	20	0
Accounting for events after the 31 March 2020	2	20	27	1
A specific issue we already knew about	2	5	5	0
Something completely unexpected	2	5	3	1

Other issues identified by respondents that are not discussed elsewhere in the findings included:

'A local government pension issue we knew about but delayed the accounts and then caused issue re potential qualification.'

'COVID prescribing pressure and FNC backdated uplift affected our report from the auditor (unadjusted misstatements) no impact on financial position but had to gather evidence for the auditors, which was time consuming.'

'Unexpected recognition of deferred tax asset following SubCo's draft tax computation.'

'There is a variety of 'difficulty' - some were minor new pieces of work whereas:

- Going concern through lack of contracts and our underlying cash position was the biggest issue that had to be resolved*
- Asset valuation was next which turned out to be a non-issue once the wording was agreed with auditors*
- Auditors remote working just caused more issues which in hindsight were more based in the lack of face to face time or 'emotional' remoteness and more queries could have been resolved if they picked up the phone/skyped which they were not always comfortable doing.'*

Agreement of balances

The agreement of balances process has remained relatively unchanged in the past few years so we have been asking respondents whether they found the process better, worse or about the same as last year. As a result of Covid-19, the threshold for agreement of balances was increased and more of our respondents reported that the process was better as a result – see **table 5**.

Table 5: In 2019/20, other than the changes to the agreement threshold, there were no major changes to the agreement of balances exercise, was the whole exercise better, about the same or worse than last year?

	CCGs and CSUs	Provider bodies	Other	2019/20 Total	2018/19 Total
About the same	11	34		46 (67%)	48 (71%)
Better than last year	0	14	1	15 (22%)	10 (15%)
Worse than last year	0	8		8 (12%)	10 (15%)

Most of those who commented welcomed the increase in the thresholds that allowed them to focus on the most material balances and meant that where Covid-19 had impacted on staffing levels there was less pressure to add to teams' workloads. A common theme was that the reduced thresholds should be retained. Most of the reasons for the process being worse than last year was around the availability of counter-party staff. There were some specific comments:

'The process was about the same as last year - Auditors worked to £300k threshold set by NAO which was lower than NHSE threshold.'

'The process was better than last year - the main factor was the merger of CCG s which flushed out some of our previous differences on AoB. The raised thresholds also helped.'

'The process was better than last year - principally as we have a bottom-line agreement with NHS Property services early in the process (rather than October after the year-end).'

'AOB threshold increase was an excuse for some bodies to almost ignore the reconciliation / agreement part of the exercise so this needs to be put back to the original levels - certainly for M09 even if it's changed again at M12.'

'Hopefully the NCA process will be overhauled as this saves a huge amount of admin time.'

Significant issues

Auditors are required to discuss significant issues in their report to those charged with governance (also known as ISA 260 reports). **Graph 1** shows the issues that were raised by auditors as significant in 2018/19 compared to the past three years.

