



**LEICESTERSHIRE, LEICESTER AND RUTLAND JOINT  
HEALTH OVERVIEW AND SCRUTINY COMMITTEE**

**5<sup>TH</sup> MARCH 2021**

**UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST AUDIT**

**REPORT OF THE CHAIRMAN & CHIEF EXECUTIVE OF  
UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST**

**Purpose of the Report**

1. The purpose of this report is to explain the events and background to the UHL Trust Board's decision not to agree the 2019/20 annual accounts as 'true and fair' and to set out the actions being taken to address the issue.

**Background**

2. The Trust's accounts for the financial year 2018/19 received an unqualified, ('clean') opinion, from the external auditors however the auditors did raise some concerns which although they were below the 'materiality' threshold (i.e. the level at which they would impact on the unqualified / clean audit opinion), nonetheless merited further investigation.
3. The then Chief Financial Officer of the Trust was therefore tasked with looking into and responding to those concerns by the then chair of the Audit Committee, he did not do that in a timely manner and subsequently left the Trust in autumn 2019.
4. The then chair of the Audit Committee raised this with the then Chief Executive and the Chairman who instructed the Interim Chief Financial Officer to look into the matters raised by the auditor.
5. This he did and in doing so found that the 2018/19 accounts had been significantly misstated to the tune of some £46m. (The Trust's annual turnover is £1.1 billion). As a consequence of this the Trust had to make a 'prior year adjustment' to the 2018/19 accounts correcting them.
6. That was during January 2020 and stakeholders including Overview and Scrutiny colleagues from Leicester, Leicestershire and Rutland received a briefing on that matter at the time.

7. That however was not the end of the issue; detailed and forensic work to accurately assess the Trust's financial position continued throughout 2020, led by the Trust's new Chief Financial Officer and with the support of a Financial Improvement Director appointed by NHS England/Improvement as part of the regulator's 'Special Measures for Finance' regime. At the same time the Trust's external auditors have conducted a rigorous audit of the 2019/20 financial statements.
8. This work subsequently identified further significant technical accounting issues in the draft 2019/20 accounts and as a consequence the Trust Board were not prepared to sign off the 2019/20 draft accounts as 'true and fair'.
9. Instead, the Trust is continuing to review the financial position and will seek to prepare a new set of accurate financial statements with a view to completing the audit later this year.
10. The Trust Board takes this very seriously and although the Auditor General in his comments on this matter refers to the 'accounting judgements and manual intervention associated with the previous senior leadership regime', the Trust is clear that the responsibility for exposing and addressing these issues sits with the Board.
11. The Board were not prepared to adopt the accounts because they did not reflect a true and fair record despite the exhaustive efforts made by our external auditor. The Trust is determined to correct what has happened previously and put in place measures to make sure it cannot happen again. Due to the scale and complexity of the task this work is still on-going but a huge amount of progress has already been made. Further work is planned to enable the Trust to file restated audited accounts for 2019/20 and audited accounts for 2020/21 by August 2021.
12. Separately there have been a number of changes to the Board in recent months such that a third of the Board and all those who had direct professional or oversight accountability for finance and audit have left the Trust; the finance team are under new and strengthened senior management; the Trust has been placed in the Financial Special Measures (FSM) regime and the Board are now part of an intensive development programme. Most importantly grip and control of 'run rate' and reporting has been re-established.

### **Background Papers**

UHL Trust Board papers from meeting on 4 February 2021:

[http://www.library.leicestershospitals.nhs.uk/pubscheme/Documents/How%20we%20make%20decisions/Board%20Papers/\(2021\)%20-%20Thursday%204%20February%202021/paper%20G1.pdf](http://www.library.leicestershospitals.nhs.uk/pubscheme/Documents/How%20we%20make%20decisions/Board%20Papers/(2021)%20-%20Thursday%204%20February%202021/paper%20G1.pdf)

Agenda and Minutes of Leicestershire, Leicester and Rutland Health Overview and Scrutiny Committee meeting on 3 July 2020 where Prior Year Adjustment to UHL Accounts was considered:

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1182&MId=6295&Ver=4>

### **Circulation under the Local Issues Alert Procedure**

6. Not applicable

### **Officer to Contact**

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### **List of Appendices**

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Appendix 2 - Trust Audit Committee Minutes from Public Trust Board meeting  
February 2021

Appendix 3 - External Auditor's Statutory Recommendations

Appendix 4 - Trust Board Development programme overview.

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