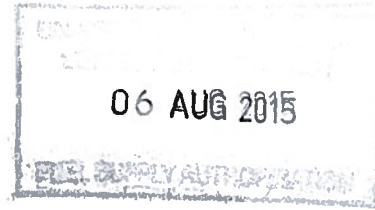




KPMG LLP
Audit
One Snow Hill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Tel: 07799 035341
Email: jonathan.brown@kpmg.co.uk



Paper N

John Adler
Chief Executive
University Hospitals of Leicester NHS Trust
Trust Headquarters
Level 3, Balmoral Building
Leicester Royal Infirmary
Infirmary Square,
Leicester, LE1 5WW

Our ref UHL Trust AAL/201415

29 July 2015

To the Directors of University Hospitals of Leicester NHS Trust

Annual Audit Letter 2014/15

We are pleased to submit our annual audit letter which summarises the key issues arising from the 2014/15 audit of University Hospitals of Leicester NHS Trust (“the Trust”). Although 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. A copy of this Letter will be published on the PSAA’s website at <http://www.psa.co.uk/audit-reports/annual-audit-letters/>

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”). Although the Audit Commission formally closed at the end of March 2015¹, the Audit Commission Act and Audit Commission’s Code of Audit Practice remain applicable to 2014/15 audits.

On 27 May 2015 we presented our ISA 260 Report to Those Charged with Governance (ISA 260 Report) to the Audit Committee. This summarised our conclusions from the 2014/15 audit and outlined our auditor responsibilities under statute and the Code. Following the presentation of our ISA 260 Report to the Audit Committee we have issued:

¹ Following the closure of the Audit Commission, the National Audit Office is now responsible for producing and maintaining the Code of Audit Practice and providing supporting guidance to auditors. Further, from 1 April 2015, Public Sector Audit Appointments Limited (PSAA), an independent company established by the Local Government Association, is overseeing the management of the Audit Commission’s audit contracts until they end in 2017, or 2020 if they are extended.

- An unqualified opinion on the Trust's 2014/15 financial statements on 4 June 2015 to the Trust including an emphasis of matter paragraph regarding the Trust's financial performance, meeting the Department of Health's deadline of 5 June;
- 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 2014, 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 2015. We raised concerns regarding the Trust's financial resilience and operational achievements:
 - The Trust has failed to deliver key operational targets during 2014/15, particularly the Accident and Emergency Wait target (89.1% against target of 95%), Referral to Treatment target for admitted wait times (82.8% against target of 90%), and a number of Two Week Wait 31-Day Wait, and 62-Day targets;
 - The NHS Trust Development Authority (NTDA) reset the Trust's External Financing Limit (EFL) during 2014/15 from £20.7m to £50.3m. The Trust undershot the EFL by £4m due to a surplus of cash relating to receipt of the capital investment loan which was required to be drawn down in full. The Trust's Capital Resource Limit was set at £46.2m (£36.7m in 2013/14). The Trust incurred a deficit for 2014/15 of £40.6m. It has also set a planned Income and Expenditure overspend of £36.1m for 2015/16 with a cash requirement of £130 funded through PDC and loans.
- 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 4 June 2015.

Quality Accounts

At the Audit Committee on 27 May 2015 we reported the findings of our work in regard to the Trust's Quality Accounts. As part of this work we tested the Trust's reporting of two indicators:

- Rate of clostridium difficile (C. Diff) infections; and
- Percentage of patient safety incidents resulting in severe harm or death.

The main conclusions can be summarised as:

- The Trust achieved a limited assurance (clean) opinion on the following:
 - compliance with the Quality Accounts Regulations;
 - consistency with other specified information;
 - The detailed indicators selected for testing.

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. There were no matters in the public interest that we needed to report or refer to the Secretary of State in 2014/15.

Key findings

The Trust has generally sound processes in place for the production of the accounts and in relation to use of resources. 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 it undertakes the necessary quality assurance procedures in a timely manner, and appropriate evidence to support these is available at the start of the audit. Additionally, the Trust should reassess the approach of having valuations at multiple points in the year, and consider whether the accounting complications arising from this, and the need to provide two sets of audit evidence, outweigh the intended efficiency of the exercise.

Fees

Our fee for the 2014/15 external audit was £173,875 excluding VAT. This includes an additional £10,000 (subject to PSAA approval) in relation to our work on the Trust's financial standing as noted and is in line with that highlighted within our audit plan. There is an additional £6,420 fee for the audit of the Trust's Charitable Fund. This in line with the fee agreed at the start of the year with the Trust's Audit Committee.

Our fee for non-audit services for 2014/15 was £3,544 excluding VAT. This related to advice in relation to the ability of the Trust to recover input tax incurred on items which were sold to third parties.

Our fee for other audit related services for 2014/15 was £12,500 excluding VAT. This related to our review of the Trust's Quality Accounts.

Closing remarks

I have discussed and agreed this letter with the Director of Finance & Business Services of the Trust and confirmed that all Directors of the Trust have received a copy. I would like to thank the finance team, the Chief Executive and executive colleagues, and the Audit Committee for their support and cooperation throughout the 2014/15 audit.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work please let me know. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Yours sincerely



Jonathan Brown
Director