



Year-end survey 2020/21

Survey report



Background

In July and August 2021, the HFMA surveyed its members about the year-end process to see whether there were any lessons that could be learned. This year, the survey was circulated to auditors as well as those preparing the annual report and accounts.

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 2021/22 as well as to develop the 2022 pre-accounts planning conference programme.

Summary feedback

In total, 97 (2019/20: 86) responses were received from:

- 24 CCGs (2019/20: 15)
- no CSUs (2019/20:1)
- 34 NHS foundation trusts (2019/20: 40)
- 25 NHS trusts (2019/20: 27)
- 12 auditors (2019/20: 1)
- 2 others – the DHSC and Health Education England (2019/20: 2).



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:

- 41 personal responses (2019/20: 36)
- 12 responses on behalf of their organisation (2019/20: 5)
- 44 responses were a combination of both (2019/20: 42).

Our survey focused 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 financial regime impacted on all parts of the preparation and audit of the accounts
- it was a difficult year-end for both NHS bodies and their auditors
- remote working means that communication is more difficult
- some central guidance and centrally provided information was made available late in the process and that caused some difficulties particularly in relation to:
 - arrangements for central procurement of equipment and stock
 - accounting for new arrangements and the funding arrangements for initiatives such as the lighthouse labs
- NHS bodies and their auditors have different views on:
 - the extended deadline – auditors see it as necessary to complete their work, NHS bodies view it as auditors taking the additional time to undertake more (and perhaps unnecessary) work
 - changes to the financial regime – NHS bodies are concerned that auditors do not understand the guidance that they are working to while auditors are concerned that NHS bodies are not preparing robust working papers that justify the judgements that they have made
- agreement of balances remains problematic but for different reasons than before the pandemic. Transactions with NHS England are difficult to agree and there were difficulties with agreeing the timing of transactions.

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. That the percentage of respondents who had the information that they wanted when they needed it is lower than last year and lower still against 2018/19 (the last pre-pandemic financial year). Most of this was due to:

- the timing of guidance on accounting for Covid issues, such as centrally procured stock
- the lack of interim audits
- additional testing by auditors and perceived lack of understanding of the Covid-19 financial regime.

Interestingly, very similar comments came from both providers and auditors.

It is pleasing that around half of the respondents reported that most, if not all, of the information they needed in terms of centrally provided guidance and other information was available when they needed it. More auditors than NHS bodies responded that there were unanswered questions at a late stage.

Some respondents did note that they accepted that delays were understandable given the number of issues that arose due to the pandemic.

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

2020/21	From the DHSC	From NHS England and NHS Improvement		From the auditor
		for commissioners	for providers	
Everything was available when needed	31 (37%) ¹	23 (44%)	28(38%)	27 (34%)
Everything except one thing was available	4 (5%)	3 (6%)	3 (4%)	2 (3%)
Most of the information was there	37 (44%)	21 (40%)	33 (45%)	33 (41%)
There were a lot of unanswered questions at a late stage	12 (14%)	5 (10%)	9 (12%)	18 (23%)

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%)

Views from providers

'Queries from our auditors suggested that they were very unprepared. They had no understanding of the Covid-19 funding, and we spent a lot of time going over and over it and proving the income figures were correct.

It would have been helpful if NHS England and NHS Improvement could have given them a pack detailing the processes.

Issues such as the informal extension of the months 1 to 4 regime into months 5 and 6 made sense operationally, but we spent a lot of time with the auditors discussing the lack of evidence.'

'There were lots of 'new things' - Flowers, personal protective equipment (PPE), equipment supplied centrally, annual leave accrual etc. All this information was very late in coming out. Appreciate some required details but principles around how things would have been treated and/or dates when information would be available could have been issued in advance. Capital funding/CRL/PDC was all

¹ In this table, the percentage is the number of responses divided by the number of responses to this question

very back-ended and led to a number of organisations' accounts being updated between draft and final submissions.'

'NHS Improvement provided an incorrect value in our TAC forms to be included for our annual leave accrual which had been shared at month 11 due to an error in their calculation which caused an issue with close down as we couldn't produce a reconciled key data return. They later rectified the issue.'

