University Hospitals of Leicester NHS Trust

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 1 August 2019

COMMITTEE: **Audit Committee**

CHAIRMAN: **Kiran Jenkins, Non-Executive Director**

DATE OF COMMITTEE MEETING: 5 July 2019

RECOMMENDATIONS MADE BY THE COMMITTEE FOR CONSIDERATION BY THE PUBLIC TRUST BOARD:

- **Annual Audit Letter 2018/19– Minute 47/19 – for approval**

OTHER KEY ISSUES IDENTIFIED BY THE COMMITTEE FOR CONSIDERATION/RESOLUTION BY THE PUBLIC TRUST BOARD :

- **None**

DATE OF NEXT COMMITTEE MEETING: 6 September 2019

Kiran Jenkins
Non-Executive Director and Audit Committee Chair

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON FRIDAY, 5TH JULY 2019 AT 9AM IN THE BOARD ROOM, VICTORIA BUILDING, LEICESTER ROYAL INFIRMARY

Present:	Ms K Jenkins – Non-Executive Director (Chair) Col (Ret'd) I Crowe – Non-Executive Director Mr A Johnson – Non-Executive Director Mr M Traynor – Non-Executive Director
In Attendance:	Mr J Adler – Chief Executive – (for Minute 60/19/1) Mr C Benham – Director of Operational Finance Miss M Durbridge – Director of Safety and Risk (for Minute 52/19) Mr I Khalifa - IM&T Enterprise Infrastructure Architect (for Minute 51/19) Mr R Manton – Risk and Assurance Manager (for Minute 52/19) Mr N Mohan – Local Counter Fraud Specialist Mr M Stocks – Grant Thornton (the Trust's External Auditor) Mr P Traynor – Chief Financial Officer Mr S Ward – Director of Corporate and Legal Affairs Ms C Wood – Senior Manager, PwC (the Trust's Internal Auditor)

RECOMMENDED ITEMS **ACTION**

47/19 ANNUAL AUDIT LETTER – YEAR ENDED 31ST MARCH 2019

Mr M Stocks, External Audit introduced paper C, the Annual Audit Letter summarising the key findings arising from the work carried out by External Audit for the year ended 31st March 2019.

The Committee noted that External Audit had reported the detailed findings from their audit work to the Committee on 24th May 2019 (Minute 31/19 refers). Due to additional testing undertaken after that date, External Audit had also issued a letter to Board members on 6th June 2019 setting out their key findings and conclusions (Minute 130/19/2 - Trust Board – 6th June 2019 refers).

Mr Stocks also noted his attendance at the Trust Board meeting held on 4th July 2019 to discuss a number of matters arising from External Audit's recent work (Minute 152/19/3 refers).

Discussed ensued on the qualified conclusion issued by External Audit in respect of the UHL Quality Accounts 2018/19 due to data quality shortcomings in respect of the Venus Thromboembolism (VTE) indicator.

The Committee noted that, in line with standard practice, a relatively small sample of data had been assessed in respect of the testing of this issue. Mr M Stocks, External Audit explained that, while it would be possible to undertake a more extensive data sampling exercise, this would come at an increased cost to the Trust as, indeed, would more regular, in-year testing.

The Committee was reminded that the recommendation made by External Audit for improvement had been accepted and it was noted that the Trust was in the process of implementing electronic VTE risk assessments in 2019/20. In the interim, the Trust would undertake periodic sample checking of cases to ensure that the Trust's data systems accurately reflected the VTE risk assessments recorded in patients' notes.

In concluding discussion on this aspect of the Letter, Col (Ret'd) I Crowe, Non-Executive Director and Chair, Quality and Outcomes Committee undertook to ask that Committee to review and satisfy itself on the corrective actions in hand to address External Audit's findings in respect of the VTE indicator.

The Committee Chair noted the reference in the Letter to the recommendations made to the Trust by External Audit, and Mr M Stocks, External Audit undertook to consolidate into one document all of External Audit's recommendations arising from their review of the Trust's financial statements 2018/19, and provide this to the Chief Financial Officer.

The Committee agreed to recommend the Annual Audit Letter for the year ended 31st March 2019 to the Trust Board for approval. **QOC CHAIR**

<u>Recommended</u> – that (A) the Quality and Outcomes Committee be requested to review and satisfy itself on the corrective action to be taken to address External Audit's finding that the percentage of patients risk-assessed for the VTE indicator did not meet the six dimensions of data quality in respect of 'Accuracy' and 'Validity', leading to External Audit issuing a qualified conclusion, **EA**

(B) External Audit be requested to consolidate into one document all of their recommendations arising from their review of the Trust's financial statements 2018/19, and provide this to the Chief Financial Officer, and **AC CHAIR**

(C) the Annual Audit Letter 2018/19 to be recommended to the Trust Board for approval.

RESOLVED ITEMS

48/19 DECLARATIONS OF INTEREST

The Chief Financial Officer, Director of Operational Finance and Mr A Johnson, Non-Executive Director declared their interests as Non-Executive Director, Finance Director and Company Secretary and Non-

Executive Chair of Trust Group Holdings Ltd, respectively, and, with the agreement of the Committee, remained present.

<u>Resolved</u> – that the position be noted.

49/19 MINUTES

<u>Resolved</u> – that the Minutes of the Committee meeting held on 24th May 2019 be confirmed as a correct record, subject to Minute 31/19 (B) being revised to read as follows: **DCLA**

"(B) subject to the conclusion of the External Audit and post-audit balance sheet review, the draft Statutory Accounts 2018/19, now submitted (paper C2), be endorsed and recommended to the Trust Board for approval".

50/19 ACTION LOG

The Committee received and noted paper B, advising on progress of the actions and matters arising from previous Committee meetings.

The Director of Corporate and Legal Affairs undertook to update the action log in the light of the Committee's discussions and decisions at this meeting.