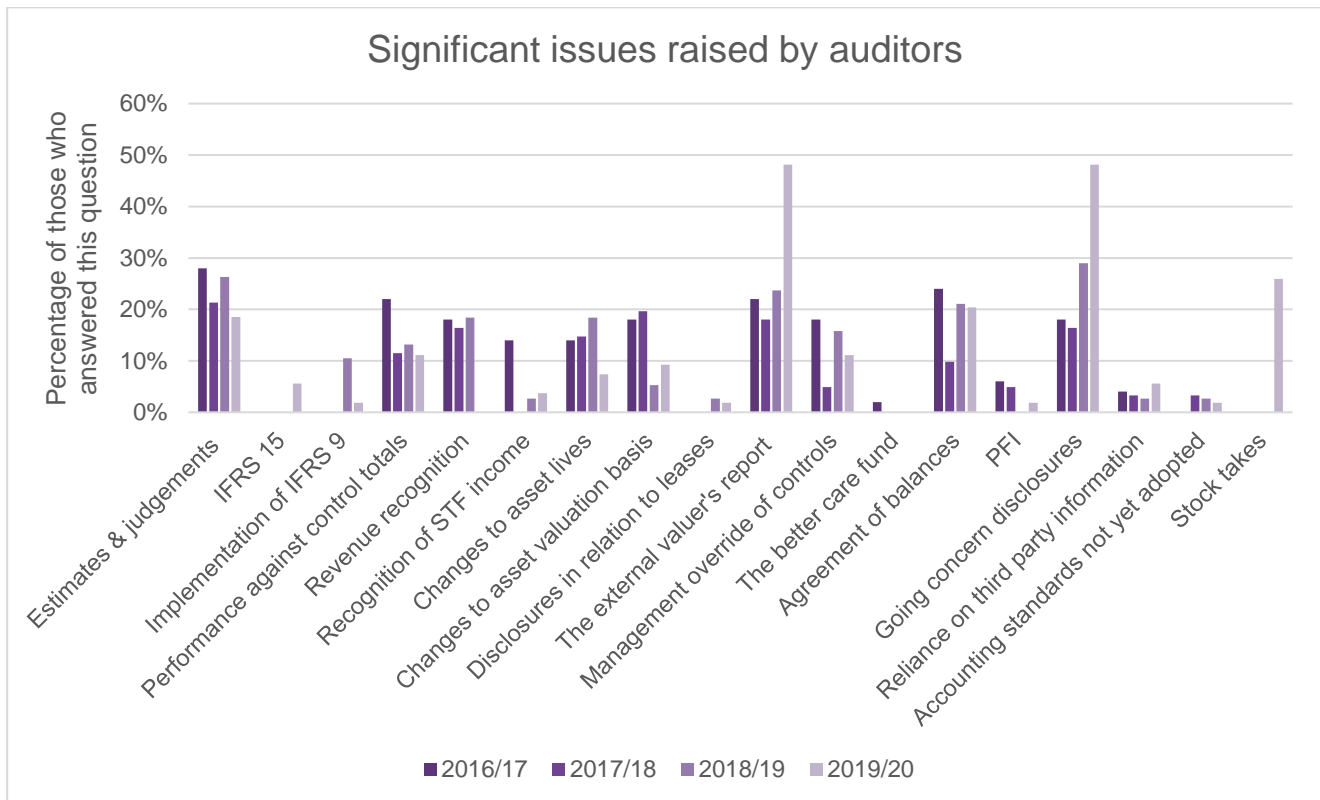
This year, three issues were highlighted by more respondents than before - the external valuer's report, going concern and stock takes. The first two of these issues were highlighted in last year's survey so, although Covid-19 had an impact, some of this is the result of an increase in auditors' focus on these areas.

This focus is reflected in the audit reports:

- 11 respondents had a limitation of scope in relation to inventory/stock
- 12 had a material uncertainty in relation to going concern, half of these also had a qualified value for money opinion
- six others had a qualified value for money opinion

- 23 an emphasis of matter or key audit matter in relation to the valuer's report.

Graph 1: Significant issues raised by auditors



Other issues identified by respondents included:

- the clinicians' pension provision
- value for money
- funded nursing care
- prescribing.

Audit

The 2019/20 external audit was very different to any other years, we asked how this compared to previous years. The split of views was almost the same as last year (see **table 6**), slightly more than half of respondents felt that the audit had been better than last year or the same but fine meaning that slightly less than half had a worse experience than last year or had continuing issues.

Table 6: Was the audit process better, about the same or worse than last year?

	CCGs and CSUs	Provider bodies	2019/20 Total	2018/19 Total
Better than last year	1	11	12 (17%)	13 (19%)
About the same as last year which is fine	5	20	26 (38%)	26 (39%)
About the same as last year but that is an issue		5	5 (7%)	7 (10%)

	CCGs and CSUs	Provider bodies	2019/20 Total	2018/19 Total
Worse than last year	5	21	26 (38%)	21 (31%)

Many of the comments related the extended audit deadline and remote working but lessons learned included:

'Auditors need to discuss working papers up front before they start to review a subject so that they understand rather than keep asking for more information or the same information more than once.'

'Some clearer guidance on national issues e.g. Flowers case would have been helpful in giving a clearer approach for both organisations and auditors.'

'There felt to be lots of minor non-material issues which they would get fixated about but from our point of view were not issues. There seemed to be a lack of judgement applied by some of the more junior auditors, perhaps as they weren't being so closely managed.'

17 NHS bodies agreed with the statement that the auditors had unexpectedly changed their approach, but the majority did not. Based on the comments, the change in approach seemed to be in relation to the level of testing.