Our auditors struggled to understand the change in the financial regime during and year end, as a result, were very late in confirming how they were going to audit income in year end and what information they needed to complete their work. They also risk assessed all their clients as high risk due to the top-up regime which resulted in vastly higher testing samples being required, 600 samples at year-end alone, they also extended the testing of interim samples as part of this late assessment. The increased level of audit work was very time consuming and stressful for the finance team, business as usual activities had to be put aside in a number of areas. The increased level of sample testing meant that the audit team needed to bring in additional resource which resulted in the finance team needing to explain issues several times to different audit team members.'

'We had issues with reporting of lighthouse laboratory and the DHSC switched off from engaging in any discussions. This resulted in the 3 or 4 Trusts in the country with lighthouse struggling to reach a consistent approach/agreed approach with auditors until very late on. This resulted in a slight delay in our final submission and resulted in significant changes between draft and final accounts. NHS England and NHS Improvement were very helpful with this when they got involved towards the end.'

'Due to timings as a result of the pandemic there was no distinct break between interim and final audit. Queries and testing ran between both, and it became confusing as to what was being asked as the audit progressed.'

Views from auditors

'Guidance on 2020/21 specific issues came late in the year, in particular around consideration of the impact of the new contracting arrangements on revenue recognition. It would also have been very helpful to have clear expectations on documentation standards for this so that it was clear what should be available between providers and commissioners
a) *from their own documented understanding of their position, and*
b) *as audit evidence.'*

'Although there were many 'unanswered questions' I think we need to acknowledge that the nature of the transactions the NHS entered into in 2020/21 was new and unique in some situations and expecting everything to be prepared in line with even the extended timetable was unduly optimistic.'

Changes to the reporting requirements

We asked specifically whether the actions taken by NHS England and NHS Improvement to replicate the reduced reporting requirements agreed in 2019/20 were helpful (see **table 2**) and the response was generally positive.

It is interesting to note that auditors and NHS bodies have very differing views on the extended deadline. Auditors want it to continue while NHS bodies see it as an opportunity for auditors to extend their work.

Also, many provider bodies complained that auditors used a lower threshold for testing than was required by the DHSC. And some struggled to get other organisations to engage with the agreement of balances exercise.

The amendments to the quality accounts and the annual report were of less value to the respondents of this survey because, in the main, these reports are produced by non-finance teams. However,

there were some comments that the changes did not go far enough and that they would like them to become permanent.

Table 2: Was the extension of the Covid-19 reduced reporting requirements to 2020/21 helpful with your preparations for year-end?

2020/21	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 two stage accounts deadlines for NHS providers	18 (26% ²)	5 (7%)	46 (66%)	1 (1%)
Increase in the agreement of balances threshold	40 (48%)	13 (15%)	29 (35%)	2 (2%)
Removal of the requirement to prepare a quality report	45 (67%)	5 (7%)	15 (22%)	2 (3%)
The reduced reporting requirements for the annual report	35 (43%)	18 (22%)	27 (33%)	1 (1%)
The move to electronic submission rather than hard copy	62 (78%)	4 (5%)	14 (18%)	
IFRS 16 deferral to 2022/23	74 (85%)	6 (7%)	7 (8%)	

2019/20	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%)

Views from NHS providers

'The increase in agreement of balances (AoB) threshold is useful for NHS England and NHS Improvement reporting but causes a problem with auditors as their threshold is significantly less.'

² In this table, the percentage is the number of responses divided by the number of responses to this part of the question

Where balances are below the NHS England and NHS Improvement threshold organisations are sometime unwilling to help when trying to clarify balances for audit purposes.'

'More could be done by:

- removing the requirement for quality accounts completely or, if not, being much clearer, much sooner on the requirements*
- reducing annual report requirements further*
- extending time to prepare accounts rather than just audit'*

'We would rather have just had the single submission deadline as per normal, pre-Covid years, as we found the auditors just used the option of a second deadline as an excuse to delay things.'

Views from clinical commissioning groups

'Regarding AoB, the audit threshold for reporting WGA mismatches is £300,000 so we need to ensure we have done sufficient work to answer any audit queries above this level. There is still an issue with lack of communication from some providers re: AoB queries.

We also had an issue where the provider hosting ICS funds decided at year end to treat £4.6 million ICS income from the host CCG (transacted in October 2020) as deferred income but failed to communicate this with the CCG in advance of the AoB process at year end. The CCG was forced to change its accounts by the auditors (who were also the auditors for the ICS host provider) or risk qualification. A process has now been put in place to ensure this is not repeated with this provider however I think the deferred income issue may be a common theme arising from 2020/21 year-end. The reduced reporting requirements for the annual report were useful but the guidance was very thin and vague and as such our auditors interpreted it in a different way to us and asked us to put back in a number of additional items that we had considered to be optional.'