In particular, the Committee noted that the People, Process and Performance Committee would continue to monitor the Trust's performance against the quality priority aimed at improving discharge processes and, noting that a number of actions had yet to be implemented following Internal Audit's report, 'Discharge Processes Red2Green' for 2018/19 (Minute 53/19 below also refers), emphasised the importance of the outstanding actions being tracked to completion.

<u>Resolved</u> – that the action log, now submitted (paper B), be received, noted and updated by the Director of Corporate and Legal Affairs to reflect the updates made, and decisions taken, at this meeting of the Committee. **DCLA**

51/19 IM&T BUSINESS CONTINUITY AND DISASTER RECOVERY

Further to Minute 39/19/4 of 24th May 2019, the IM&T Enterprise Infrastructure Architect attended the meeting and presented paper D, an update on the actions taken to address the findings of Internal Audit, as set out in its Business Continuity and Emergency Planning Review (May 2019), in relation to IM&T Disaster Recovery Planning.

The Committee discussed the need for the work being carried out to strengthen the Trust's IM&T Business Continuity and Disaster Recovery plans to take into account the information presented at the private Trust Board meeting on 4th July 2019 relating to the Trust's estates infrastructure.

Consequently, the Committee agreed to request the Acting Chief Information Officer to submit a further report to the next meeting of the Committee on this subject, and asked that confirmation be provided at that meeting as to when the Trust's IM&T Disaster Recovery Plan would be finalised and implemented, having taken into account appropriately the information on the current state of the Trust's estates infrastructure.

Resolved – that the Acting Chief Information Officer be requested to:

(A) liaise with the Director of Estates and Facilities and ensure that the IM&T Disaster Recovery Plan takes into account the information presented at the private Trust Board meeting on 4 July 2019 on the current state of the Trust's estates infrastructure; and **ACIO**

(B) report to the next Committee meeting on 6 September 2019 to confirm when the Trust's IM&T disaster recovery plan will be finalised and implemented.

52/19 INTEGRATED RISK REPORT – INCLUDING THE BOARD ASSURANCE FRAMEWORK 2019/20

The Director of Safety and Risk and Risk and Assurance Manager attended the meeting and presented paper E, updating the Committee on:

(a) the development of the Trust's Board Assurance Framework 2019/20, and
(b) the organisational risk register as at 31st May 2019.

In discussion:

(i) the Committee Chair commented favourably on the progress made to date in developing the Board Assurance Framework 2019/20,
(ii) the Committee concurred with the views expressed by the Director of Safety and Risk and Risk and Assurance Manager that, at present, a considerable amount of operational detail featured in the Board Assurance Framework: the Risk and Assurance Manager undertook to work with colleagues to identify opportunities to incorporate that operational detail within the organisational risk register instead, where appropriate,
(iii) the Committee Chair proposed that consideration be given to the development of a 'controls assurance dashboard': the Director of Safety and Risk and Risk and Assurance Manager confirmed that such a dashboard would be considered for implementation during 2019/20 as the content of the Framework was refined and improved;
(iv) the Committee offered advice to improve the wording of Principal Risks 2, 4, 7, 10 and 11 – the Director of Safety and Risk and Risk and Assurance Manager accepted the advice

and undertook to revise the wording of these Principal Risks accordingly,

(v) the Committee agreed with the proposal (now reported by the Director of Corporate and Legal Affairs, following discussion at the Executive Planning Meeting on 3rd July 2019) to disaggregate Principal Risk 6 in order to provide further clarity on specific risks relating to the Trust's critical Estates infrastructure and critical IT infrastructure, respectively,

(vi) the Committee expressed concern that the risk ratings for Principal Risks 6 and 7 were marked as "TBC" and requested that they be confirmed in time for submission of the Framework to the Trust Board on 1st August 2019,

(vii) the Committee noted the risk ratings for each of the other Principal Risks, as set out in paper E,

(viii) the Committee agreed that 'deep dive' reviews of each of the Principal Risks should be undertaken: Principal Risk 2 was identified for review at the next Committee meeting, and the Committee agreed to use the list of questions set out at appendix 4 of paper E as prompts for such reviews,

(ix) the Committee asked that consideration be given to presenting the information which featured on the organisational risk register to show also the potential impact of the risks, classified by theme (eg, patient harm), and

(x) the Committee briefly discussed risk 3453, featuring on the organisational risk register, and agreed that further information should be presented to its next meeting to provide assurance on the measures in place to avoid the risk of 'orphan' IM&T systems/schemes.

<u>Resolved</u> – that (A) paper E, now submitted, be received and noted,	**DSR/RAM**
(B) taking into account the comments made at this Committee meeting, the wording of Principal risks 2, 4, 10 and 11 be revised appropriately,	**DSR/RAM**
(C) the risk ratings for Principal Risks 6 and 7 (currently marked as 'TBC') be confirmed in time for submission of the Board Assurance Framework to Trust Board on 1 August 2019,	**DSR/RAM**
(D) a deep dive review of Principal Risk 2 be undertaken at the next Committee meeting on 6 September 2019, and the list of questions now submitted (at appendix 4 of paper E) be used as prompts for that review,	**DSR/RAM/ MD/CF**
(E) consideration be given to presenting the information which features on the organisational risk register to show also the potential impact of the risks, classified by theme (e.g. patient harm),	**DSR/RAM**
(F) having regard to the discussion at this Committee meeting regarding risk 3453, further information be presented to the next	

Committee meeting on 6 September 2019 to provide assurance on the measures in place to avoid the risk of 'orphan' IM&T systems/ schemes. **DSR/RAM**

53/19 INTERNAL AUDIT PROGRESS REPORT

The Committee received paper F, an update on the work of Internal Audit since the Committee meeting held in May 2019.

The Committee noted the information set out in paper F on those actions arising from earlier Internal Audit reviews which had yet to be implemented. Following discussion, it was agreed that, in the event that that the four 'medium' rated findings arising from the 'Discharge Processes Red2Green' Internal Audit report for 2018/19 remained open, the Chief Operating Officer would be requested to attend the next Committee meeting on 6th September 2019 to explain the reasons for the delay in implementation, and when they would be closed.