For balance, an auditor commented:

'From an auditor perspective, understandably there were issues with client availability and in some cases receiving draft accounts and working papers and the quality was not great in some cases. Conversely, at some sites there was little difference as both the client and we were geared up to work remotely. Technical issues such as observing listings being run were overcome through using screen-sharing technology. There were also difficulties with physical verification of assets and stocktake attendance, but these were generally overcome and the note from NHSI on stocktake and LoS was useful.'

'Generally, we have noticed finance teams struggling with the more complex areas of the accounts (PPE and groups) and this has been a trend over the last few years. Lack of QM is also apparent in more clients than previously, but again this could be down to the exceptional circumstances this year.'

Remote working

Forty (56%) respondents agreed with the statement that remote auditing worked well, while 13 (18%) disagreed. Respondents agreed that lessons had been learned for 2021/22 and there seems to be an expectation that at least part of the audit will be undertaken remotely going forward:

'As the remote working was new to all, 2nd time round should prove to be more effective.'

Some found the lack of face to face contact difficult:

'With remote working on occasions I felt that the juniors were not supervised as well as usual. In previous years a junior auditor did not understand what you were telling them you would pop in and discuss with their manager. This year most contact was by email with the occasional call. We did end up giving junior auditors what they asked for even though we explained to them it would not tell them what they were hoping to find. We also found there were more issues with samples - duplications etc.'

'Lessons learned - more use of 'Teams' to balance the face to face conversations that would have happened in the office. We had new audit personnel and they seemed to want to communicate by email as much as possible (no doubt so they could document everything) and this caused some time issues.'

'There was a lot of boomerang emails - it would have been easier to see the auditors in person for some things. We didn't have Teams up and running during the audit, but maybe that is something that could be considered going forward.'

Some experienced IT issues and, again, lessons have been learned:

'We gave access to our finance system remotely, but their own IT access did not allow them to do this which meant that we had lots of requests for info and downloads from our system.'

'The remote working certainly adds some difficulty in otherwise more straightforward tasks, i.e. evidence of signed contracts. Signed contracts are generally stored in hard copies, with everyone work from home, it added complication.'

'Although our auditors are not new, I feel they were not as geared up as we were in terms of working from home. For example, they are normally given access to our ledgers if they came in and this was flagged with the auditor's weeks ahead of the full lockdown. They were told their IT department had to get involved in order to make the necessary offsite connectivity arrangements but at the end, they just 'gave up' and relied on staff sending across ledger extracts and invoice images. It is disappointing as I feel more could have been done by the auditors and their IT department to resolve this.'

Extension of the submission deadline

We asked respondents whether they agreed, disagreed or were neutral about three statements in relation to the extended deadline – see **table 7**.

Table 7: What impact did the longer timetable have

	Agree	Neutral	Disagree	Not applicable
The additional time made the whole process less intense which was an improvement on last year	16 (23%)	12 (17%)	36 (51%)	6 (9%)
There were less last-minute issues because of the additional time	17 (2%)	9 (13%)	38 (54%)	7 (10%)
Sign off and the conclusion of the audit took longer	45 (64%)	12 (17%)	11 (16%)	2 (3%)

Most of the comments reflected the fact that NHS bodies felt that auditors took advantage of the additional time and it was not necessarily positive:

'Auditors had more time to find queries it meant that instead of accounts being done in May it went into June and impacted on getting month 1 and 2 financial position completed.'

'They had an additional month, so it just meant that they dragged out the work for a longer period, however we need to move on and do 20/21 accounts and covid so it made it more challenging for us.'

'This is not a reflection on the auditors themselves but having an extra month to audit the accounts, plus the change in working arrangements, meant that the audit did last much longer than in previous years. From the end of March up until 26th June it was non-stop 19/20 accounts.'

'Due to the extra month, the auditors had access to information i.e. actual prescribing data that they wouldn't normally have, so were doing further testing. The additional time did not improve the last-minute queries.'

‘Additional timeline meant that more cut off testing was undertaken resulting in more work for staff in facilitating. Furthermore, because auditors had the benefit of an extended audit period, they could access the accuracy of accruals better ‘by waiting for the invoice’ and this caused us no end of queries.’

Not all comments were negative:

‘We probably could have signed off sooner, but the additional time was welcome at a time when we were facing so many other pressures, as an organisation and individually.’