'The change to the AoB threshold would have usually been really helpful but didn't make much impact due to block / NCA arrangements in 2020/21. These arrangements did make a huge amount of difference to the AoB workload.'

'Extended deadline only gave auditors longer to go into unnecessary detail on non-material items and staff are exhausted as a consequence.'

Views from auditors

'The accounts timetable was still challenging for many providers given the specific issues in the current year, capacity within finance teams and hybrid working as well as remote audits. The level of flexibility shown to allow bodies to extend to the end of June, where they hadn't flagged in advance of the year-end was helpful. The ability to meet deadlines would be enhanced with an increased focus on an adequately resourced/quality financial close process, including review of supporting working papers.

Given the roll forward of IFRS16 implementation, potential requirement for quality accounts work and potentially fuller requirements relating to the annual report and VFM, a longer timetable will continue to be essential.'

Communications

We asked whether the pandemic had affected communications and engagement with NHS England and NHS Improvement and the DHSC.

36 respondents said that communication with NHS England and NHS Improvement has improved with another 19 saying it has always been good. Those numbers were less for communication with the DHSC as fewer people responded to that part of the question or commented that they do not usually deal with the DHSC direct.

There were some comments that communications between the central and regional NHS England and NHS Improvement offices did not always work.

Only 17 respondents said that communication had got worse.

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.

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	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
NHS Business Services Authority (pensions information)	53	48 (69%)	22	21 (30%)	5	1 (1%)
Comment from a CCG: 'We had a pension issue in relation to a late requirement to include people who had left the scheme. We also struggled to get pension information from our pension provider for a person who had a large swing from year to year (turned out to be a divorce). Partly due to issues being raised by auditors very late in the day meaning that we were putting pressure on these third parties who weren't able to cope.'						
Co-commissioning information	21	24 (77%)	11	6 (19%)	2	1 (3%)
Comment from a CCG: 'We often have issues with co-commissioning via Primary Care Support England (PCSE), but as the contract is not held or managed by individual CCGs, we can't do much to improve this - needs better national contract management approach.'						
Information from valuers	39	31 (50%)	13	23 (37%)	8	8 (13%)
Information from local authorities	26	30 (79%)	17	6 (16%)	4	2 (5%)
Comment from a CCG: 'Local authority information is always difficult with reconciling invoices for continuing healthcare (CHC) packages and hospital discharge programme (HDP). We are hopeful this will improve as we continue to develop our relationships.'						
Comment from a provider: 'We pre-emptively arranged a deadline extension knowing that the local government pension was going to be an issue. We don't yet have our ISA260 report as certification has been delayed due to the pension issue.'						
Shared service assurance reports	37	31 (67%)	19	10 (22%)	8	5 (11%)
Comment from an auditor: 'There were a number of specific issues on pension information for individual audited bodies, and the timing of shared service reports could be improved. In particular, where there were issues with shared service reports, that bodies did not know where to get their copy was an issue for getting resolution - there needs to be a clear route to communicating ahead of year-end what the expected entity side controls are (so bodies can document this) and then flagging to bodies the reporting so they can consider it and respond where issues arise.'						

	Everything was available when needed		Everything except one thing was available		There were a lot of issues which needed to be resolved	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
<p>Comment from a CCG: 'Service auditor reports seemed a bit of a waste of time this year as most used the excuse that they couldn't be audited for the last quarter because of Covid-19. No reliance was placed on these reports.'</p> <p>Comment from a provider: 'The NHS Electronic Staff Record (ESR) assurance report was slow in coming to us - the auditors were asking for feedback on it before we had been made aware of the issues.'</p>						
Sickness data and ill health retirement information	51	54 (84%)	7	9 (14%)	1	1 (2%)
<p>Comment from a provider: 'Queries on ill-health retirement information not responded to in a timely way.'</p>						
Year-end confirmation letters/ allocations from NHSE&I	51	N/A	16	N/A	13	N/A
<p>Comment from a CCG: 'Last minute allocation from NHS England that didn't go through the accounts.'</p> <p>Comment from a provider: 'Accounting for the public dividend capital (PDC), which changed to revenue on 25 March had a significant impact, delaying our audit close by 40 days.'</p> <p>Comment from a CCG: 'The most crucial issue for our CCGs was late allocations from NHS England and Improvement. There were allocations received in months 11 and 12 with no indication as to what they were in respect of. For one allocation received by both CCGs re: primary care we did try contacting the individual named on the allocations report but did not get any support or explanation back. We tried a number of other contacts at NHS England and NHS Improvement but did not get any help. It would be preferable if material CCG allocations could be finalised earlier than month 11 and also if clear correspondence can be provided as to what allocations are in respect of.'</p>						
PPE stock information from the DHSC	34	N/A	21	N/A	8	N/A
<p>Comment from a provider: 'PPE stock - we had missing information on the original information which was promptly resolved by DHSC when raised with them. There was also the late issue with VAT which affected the values.'</p> <p>Comment from an auditor: 'Information provided on PPE stock and Covid-19 assets could have been reviewed for accuracy and more complete from an audit perspective to make the process smoother.'</p>						
Covid-19 asset information from the DHSC	29	N/A	18	N/A	9	N/A
<p>Comment from a provider: 'Covid-19 asset lists were issued late in the day and with a fair amount of discrepancy.'</p>						