<u>Resolved</u> – that (A) the Internal Audit progress report, now submitted (paper F), be received and noted, and

(B) in the event that the four 'medium' rated findings arising from the 'Discharge Processes Red to Green' Internal Audit report for 2018/19 remain open, the Chief Operating Officer be requested to attend the next Committee meeting on 6 September 2019 to explain the reasons for the delay in implementation and when they will be closed. **COO**

54/19 INTERNAL AUDIT RISK ASSESSMENT AND PLAN 2019/20

Further to Minute 37/19 of 24th May 2019, the Committee received paper F, a copy of the Internal Audit Plan for 2019/20 which had been updated to reflect the revised Principal Risks as set out in the Trust's Board Assurance Framework 2019/20.

Taking into account External Audit's findings in respect of the Trust's financial statements 2018/19 (Minute 47/19 also refers), the Committee agreed that it would be appropriate for External Audit and Internal Audit to meet to discuss and agree the scope of the planned Internal Audit review of financial systems in 2019/20, forming part of the Plan for 2019/20. **CFO**

<u>Resolved</u> – that (A) taking into account External Audit's findings in respect of the Trust's financial statements 2018/19, External Audit and Internal Audit be requested to meet to discuss and agree the scope of the planned Internal Audit review of financial systems in 2019/20, and **EA/IA**

(B) the Internal Audit risk assessment and Plan for 2019/20 be approved. **CFO**

55/19 OTHER SOURCES OF ASSURANCE

Further to Minute 37/19 (B) of 24th May 2019, the Committee received paper H providing details on the available alternative sources of assurance for those areas of potential risk which were not being reviewed as part of the 2019/20 Internal Audit Plan.

Discussion ensued on the omission of the subject of patient experience from the Internal Audit Plan 2019/20. The Committee noted that patient experience was the subject of report to the Executive Quality and Performance Board and Quality and Outcomes Committee, and agreed to invite the Quality and Outcomes Committee to review the existing arrangements in place whereby it received updates in relation to patient experience, and to refer back to the Audit Committee in the event of any concerns that would potentially require Internal Audit to conduct a review in this area.

Resolved – that (A) paper H, now submitted, setting out details of the alternative sources of assurance for those areas of risk which are not being reviewed as part of the 2019/20 Internal Audit Plan be received and noted, and

(B) the Quality and Outcomes Committee be requested to consider and satisfy itself that it is content with the arrangements in place whereby it receives updates in relation to patient experience, in terms of the breadth, depth, timeliness and data accuracy of the information it receives: and to refer back to the Audit Committee in the event of any concerns that would potentially require Internal Audit to conduct a review.

56/19 COUNTER FRAUD – PROGRESS REPORT: JULY 2019

The Local Counter Fraud Specialist introduced paper I updating the Committee on progress against the counter-fraud work plan as at July 2019. The Committee noted that delivery of the work plan was proceeding as planned.

In noting the report, the Committee identified that the Local Counter Fraud Specialist was awaiting a response from the Trust in respect of the Fraud Intelligence bulletins A1 and A2, identified in paper I, now submitted.

Resolved – that (A) the counter fraud progress report for the period to July 2019, now submitted (paper I), be received and noted, and

(B) the Director of Operational Finance be requested to confirm to Counter-Fraud the Trust's response to the Fraud Intelligence Bulletins A1 and A2 identified in paper I, now submitted.

57/19 FRAUD, BRIBERY AND CORRUPTION RISK ASSESSMENT

Further to Minute 22/19/2 of 8th March 2019, the Local Counter Fraud Specialist introduced paper J, appended to which was a copy of the

Trust's Fraud, Bribery and Corruption risk assessment.

The Committee Chair suggested that consideration be given to the risk of fraud, bribery and corruption featuring appropriately on the Trust's risk register, especially given the current risk rating for a number of entries on the risk assessment, now submitted.

Discussion ensued on the operation of the UHL Fraud Risk Group and the Committee agreed that the Local Counter Fraud Specialist and Director of Corporate and Legal Affairs should review the terms of reference and membership of the Group to confirm that the arrangements were fit for purpose.

The Committee noted that element of the risk assessment which referred to the payroll system and, following discussion, agreed to invite the Local Counter Fraud Specialist to consider expanding that element to include specific references to the Estates and FM payroll system and associated controls, on the basis that the (separate) payroll system in question potentially created specific risks which ought to be reflected in the risk assessment.

Resolved – that (A) the Fraud, Bribery and Corruption Risk Assessment appended to paper J, now submitted, be received and noted,

(B) the Local Counter-Fraud Specialist be requested to liaise with the Chief Financial Officer and Director of Operational Finance to ensure that the risk of fraud features appropriately on the Trust's risk register,

(C) the Local Counter-Fraud Specialist be requested to discuss the governance arrangements underpinning the Fraud Risk Group with the Director of Corporate and Legal Affairs to confirm that the arrangements are fit for purpose,

(D) the Local Counter-Fraud Specialist be requested to consider expanding the fraud and corruption risk assessment, now submitted, to include specific references to the Estates and FM payroll system and associated controls.

58/19 DISCRETIONARY PROCUREMENT ACTIONS

The Director of Operational Finance introduced paper K summarising the occasions when, under Standing Orders, it had been necessary to waive the Trust's ordinary procurement processes since the last meeting of the Committee.

Resolved – that paper K, the latest summary of discretionary procurement actions taken under Standing Orders, now submitted, be received and noted.

59/19 ITEMS FOR NOTING

59/19/1 Quality and Outcomes Committee (QOC)

Resolved – that the Minutes of the QOC meetings held on 25th April and 30th May 2019 be received and noted as papers L1 and L2.

59/19/2 People, Process and Performance Committee (PPPC)

Resolved – that the Minutes of the PPPC meetings held on 25th April and 30th May 2019 be received and noted as papers M1 and M2.