Looking forward

We asked respondents which issues they would like guidance on in 2020/21 – the full list is shown in **table 8**. The top two areas of concern remain IFRS 16 followed by remuneration reporting. The fact that going concern has risen up the list of issues that NHS bodies are seeking guidance on probably reflects the focus that it received during the audits this year. It is unsurprising that accounting for Covid-19 expenditure is also high on the list of issues for 2020/21.

Table 8: Looking forward, what are the areas where you think guidance is needed in 2020/21 and beyond?

Rank 2019/20		Rank in 2018/19	Rank in 2017/18	Rank in 2016/17	Rank in 2015/16
1	New accounting standard on leases (IFRS 16)	1	1	1	2
2	Remuneration report disclosures	2	4	4	1
3	Going concern	5	7	8	10
4	Judgements, estimates and prudence	4	9	11	7
5	Accounting for Covid-19 expenditure				
6	Agreement of balances	3	5	5	3
7	Governance statement	6	6	9	4
8	Asset valuation best practice	7	10	12	
9	Accounting for working together/ new working arrangements	8	8	10	
10	The impact of control totals and the STF on year-end accounts	9	11	6	6
11	Capital accounting	10			
12	Accounting for subsidiaries	11	12		
13	Inventory				
14	Accounting for joint ventures	12	13		
15	Consolidation of NHS charities				

Other areas included:

- how agreement of balances will work under the new financial regimes, particularly the treatment of top-up income
- the process for updating the 2019/20 estimate of clinicians’ pension provisions.

IFRS 16 leases

IFRS 16 will now be implemented in 2021/22, however, NHS bodies were expecting to implement it a year earlier so should have had detailed understanding of the standard's impact on their financial position as they started to work on financial plans in late 2019 had the process not been interrupted by the pandemic. This is reflected in the fact that no respondents reported that they had not started the process of understanding the impact that IFRS 16 might have on their organisation.

It is pleasing to note that over half of the respondents to this question indicated that they would use the additional year to implement changes to their wider processes as well as to the financial reporting systems. Around 90% of respondents expect to be able to implement the standard in 2021/22 – with seven reporting that the change in implementation date is simply going to add to their workload as they were ready to implement in 2020/21 and a further 19 being so close to being ready that they just want to implement the standard.

We asked whether respondents have started to discuss these standards with their auditors, **table 9** shows that the majority have done so which, given that the standard should have been implemented from 1 April 2020 is not a surprise.

Table 9: Have you discussed IFRS 16 with your auditors?

	2019/20	2018/19	2017/18
The auditor has raised the standards in its audit plan	17 (22%)	15 (23%)	7 (8%)
Our auditor looked in detail at the disclosures we made in relation to these standards in our 2018/19 accounts	18 (23%)	5 (8%)	10 (12%)
We've had detailed discussions about the impact of the standard on our accounts	31 (40%)	3 (5%)	6 (7%)
We have yet to discuss the new standards	6 (8%)	39 (61%)	53 (64%)
We are changing our auditors between years	5 (6%)	2 (3%)	7 (8%)

Most (57, 87%) respondents have a lease register, less are content that it is up to date and complete (only 29, 46%). Most (42, 63%) respondents are also satisfied that all contracts that involve the use of an asset have been assessed under IFRS 5 to determine whether they contain a lease. The vast majority (53, 82%) reviewed their 2019/20 lease disclosures in more detail to prepare for the implementation of IFRS 16.

This indicates that the finance teams are ready for the implementation of the new standard with some caveats:

'Lease arrangements change regularly - we have many property leases - so although we have undertaken work, this needs to be updated regularly.'

'Up to date to the end of March, but will need reviewing for any movement in 2020/21.'

'The Trust does not have one register but has 3 sources: a database held by our legal advisors; a procurement database of contracts, and a spreadsheet register of other leases.'

'Requires updating for new leases/agreements that have come on stream in 20/21 and to remove any that have expired or become short-term during the current year.'

'We have done the exercise but there is more we could do. We are unclear of the requirement for NHS Property service properties which represents most of our leases.'

'There is difficulty in getting traction within the wider finance team, procurement and Trust wide,'

About the HFMA

The Healthcare Financial Management Association (HFMA) is the professional body for finance staff in healthcare. For 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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