	Everything was available when needed		Everything except one thing was available		There were a lot of issues which needed to be resolved	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
<p>Comment from an auditor: ‘Information on PPE stock and Covid-19 assets could have been provided on a more coherent basis to organisations and auditors, with errors in the information that could have been detected by checking at DHSC before sending out to bodies (though not significant). The backing to support this for audit purposes could have been considered and provided sooner.’</p>						

Preparing the year end accounts

We asked whether respondents had made any changes to their arrangements for preparing or auditing the annual report and accounts 2020/21 as a result of Covid-19 and the 2019/20 experience. Just over half (43 respondents) said that they had. Actions taken include:

- regular meetings between NHS bodies and auditors
- discussions between NHS bodies and auditors about the latest guidance to reach common understanding
- daily logs of outstanding information for audit
- use of key contacts for information requests
- preparation of detailed papers for auditors
- pulling as much of the preparation work forward as possible
- putting remote working and auditing arrangements in place ahead of the year-end, including remote audit of stock takes
- using MS Teams for meetings
- use of central electronic storage with shared access
- ensuring remote access to working papers and TAC forms.

41 respondents expect these arrangements to stay in place in some form or other. The most common comment was that respondents expect to move to hybrid working rather than working from home/ remotely for the whole process.

We wanted to know what issues impacted on the preparation or audit of the draft annual report and accounts (see **table 4**). Most of the issues that caused a problem related to Covid-19 and the impact on NHS finances, either because of the change in the financial regime or because of the operational impact of the pandemic, for example the change in annual leave provisions.

Remote working, particularly, remote auditing had an impact. However, changes to the audit regime as a result of changes to the regulatory environment or the *Code of audit practice* also had an impact. Auditors commented that NHS bodies did not document their approach well enough while NHS bodies commented that auditors wanted additional information that, in their view, was unnecessary.

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
Changes to the financial regime during 2020/21	17	32	20	12
IFRS 9 <i>Financial instruments</i>	4	6	40	5
IFRS 15 <i>Income from contracts with customers</i>	5	10	44	4
Material uncertainty statement in the RICS valuation report	1	4	18	3
Covid-19 related expenditure	3	39	26	18
Impact of Brexit		3	35	5
Difficulties with stock takes due to Covid-19	2	27	25	2
New auditor	1	8	5	1
Auditor working remotely	10	36	25	4
Grossing up pension contributions	2	7	46	3
Provisions for the Flowers overtime and holiday pay case	11	29	23	14
The provision for clinicians' pension tax reimbursement	3	7	26	8
Provisions for untaken annual leave	7	31	27	17
Accounting for donations of goods and services	1	12	24	10
The announcement of the conversion of debt to PDC	14	3	12	4
Accounting for events after the 31 March 2021	2	8	35	1
A specific issue we already knew about	1	13	14	5
Something completely unexpected	1	14	8	4
Auditor availability	6	30	23	3

	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
Documenting reasoning behind judgements and estimates and agreeing them with auditors	7	46	23	5
NHS pension disclosures for senior managers that have left the scheme	3	17	31	1
Availability of the RICS valuer to undertake a valuation	4	10	29	2
Consolidation of NHS charities		4	14	3
Accounting for centrally procured PPE and other equipment	5	32	18	7
Income recognition as a result of the revised financial regime and NHS contracting arrangements	13	28	20	9
Updated going concern guidance	32	16	27	3
Changes to the Code of audit practice in relation to value for money work	4	46	24	4
Delays to information from the local government pension scheme		6	19	1
Accounting for Nightingale facilities	1	7		
Accounting for lighthouse labs		6	5	3
The new auditors annual report	5	11	35	6

HFMA year-end outputs

The HFMA prepared a number of outputs to be helpful to members. Over half of the respondents used them and found them helpful. Others either did not know they existed or did not need to use them.