59/19/3 Finance and Investment Committee (FIC)

Resolved – that the Minutes of the FIC meetings held on 25th April and 30th May 2019 be received and noted as papers N1 and N2.

60/19 ANY OTHER BUSINESS

60/19/1 Report by the Chief Financial Officer

Resolved – that this Minute be classed as confidential and taken in private accordingly on the grounds that public consideration at this stage would be prejudicial to the effective conduct of public affairs.

61/19 IDENTIFICATION OF ANY KEY ISSUES FOR THE ATTENTION OF THE TRUST BOARD

Resolved – that the Annual Audit Letter 2018/19 be recommended to the Trust Board for approval (Minute 47/19 above refers).

62/19 DATE OF NEXT MEETING

Resolved – that the next meeting of the Committee be held on Friday, 6th September 2019 from 9am in the Board Room, Victoria Building, Leicester Royal Infirmary.

The meeting closed at 12.12pm

Stephen Ward
Director of Corporate and Legal Affairs

22nd July 2019

Cumulative Record of Members' Attendance (2019-20 to date):

Name	*Possible*	*Actual*	*%*
K Jenkins	2	2	100%
I Crowe	2	2	100%
A Johnson	2	2	100%
M Traynor	2	1	50%

Attendees:

Name	*Possible*	*Actual*	*%*
C Benham	2	2	100%
N Sone	2	1	50%
P Traynor	2	2	100%
S Ward	2	2	100%

The Annual Audit Letter for University Hospitals of Leicester NHS Trust

Year ended 31 March 2019

June 2019

Contents

Your key Grant Thornton team members are:

Mark Stocks
Partner
T: +44 (0)121 232 5437
E: mark.c.stocks@uk.gt.com

Emily Mayne
Senior Manager
T: +44 (0)121 232 5309
E: emily.j.mayne@uk.gt.com

Tess Barker-Phillips
Audit Manager
T: +44 (0)121 232 5428
E: tess.s.barker-phillips@uk.gt.com

Hamze MHA Samatar
Assistant Manager
T: +44 (0)121 232 5147
E: hamze.mha.samatar@uk.gt.com

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at University Hospitals of Leicester NHS Trust (the Trust) and its subsidiaries (the group) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Trust's Audit Committee as those charged with governance in our Audit Findings Report on 24 May 2019. Due to the additional testing undertaken after this date, we also issued a letter to all Board Members on 6 June 2019 setting out our key findings and conclusions.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Trust and group's financial statements (section two)
- assess the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Trust and group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the group's financial statements to be £16,755,000, which is 1.7**%** of the group's gross revenue expenditure. We determined that we would not set a separate materiality for the University Hospitals of Leicester NHS Trust component as we do not consider that there is a material difference between the reported transactions and balances for 2018/19.
Financial Statements opinion	We gave an unqualified opinion on the group's financial statements on 6 June 2019. We included a going concern material uncertainty paragraph in our report on the Trust's financial statements to draw attention to the note which explains the basis on which the Trust has determined that it is still a going concern. This does not affect our opinion that the statements give a true and fair view of the Trust's financial position and its income and expenditure for the year. We identified a number of errors and uncertainties in the financial statements. The Trust adjusted for the errors identified in the accounting for the revaluation of land and buildings, impacting on the Property, Plant and Equipment disclosures and the Revaluation Reserve. The Trust also made adjustments of £3 million to reduce the overstatement of prepayments. This increased the Trust's deficit from £43.45 million to £46.45 million. We identified other errors and uncertainties with a value of £13.66 million. If corrected these would have increased the Trust's deficit to £60.1m. The Trust did not adjust for these items. It will need to consider how it accounts for the remaining errors and uncertainties in its 2019/20 financial statements. We note that the impact on its 2019/20 financial performance of making these adjustments will be significant. We have detailed the unadjusted items on page 10.

Executive Summary

Financial Statements opinion continued	There were significant delays in the audit process for a number of reasons. These include the quality of the accounts and supporting working papers, and the operation of financial controls. We have worked closely with the Trust and made recommendations around the accounts process for future years.
NHS Group consolidation template (WGA)	We also reported on the consistency of the financial statements consolidation template provided to NHS England with the audited financial statements. We concluded that these were consistent.
Use of statutory powers	We referred a matter to the Secretary of State, as required by section 30 of the Act, on 24 May 2019 because the Trust breached the requirement under Section 30 of the Local Audit and Accountability Act 2014 to break even taking one year against another over a three year rolling period. The Trust has delivered a deficit out-turn for the past six financial yeas and has also set a deficit budget for 2019/20. In the referral we also refer to the referral we made on 25 May 2018 where we reported the Trust's ongoing planned deficit in 2018/19, and that the Trust had breached its break-even over the three-year period to 31 March 2018.
Value for Money arrangements	We were not satisfied that the Trust put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources because of weaknesses in we identified in respect of the Trust's financial sustainability during 2018/19. We therefore issued an adverse value for money conclusion in our audit report on 6 June 2019.
Quality Accounts	We completed a review of the Trust's Quality Account and issued our report on this on 6 June 2019. We concluded that the Quality Account and the percentage of patient safety incidents resulting in severe harm or death indicator we reviewed were prepared in line with the Regulations and guidance. However, we concluded that the percentage of patient risk-assessed for Venous Thromboembolism (VTE) indicator did not meet the six dimensions of data quality in respect of Accuracy and Validity and, as result, we issued a qualified conclusion.
Certificate	We certified that we have completed the audit of the financial statements of University Hospitals of Leicester NHS Trust in accordance with the requirements of the Code of Audit Practice on 6 June 2019.

Working with the Trust

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Trust's staff.

Grant Thornton UK LLP
June 2019

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the group's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the group financial statements to be £16,755,000, which is 1.7% of the group’s gross revenue expenditure. We determined that we would not set a separate materiality for the University Hospitals of Leicester NHS Trust component as we do not consider that there is a material difference between the reported transactions and balances for 2018/19. We used Gross expenditure as a benchmark as, in our view, users of the group and Trust's financial statements are most interested in where the group and Trust has spent its revenue in the year.

