

<b>To:</b>	Audit Committee
<b>From:</b>	KPMG (External Audit)
<b>Date:</b>	02 September 2014
<b>CQC regulation:</b>	N/A

<b>Title:</b>	Annual Audit Letter 2013/14										
<b>Author/Responsible Director:</b> KPMG											
<b>Purpose of the Report:</b> <i>what is the issue that is being addressed?</i> This Annual Audit Letter (the letter) summarises the key issues arising from our 2013/14 audit at University Hospitals of Leicester NHS Trust (the Trust).											
<b>The Report is provided to the Board for:</b>											
<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">Decision</td> <td style="width: 50%;"></td> </tr> <tr> <td>Assurance</td> <td>X</td> </tr> </table>		Decision		Assurance	X	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">Discussion</td> <td style="width: 50%;"></td> </tr> <tr> <td>Endorsement</td> <td></td> </tr> </table>		Discussion		Endorsement	
Decision											
Assurance	X										
Discussion											
Endorsement											
<b>Summary :</b> <i>to support the decision / assurance</i> Summary of key recommendations arising from our 2013/14 audit, already reported to the Trust.											
<b>Recommendations:</b> <i>decision / assurance</i> N/A											
<b>Strategic Risk Register</b> N/A		<b>Performance KPIs year to date</b> N/A									
<b>Resource Implications (eg Financial, HR)</b> N/A											
<b>Assurance Implications</b> To summarise the key issues arising from our 2013/14 audit.											
<b>Patient and Public Involvement (PPI) Implications</b> N/A											
<b>Equality Impact</b> N/A											
<b>Information exempt from Disclosure</b> N/A											
<b>Requirement for further review?</b> N/A											



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Our ref

UHL Trust AAL/201314

31 July 2014

Dear John

### **Annual Audit Letter 2013-14**

We are pleased to submit our Annual Audit Letter which summarises our 2013-14 audit for University Hospitals of Leicester NHS Trust (“the Trust”). Whilst this letter is addressed to the Directors of the Trust it is also intended to communicate the issues arising from the audit of the Trust to external stakeholders, such as members of the public. It is the responsibility of the Trust to publish this letter on the Trust’s website at [www.leicestershospitals.nhs.uk](http://www.leicestershospitals.nhs.uk).

### **Scope of our audit**

The statutory responsibilities and powers of appointed auditors are set out in the Audit Commission Act 1998. Our main responsibility is to carry out an audit that meets the requirements of the Audit Commission’s Code of Audit Practice (“the Code”).

On 27 May 2014, we presented our ISA 260 report to those charged with governance (the Audit Committee) which summarised our conclusions from the 2013-14 audit and outlined our auditor responsibilities under statute and the Code. Since the presentation of our ISA 260 report to the Audit Committee, we have issued:

- An unqualified opinion on the financial statements on 6 June 2014 to the Trust with an emphasis of matter paragraph on its financial performance. We therefore met the Department of Health’s deadline of 9 June; and
- A qualified value for money opinion. On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are not satisfied that in all significant respects the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014. We raised concerns regarding the Trust’s financial resilience and operational achievements:

- The Trust has failed to deliver key operational targets during 2013-14, notably the Accident and Emergency 4 hour wait target and the 18 week Referral to Treatment target;
- The NHS Trust Development Authority reset the Trust's External Financing Limit during 2013-14 (from £1.4m) to £20.7m. This enabled the Trust to achieve a year end cash balance of £0.5m. The Trust's plan for 2014-15 requires cash borrowings of £28m in the first half of the year and applying to the Department for Health for a total cash injection of £70m.
- The Trust incurred a deficit for 2013-14 of £39.7m. It has also set a planned Income and Expenditure overspend of £40.7m for 2014-15 including a savings plan of £45m.
- An unqualified Group Audit Assurance Certificate to the National Audit Office regarding the Whole of Government accounts. Our certificate reported that the Trust's submission contained no exceptions; and
- Our audit certificate closing the audit following completion of our quality accounts work on 27 June 2014.

### **Quality Accounts**

We reported the findings of our mandated work in regard to the Trust's Quality Accounts to the Director of Clinical Quality on 11 July 2014. As part of this work we tested the Trust's reporting of two indicators:

- Percentage of patients risk assessed for venous thromboembolism (VTE); and
- Friends and Family Test.

In accordance with the Guidance for this limited assurance work, we issued:

- A (positive) opinion of a limited nature on the Trust's compliance with the Quality Accounts Regulations; and
- A (positive) opinion of a limited nature on the Trust's consistency with other specified information.

We did not issue a (positive) opinion of a limited nature on the two indicators we tested. We found that the Trust had not applied exclusions to the VTE and had not maintained a full audit trail for two months for the Friends and Family indicator. As a result, we reported that the indicators in the Quality Account, subject to our limited assurance opinion, have not been reasonably stated in all material respects in accordance with the Regulations and the six dimensions of data quality set out in the Guidance.

### **Public Interest Reporting**

We have a responsibility to consider whether there is a need to issue a public interest report or whether there are any issues which require referral to the Secretary of State. As a result of our

work for 2013-14, we have informed the Secretary of State of our qualified Value for Money opinion.

### **Key findings**

From our accounts work, we raised one high priority recommendation, two medium priority recommendations and one low priority recommendation. These are detailed within our ISA260 report to those charged with governance. In summary, our one high priority recommendation to the Trust sought to strengthen the quality assurance procedures in relation to the valuation of land and building assets. Addressing this recommendation should ensure that the Trust provides sufficient evidence to support values on the balance sheet date on an annual basis, especially in years when it will not receive a formal external valuation.

From our Quality Accounts work, we made four recommendations to help improve the timeliness and quality of the first draft of the Quality Account subject to audit. We have begun planning with the Trust for 2014-15 to help facilitate a smooth process.

### **Fees**

Our fee for the 2013-14 external audit was £173,875 excluding VAT. This fee included £10,000 for our review of the Trust's Quality Accounts. There is an additional £6,240 fee for the audit of the Trust's Charitable Fund. This is in line with the fee agreed at the start of the year with the Trust's Audit Committee. We are also discussing with the Trust additional fees incurred during the year of £8,000.

### **Closing remarks**

I would like to thank the finance team, the Chief Executive and executive colleagues, and the Audit Committee for their support and co operation throughout the 2013-14 audit.

Yours sincerely,



Andrew Bostock  
Partner