Agreement of balances

We asked how the agreement of balances exercise compared to the previous year. Just over half of those who responded said that it was better than 2019/20. Given that there were fewer transactions between bodies in 2020/21 it was expected to be more straightforward. It is therefore somewhat concerning that 29 (35%) respondents said the process was about the same and 11 (13%) said it was worse.

The issues for 2020/21 were more around deferred income, agreement of balances with central bodies and the audit approach to income recognition and arrangements between NHS bodies. It is interesting to note the different perspectives from different parties.

Views from providers

'Getting any response from NHS England would make this exercise better. They never respond to statements being sent and do not inform us that they are reporting differently - we have to wait for the mismatch reports to identify any differences rather than sort them out before submission.'

'The increase in thresholds was really helpful, but I think we should start backing some of this cash up with accounts receivable invoices as the auditor didn't like it and checked every single transaction, which wasted a huge amount of time.'

'Far fewer disputes and variances were reduced, but accruals still present an issue, and no-one wants to change their position so variances can usually only be removed if they don't impact the overall financial position.'

'It was a cleaner position with all payments made and minimal accruals. It was definitely more difficult with the auditors as there was no contract/ paperwork behind large cash receipts.'

Views from commissioners

'It should have been better in theory but was worse due to trusts deciding to treat income as deferred but not communicating this with the CCG. We also had the usual issues with our main provider in terms of getting statements that agree to the figures they have reported and also getting them to respond to our queries.'

Views from auditors

'It's not necessarily the volume of transactions, it's more the impact of the Covid-19 accounting and the level of compliance by different bodies in agreeing balances/ reconciling differences.'

'Across the sector there was a significant increase in providers seeking to defer income or make provisions for activity, which would not match to the positions reflected in the corresponding commissioner. Even where appropriate to do so, there was limited documentation in place in many cases, and there was not appropriate documentation of IFRS 15 consideration of the accounting for the arrangements.'

Significant issues

Auditors are required to discuss significant issues in their report to those charged with governance (also known as ISA 260 reports).

In 2020/21, the most frequently mentioned issues were:

- documenting reasoning behind judgements and estimates
- recognition of capital expenditure
- value for money
- income recognition as a result of the revised financial regime and NHS contracting arrangements.

Audit

2020/21 was the second year that the external audit was undertaken remotely. Slightly more than half of respondents (see **table 6**) felt that the audit had been better than last year or was the same acceptable level. This means that that slightly less than half had a worse experience than last year or had continuing issues. It is worth noting that the percentage of respondents who are reporting an improvement or acceptable steady state in their audit process has declined slightly each year that we have asked this question.

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

	CCGs	Provider bodies	Auditors	Other	2020/21 Total	2019/20 Total	2018/19 Total
Better than last year	2 (10%)	16 (32%)	3 (30%)	1 (100%)	22 (27%)	12 (17%)	13 (19%)
About the same as last year which is fine	7 (35%)	11 (22%)	2 (20%)		20 (25%)	26 (38%)	26 (39%)
About the same as last year but that is an issue	3 (15%)	2 (4%)	1 (10%)		6 (7%)	5 (7%)	7 (10%)
Worse than last year	8 (40%)	21 (42%)	4 (40%)		33 (41%)	26 (38%)	21 (31%)

We asked for the reasons why the audit process has worsened. The views from NHS bodies and their auditors are different but have common elements, some of which can be addressed through communication and training.

From NHS bodies

- lack of communication from auditors about what evidence they wanted
- use of junior or inexperienced staff who did not seem to understand the sector and needed more information than expected
- changes in personnel during the audit meaning some areas seemed to be audited multiple times
- the lack of interim audits that meant more work had to be done at the year-end audit
- difficulties accessing auditors when working remotely – particularly when some of the audit teams were not based in the UK
- late issues being raised
- the length of time that the year-end audit took as a result of all these issues which had a knock-on effect on the finance teams and the work they needed to do on the 2021/22 financial year.