We identified senior management remuneration, reported in the Remuneration Report, as a sensitive item and set a lower materiality of £100,000 for testing these items. The Cash Equivalent Transfer Value (CETV) of pensions is shown in a separate table and are typically a higher value than annual remuneration. We therefore decided to set a materiality level of £250,000 for this element of the Remuneration Report.

We set a lower threshold of £300,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Annual Report to check it is consistent with our understanding of the Trust and with the financial statements included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the group's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Improper revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Trusts are facing significant external pressure to restrain budget overspends and meet externally set financial targets, coupled with increasing patient demand and cost pressures. In this environment, we have considered the rebuttable presumed risk under ISA (UK) 240 that revenue may be misstated due to the improper recognition of revenue. We have not deemed it appropriate to rebut this presumed risk for streams of patient care income and other operating revenue. We have therefore identified the occurrence and accuracy of these income streams of the trust and the existence of associated receivable balances as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Auditor commentary** For all income we have: • evaluated the trust's accounting policies for recognition of income from patient care activities and other operating revenue for appropriateness and compliance with the DHSC Group Accounting Manual 2018/19 • updated our understanding of the group's system for accounting for income from patient care and other operating revenue, and evaluate the design of the associated controls For patient care income we have: • using the DHSC mismatch report, investigated unmatched revenue and receivable balances over the NAO £0.3 million threshold, corroborating the unmatched balances used by the Trust to supporting evidence; • agreed income from significant contracts back to evidence of signed contracts with the Trust's commissioners • agreed, on a sample basis, the remaining balance of patient care income (outside the main contracts), and year end receivables, to signed contract variations, invoices or other supporting evidence such as correspondence from the Trust's commissioners • evaluated the Trust's estimates and the judgments made by management on patient care income For other operating income we have: • agreed, on a sample basis, income and year end receivables from other operating revenue to invoices and cash payment or other supporting evidence • agreed significant PSF income recognised to NHS Improvement notifications • tested, on a sample basis, additions to deferred research and development income in the current year to ensure the accuracy of deferring the income • If other income outside of the main contracts is above materiality, test an additional sample to supporting evidence	The Trust has recognised income from the sale of land during the year, with a put option which would require the Trust to repurchase the land at a future date if invoked by the purchaser. We are satisfied that the Trust's judgements regarding the recognition of income and the valuation of the put option for the Glenfield land sale appear to be reasonable. We note that the Trust has made a provision with regard to the payment of s106 monies relating to the land sale. We have reviewed the evidence available and note that there is limited information available to determine whether the provision is correct or incorrect. We drew the potential additional liability to the Committee's attention We identified a number of mismatches in the Agreement of Balances exercise, including within income and receivables. We are required to report all mismatches over £300k to the NAO. These are immaterial to the accounts, however they indication a potential risk of misstatement. Our audit work has not identified any other issues in respect of revenue recognition. We obtained sufficient audit evidence to conclude that: • the Trust's accounting policy for income from patient activities and other operating income is in accordance with the Department of Health and Social Care Group Accounting Manual 2018/19 and has been properly applied; and • income from patient activities and other operating income is not materially misstated.

Audit of the Financial Statements

Significant Audit Risks - continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Management override of internal controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Trust faces both internal and external pressures to meet agreed deficit targets, particularly in light of not having accepted the control total. This could potentially place management under undue pressure in terms of how they report performance, in processing of journals and in the determination of significant estimates and critical judgements. Management over-ride of controls is therefore a risk requiring special audit consideration.	We: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness We have reviewed the judgements management has made in relation to the sale of Glenfield land and the related put option. See page 6.	In our journals testing we identified prepayments relating to consultancy advice received in 2018/19. This had been deferred on the basis the benefits will be obtained in future years. We did not agree with this treatment and consider that the prepayment should have been classed as expenditure. On the basis of this error we increased our sample testing of prepayments. We identified a cumulative overstatement of prepayments and an understatement of expenditure. The Trust adjusted for £3.0 million of prepayments, reducing prepayments and increasing operating expenditure. We also identified accruals relating to VAT recovery where there is uncertainty around whether HMRC will accept the recovery. We did not agree with the Trust's judgement to accrue this income and reported this as an error. In our testing of journals, we identified that a number of the journals tested had not been authorised in line with the Trust's approval policies. We tested the journals to supporting documentation with no issues noted but this indicates a control issue. Our audit work to date has not identified any other issues in respect of management override of controls.