Comments included:

'Auditors seemed to struggle with the process, but I think this was more to do with the threshold of evidence created by ISA540 and the impression created by the centre that we had lots of money to hide.'

'The process worked well last year so wasn't expecting any real issues, but the auditors never completed the interim audit at month 9 so had a lot of work to do at year end. Also used staff that had no NHS knowledge and left to flounder themselves with lack of help from their superiors within the audit team. This meant audit dragged on to the very end. One junior auditor was expected to audit the remuneration report on their own without even hearing about the Group Accounting Manual or knowing about any guidance to explain how to produce the remuneration report. The extended period caused issues with auditors going on study leave and delaying their time to look at samples sent to them, also caused more changes in staff. Also updating their system just before accounts was submitted and then using the full extension to do not sure what, as we were told it was ready before the update happened, but then final requirements came from the auditor late the night before submission.'

Auditors

For auditors, the issues were similar:

- the length of time to receive responses to queries
- poor quality or no working papers that did not provide audit evidence
- lack of understanding of why judgements and estimates had to be challenged
- the timing of NHS planning guidance.

Comments included:

'2020/21 was the second year that accounts were prepared remotely. A combination of the quality of the financial statement close, the quality/absence of accounting papers prepared in respect of accounting issues, the positions taken in a number of cases in closure of the accounts, and quality/timeliness of responses affected the overall audit in a number of cases. In terms of the auditing itself, the impact of the pandemic upon overall capacity of audit firms (through additional work required on engagements, extended time to complete items remotely, the impact of both physical and mental health issues on workforce as the pandemic has progressed), taken together with additional issues on audits and an increase in scope from new VFM requirements, has caused issues on many engagements.'

Audit appointments

For the first time, we asked about audit appointments. Most NHS bodies that responded were in the middle of their audit contract. However, some are planning to tender or have recently tendered. The most frequent comment was that NHS bodies had struggled/ are struggling to attract interest from more than one audit firm. Most NHS bodies were expecting fees to increase. There are concerns that the lack of interest will mean that audit quality will go down:

'In final year of extension to contract, we will need to tender for 2022/23. The poor-quality audit would have resulted in early termination of the contract, but we recognise the difficulty in replacing the incumbent'

The comments from auditors were that:

- NHS bodies should consider the timing of their tenders – auditors are unlikely to respond during the NHS and local government audit period
- it is important to give auditors sufficient time to respond to a tender
- there must also be sufficient time between the appointment date and the start of the audit year to allow for resource planning – the auditor must be appointed before the start of the financial year
- tender documents must be tailored to reflect external audit
- there is too much focus on price rather than audit quality.

Looking forward

We asked respondents which issues they would like guidance on in 2020/21 – the full list is shown in **table 7**. The top area of concern remains IFRS 16.

Table 7: Looking forward, what are the areas where you think guidance is needed in 2020/21 and beyond?

Rank 2020/21		Rank in 2019/20	Rank in 2018/19	Rank in 2017/18	Rank in 2016/17
1	New accounting standard on leases (IFRS 16)	1	1	1	1

Rank 2020/21		Rank in 2019/20	Rank in 2018/19	Rank in 2017/18	Rank in 2016/17
2	The impact of the financial regime on year-end accounts ³	10	9	11	6
3	Judgements, estimates and prudence	4	4	9	11
4	The establishment of integrated care boards and integrated care partnerships				
5	Capital accounting	11	10		
6	Accounting for Covid-19 expenditure	5			
7	Going concern	3	5	7	8
8	Asset valuation best practice	8	7	10	12
8	Agreement of balances	6	3	5	5
9	Remuneration report disclosures	2	2	4	4
10	Accounting for working together/ new working arrangements	9	8	8	10
11	Governance statement	7	6	6	9
12	Inventory	13			
13	Accounting for joint ventures	14	12	13	
14	Accounting for subsidiaries	12	11	12	
15	Consolidation of NHS charities	15			

Other areas suggested included:

- good practice in the preparation of accounting papers and related analysis
- accounting treatment and documentation of accruals
- going concern assessments for CCGs in their final year of operation.

Conclusion

Many of the issues that have been raised in the survey will be addressed as part of the HFMA's work programme that will include briefings, webinars, and conferences. In particular, the feedback will be used to develop the programme for the pre accounts planning conference in late January 2022.

³ Previously called 'The impact of control totals and the STF on year-end accounts'

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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