Audit of the Financial Statements

Significant Audit Risks - continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Going concern material uncertainty disclosures As auditors, we are required to “obtain sufficient appropriate evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern. The Trust is facing significant financial challenges and has forecast a deficit position for 2018/19 and 2019/20. The Trust has a planned deficit of £21.2 million in 2018/19 and is forecasting a £51.8 million deficit for the full year. Substantial non-recurrent measures are planned comply with the Control Total for 2019/20, which is reliant upon significant levels of funding from PSF, RFR and MRET. The Trust will therefore require further cash support to pay its expenses in these years. We therefore identified the adequacy of disclosures relating to material uncertainties that may cast doubt on the group and Trust’s ability to continue as a going concern in the financial statements as a significant risk. Given the sensitive nature of these disclosures, this is one of the most significant assessed risks of material misstatement.	We: • discussed the financial standing of the Trust with officers • reviewed management's assessment of going concern assumptions and supporting information, e.g. 2019/20 and 2020/21 budgets and cash flow forecasts and associated sensitivity analysis to corroborating evidence • examined the terms of available cash support facilities • evaluated the completeness and accuracy of disclosures on material uncertainties with regard to going concern in the financial statements • agreed certain disclosures to underlying records • ensured the assessment concurred with our knowledge of the Trust • confirmed that contracts with the two main commissioners had been signed and that contract variations have been agreed. We have also confirmed that there were no significant disputes in relation to agreement of balances relating to 2018/19 • reviewed completeness and accuracy of disclosures on material uncertainties with regard to going concern in the financial statements • considered the guidance in the Treasury Financial Reporting Manual (FReM) 2018/19 and the guidance on interpretation of going concern in a public sector context and it’s application to the Trust • assessed that the disclosures in the draft accounts relating to going concern material uncertainties were adequate but that some minor improvements could be made. Management has agreed to make these amendments in the final version of the accounts. Management confirmed that there were material uncertainties in their assessment. Due to the material uncertainty identified we have included a ‘material uncertainty in relation to going concern’ paragraph in our audit opinion. This refers the reader of the opinion to the Trust’s going concern disclosure. Our audit opinion has not been modified in relation to this matter.	We are satisfied that management has considered all pertinent areas relevant for consideration of the Trust’s ability to continue as a going concern, as documented in the report. Based on our work our view is that there are material uncertainties relating to the Trust’s reliance upon cash support from the Department of Health and Social Care (DHSC). To date, such support has been forthcoming when required by the Trust, and loans which matured in 2018/19 were extended by DHSC for a further year. There is no indication that this will not be the case in the future The Trust has confirmed its contracts with commissioners for 2019/20 We are not aware of any indication from the Secretary of State that the Trust is likely to be dissolved or that services will not continue within the public sector We are satisfied that management’s use of the going concern assumption is appropriate, but that there are material uncertainties. We included a going concern material uncertainty paragraph in our report on the Trust's financial statements to draw attention to the note which explains the basis on which the Trust has determined that it is still a going concern. This does not affect our opinion that the statements give a true and fair view of the Trust's financial position and its income and expenditure for the year.

Audit of the Financial Statements

Significant Audit Risks - continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of land and buildings PPE valuation represents a significant estimate by management in the financial statements. The Trust revalues its land and buildings on a five-yearly basis to ensure the carrying value in the Trust financial statements is not materially different from current value at the financial statements date. In intervening years, such as 2018/19, the Trust requests a desktop valuation from its valuation expert. We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.	We: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert and inquired with the valuers to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding • tested revaluations made during the year to see if they had been input correctly into the Trust's fixed asset register and the accounts • confirmed the basis for significant judgements e.g. use of 2-site model for MEA valuation • evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value We challenged the basis of the MEA valuation and size of the MEA site that was valued, in order to compare this to the planned future estate size (as set out in the Trust's 5 Year Estates Strategy, June 2014, prepared by Capita). We also challenged the movement in valuation by comparing to relevant indices. We identified that the valuation of land and buildings increased by significantly more than our expectation. There were a number of errors in the accounting for the revaluation. Additionally there was no reconciliation performed between the fixed asset register and the accounts, or between the valuer's report and the valuations recorded in the asset register. This resulted in adjustments to the Statement of Financial Position and Note 15 – Property, Plant and Equipment.	We noted that, as in 2017/18, the site valued by the valuer was approximately 2% smaller than the Capita report. We have reviewed this and are satisfied that this does not present a risk of material misstatement. We also noted that, as in 2017/18, the land area valued by the valuer was substantially larger than that in the Capita report. We have requested that the Trust confirm the basis of the site area valued within the letter of representation. Following discussions with the valuer, we confirmed that approximately 6% of the movement in valuation relates to local indices for building costs, but the remainder is due to the impact of 'smoothing' of indices used by the valuer in 2017/18. We are satisfied that the judgement made in 2017/18 was based on the best information available at the time, including historical experience of local volatility in indices. We are satisfied that the change in assumptions this year, to reflect actual indices, meets the definition of a change in estimation and it is therefore appropriate to account for this in 2018/19 rather than reflecting a prior period adjustment. Our audit work has not identified any other issues in respect of the valuation of land and buildings. The Trust has agreed to amend the accounts for the accounting errors identified. We have undertaken sufficient testing to confirm that the valuation of property, plant and equipment is not materially misstated.

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the group's financial statements on 6 June 2019.

Preparation of the financial statements

There were significant delays in the audit process for a number of reasons. These include the quality of the accounts and supporting working papers, the number of errors and uncertainties identified, and the operation of financial controls. We have made a number of recommendations around the accounts process for future years.

As a result of the delays and issues identified, we have agreed to charge an additional audit fee of £40,583 plus VAT. The Trust has agreed this amount.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the group's Audit Committee on 24 May 2019. We issued a further letter to the Board on 6 June setting out the results of our concluding testing and the overall errors and uncertainties identified.

We identified errors and uncertainties with a value of £16.660 million. The Trust adjusted for £3.0 million of this balance reducing the cumulative errors and uncertainties remaining in the financial statements to £13.660 million. We have detailed the most significant of these below.

Unadjusted errors

We consider that the most significant unadjusted errors are:

- Prepayments - We identified that prepayments were overstated. The Trust adjusted for £3.0 million of this balance. We consider that a significant error remains in the financial statements
- Changes in asset lives - The Trust increased asset lives for equipment. We were unable to corroborate the revised lives. Therefore we consider depreciation charge is understated and the value of equipment is overstated

Unadjusted errors continued

- Accrual of VAT recovery - The Trust has accrued VAT relating to one of its contracts. HMRC has informed the Trust that this is not recoverable. The Trust has obtained advice and hopes to recover the VAT but in our view receivables is overstated and expenditure understated
- Accruals de minimis - the Trust applies a de minimis policy for accruals. The value of expenditure not accrued has increased significantly from 2017/18 to 2018/19. We do not consider that the policy is appropriate and have classified the increase as an error.

Unadjusted uncertainties

We consider that the most significant unadjusted uncertainty relates to:

- Glenfield Paddock land - the Trust has recognised a provision for section 106 liabilities relating to the sale of the Glenfield Paddock land. There are a number of uncertainties so there is a risk that this provision may be understated.

The Trust will need to consider how it accounts for these remaining errors and uncertainties in its 2019/20 financial statements. We note that the impact on its 2019/20 financial performance of making these adjustments will be significant.

Control weaknesses

We identified control weaknesses in respect of: Accounts preparation and review; Accounting judgements; Accounting policy change and approval; Accounting estimates - changes and approval; Control account reconciliations Management of VAT; Property, Plant and Equipment; and Financial models management.

We have made recommendations to the Trust in these areas.

Audit of the Financial Statements

Annual Report, including the Annual Governance Statement

We are also required to review the Trust's Annual Report, including the Annual Governance Statement. Both documents were received in a timely manner. Once again, the Annual Governance Statement was good and required few amendments. The Annual Report required some minor amendments which were made. However, it should be noted that the overall quality of the Annual Report was better than the previous year, adhering to the requirements of the Group Accounting Manual in most areas.

Whole of Government Accounts (WGA)

We issued a group return to the National Audit Office in respect of Whole of Government Accounts, which did not identify any issues for the group auditor to consider, other than unadjusted Agreement of Balances mismatches over £300k which we were required to report.

Other statutory powers

We are also required to refer certain matters to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014. On 24 May 2019 we reported to the Secretary of State that the Trust had delivered a deficit out-turn for the past six financial yeas and had also set a deficit budget for 2019/20.

In the referral we also referred to the referral we made on 25 May 2018 where we reported the Trust’s ongoing planned deficit in 2018/19, and that the Trust had breached its break-even over the three-year period to 31 March 2018.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of University Hospitals of Leicester NHS Trust in accordance with the requirements of the Code of Audit Practice on 6 June 2019.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Trust in May 2019, we agreed recommendations to address our findings.

Overall Value for Money conclusion

Because of the significance of the matters we identified in our work, we were not satisfied that the Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

Recommendations for improvement

We have focused our work on the significant risks that we identified in the Trust's arrangements. In arriving at our conclusion, we have highlighted the main challenges the Trust is facing as:

- The Trust accepted a revised control total of £21.2 million deficit excluding PSF, and delivered a deficit of £51.8 million excluding PSF (revised to £54.8m following audit)
- The Trust delivered its 2018/19 CIP programme, but with some reliance on non-recurrent and non-cash releasing items
- The Trust accessed £49.5 million of DHSC loans funding in 2018/19
- Further cash support of £10.7 million is projected as part of the 2019/20 financial plans.
- The Trust has accepted its control total and set a deficit budget of £10.7 million, including £38.1 million of central funding of which £31.2 million is contingent upon delivery of the financial plan for 2019/20
- The 2019/20 CIP requirement is £26.6 million. £23.6 million of this had been identified by April 2019 but only 4% was fully developed (£1 million) with a further £4.8 million worked up but still needing to go through a quality approval process.
- As part of the STP the Trust is planning to reconfigure its hospitals from 3 to 2 sites. The major capital funding has not been approved, so timescales and funding are still uncertain.

We have not made specific recommendations, but have brought these issues to the attention of the Board and recommended that they are addressed as part of the wider financial sustainability agenda.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings and Conclusion
1	**Financial performance and sustainability** This risk relates to the sub-criteria of sustainable resource deployment. The Trust has a planned deficit of £21.2 million in 2018/19 and is forecasting a £51.8 million deficit for the full year. The Trust requires ongoing cash support from the Department of Health. The Trust's medium-term plan is to undergo a substantial reconfiguration and eventually return to financial balance. However, due to the cessation of the facilities management subsidiary the financial position being forecast is a significantly higher deficit than initially forecast. The CIP programme at £51.5 million is challenging with £7.5m unidentified as at month 7. Substantial non-recurrent measures are planned in order to reduce the deficit forecast for 2018/19, although it is unlikely that the planned deficit will be achieved. The Trust is in discussions with NHS Improvement to agree a revised target deficit. Our response to this risk will be to carry out further work to assess how the Trust has responded to these challenges in 2018/19 both in terms of the 2018/19 outturn performance and its plans for future years. This will include but is not limited to: • reviewing the arrangements the Trust has for managing its in year financial position including the final outturn position • reviewing the arrangements the Trust has in place for ensuring the future sustainable management of its finances	**2018/19** The Trust originally planned for a 2018/19 income and expenditure deficit of £29.9 million, subsequently revised to £21.2 million in line with NHS Improvement's revised Control Total. If delivered, this revised Control Total would have given the Trust access to provider sustainability funding (PSF) of £21.9 million giving a reported surplus of £0.8m. At Quarter 2, the Trust revised its outturn forecast to a deficit of £51.8 million excluding Provider Sustainability Funding (PSF), a deterioration from Plan of £30.6 million. Of this, £21.9 million was driven by the impact of the cessation of the planned subsidiary company (FM LLP) with the remaining £8.7 million representing other risks to the plan. The £21 million relating to the planned subsidiary includes the reversal of the £12.5 million VAT accrual from 2017/18, along with other planned savings which will no longer be possible. At year end the Trust has achieved its revised forecast year to date deficit of £51.8 million excluding PSF and Impairment. Including PSF, the Trust has achieved a year to date deficit of £41.7 million per the draft accounts. These figures were amended to £54.8m and £44.9m respectively following the audit of the accounts. The outturn includes a number of one-off items and non-cash releasing technical adjustments including: - sale of Glenfield Paddock Land £5.9 million - changes to useful economic lives for equipment £2.9 million - reversal of depreciation previously charged on fully depreciated assets £4.5 million - change in de minimus for accruals from £10k to £15k - £0.7 million **Cost Improvement Plans** The Trust has reported delivery of £51.6 million of CIP in 2018/19 which is £0.1 million favourable compared to plan. Recurrent schemes made up 75% of the in year programme, with 25% being non-recurrent, which the full year effect has a variance to plan of £9.9 million. This will create additional pressures for the Trust in future years. This includes the non-recurrent and non-cash releasing items referenced above. **Operational Performance** Alongside its financial position, the Trust continues to struggle to meet all the standards in relation to patient performance. Positive areas are the reduction in mortality rate to 99% and several months of compliance with diagnostic 6 week wait and 52+ weeks wait. Referral to treatment was below national standard but the key measure of waiting list size trajectory was achieved. Areas of underperformance are - UHL ED 4 hour performance which was 75.1% for March 2019 and 77% for the year as a whole - Ambulance Handover where the Trust continues to exceed the 30 and 60+ minutes targets - Cancer 62 and 31 day treatment where the Trust is not meeting the timelines **Cash** The Trust funded the 2018/19 operating deficit by securing £49.5 million of external financing from DHSC. The Trust's deficit cash requirement for 2019/20 is £10.7 million and this is due to be drawn down on a monthly basis. £34.1 million of loans are due to mature over the next 12 months and although the mechanism for repaying these is yet to be defined, the Trust is planning on the basis that these facilities will be made available. These loans previously matured in 2018/19 and were extended to 2019/20.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings and Conclusion
1	**Financial performance and sustainability continued**	**2019/20** The Trust has accepted its control total and is planning for a 2019/20 deficit of £10.7 million including £38.1 million of central funding. Of this £38.1 million of funding, receipt of Provider Sustainability Funding (£16.4 million) and Financial Recovery Funding (£14.8 million) are dependent upon delivery of the financial plan. The key risks identified by the Trust are: - Full delivery of CIP £26.6 million efficiency - Identification of actions to close the planning gap of £7.8 million - CMGs and Directorates to deliver their budgeted position with no over-spends - Commissioner affordability and the requirement for the Trust to be paid for all completed activity The Trust has a £26.6 million CIP requirement for 2019/20. £23.6 million of this had been identified by April 2019 but only 4% was fully developed (£1 million) with a further £4.8 million worked up but still needing to go through QA process. It is critical that progress is made to ensure the CIP programme is fully developed and that it is deliverable. **Looking ahead** As part of the STP the Trust is planning to reconfigure its hospitals from 3 to 2 sites. Timescales and funding for this reconfiguration are still very uncertain, and to date funding has only been approved for specific projects such as the reconfiguration of ICU rather than for the wholesale reconfiguration. The Trust is continuing to seek funding, and to identify other changes that can be made to service delivery between its 3 sites where this has a clinical benefit. The Trust is in the process of updating its Medium Term Financial Plan (MTFP), which was last updated in November 2018. The Trust expects this updated MTFP to demonstrate a plan to return to financial balance by 2023/24, alongside its reconfiguration plans and the ambitions as set out within the NHS Long Term Plan. **Conclusion** The Trust delivered a financial deficit which was significantly higher than its plan although the majority of this was driven by the cessation of the planned subsidiary company which was out of the Trust's control. As in 2017/18, the Trust has made use of non-recurrent and non-cash releasing items to deliver its forecast deficit and its CIP programme. This place additional pressure on future years. It is critical that the Board continues to maintain continued focus on delivery of the agreed CIPs and managing emerging risks if it is to deliver the longer term goal of financial balance by 2023/24 and ensure a sustainable and viable future for the Trust. We concluded that because of the significance of the matters we have identified in respect of the Trust's financial sustainability during 2018/19 we are not satisfied that the Trust has made proper arrangements to secure economy, efficiency and effectiveness in your use of resources. We therefore propose to give a qualified 'adverse' conclusion.

Quality Accounts

The Quality Account

The Quality Account is an annual report to the public from an NHS Trust about the quality of services it delivers. It allows Trust Boards and staff to show their commitment to continuous improvement of service quality, and to explain progress to the public.

Scope of work

We carry out an independent assurance engagement on the Trust's Quality Account, following Department of Health (DH) guidance. We give an opinion as to whether we have found anything from our work which leads us to believe that:

- the Quality Account is not prepared in line with set DH criteria;
- the Quality Account is not consistent with other documents, as specified in the DH guidance; and
- the two indicators in the Quality Account where we have carried out testing are not compiled in line with DH regulations and do not meet expected dimensions of data quality.

Quality Account Indicator testing

We tested the following two mandated indicators:

- percentage of patient risk-assessed for Venous Thromboembolism (VTE); and
- percentage of patient safety incidents resulting in severe harm or death.

For each indicator tested, we considered the processes used by the Trust to collect data for the indicator. We checked that the indicator presented in the Quality Account reconciled to underlying Trust data. We then tested a sample of cases included in the indicator to check the accuracy, completeness, timeliness, validity, relevance and reliability of the data, and whether the calculation of the indicator was in accordance with the defined indicator definition.

Key messages

- We confirmed that the Quality Account had been prepared in line with the requirements of the Regulations.
- We confirmed that the Quality Account was consistent with the sources specified in the DH.
- We confirmed that the commentary on indicators in the Quality Account was consistent with the reported outcomes
- Based on the results of our testing of two mandated indicators included in the Quality Report we found that the percentage of patient safety incidents resulting in severe harm or death indicator was materially reasonably stated in accordance with the Regulations and six dimensions of data quality. However, the percentage of patient risk-assessed for VTE indicator did not meet the six dimensions of data quality in respect of Accuracy and Validity.

Conclusion

As a result of this we issued a qualified conclusion on the Trust’s Quality Account on 6 June 2019.

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Reports issued

Report	Date issued
Audit Plan	January 2019
Audit Findings Report	May 2019
Audit Findings Addendum letter	June 2019
Annual Audit Letter	June 2019

Fees for non-audit services

Service	Fees £
Audit related services - Quality Accounts	6,950
Non-Audit related services - None	0

Fees

	Planned £	Actual fees £	2017/18 fees £
Statutory audit	82,550	123,133	82,550
Charitable fund	5,900	TBC	5,900
Total fees	**88,450**	**TBC**	**88,450**

As a result of the delays and issues identified, we have agreed to charge an additional audit fee of £40,583 plus VAT. The Trust has agreed this amount.

The Charitable fund audit has not yet been completed so the actual fee is not yet known.

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the group's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the group's policy on the allotment of non-audit work to your auditor as it was awarded as part of the framework contract.