

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: 26 SEPTEMBER 2013

COMMITTEE: Audit Committee

CHAIRMAN: Ms K Jenkins, Non-Executive Director

DATE OF COMMITTEE MEETING: 10 September 2013

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

- 2012-13 Annual Audit Letter (appended to the minutes) be recommended onto the Trust Board for formal receipt and endorsement.

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

- accountability of Clinicians for coding accuracy and the Medical Director's role in fostering greater clinical engagement in clinical coding (Minute 54/13 refers),

DATE OF NEXT COMMITTEE MEETING: 12 November 2013

**Ms K Jenkins
20 September 2013**

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UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST
MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
TUESDAY 10 SEPTEMBER 2013 AT 10:30AM IN THE BOARD ROOM, VICTORIA BUILDING,
LEICESTER ROYAL INFIRMARY

Present:

Ms K Jenkins – Non-Executive Director (Chairman)
Mr R Kilner – Non-Executive Director
Mr P Panchal – Non-Executive Director

In Attendance:

Miss M Durbridge – Director of Safety and Risk (for Minutes 55/13-57/13 inclusive)
Ms S Hotson - Director of Clinical Quality (for Minute 52/13/1)
Mrs H Majeed – Trust Administrator
Mr R Manton – Risk and Safety Manager (for Minutes 55/13-57/13 inclusive)
Ms R Overfield – Chief Nurse
Mr J Roberts – Assistant Director of Information (for Minute 54/13)
Ms G Reynolds – Clinical Coding Manager (for Minute 54/13)
Mr A Seddon – Director of Finance and Business Services
Mr N Sone – Financial Controller
Mr S Ward – Director of Corporate and Legal Affairs

Ms J Clarke – Local Counter Fraud Specialist (East Midlands Internal Audit Services) (from Minute 48/13 – Minute 53/13/2 inclusive)

Mr D Sharif – KPMG (the Trust's External Auditor)

Ms A Breadon – Head of Internal Audit, PWC (the Trust's Internal Auditor) (until Minute 57/13)
Ms C Wood – Internal Audit Manager, PWC (the Trust's Internal Auditor)

RECOMMENDED ITEM

48/13 2012-13 ANNUAL AUDIT LETTER

Paper M detailed the draft Annual Audit Letter 2012-13 and summarised the key issues arising from KPMG's 2012-13 audit of the Trust, highlighting areas of good performance and recommendations.

In response to a query from the Committee Chair in respect of the mandated work on the Trust's Quality Account, it was noted that External Audit had reported a completeness risk at every Trust relating to the data collected for patient safety incidents as reliance was placed on every incident being reported (as the denominator).

Responding to a further query from the Committee Chair, Mr D Sharif, External Audit agreed to include an update in respect of the key recommendations identified in the Annual Audit Letter.

Recommended – that the contents of the draft 2012-13 Annual Audit Letter be received and noted and the final version (now appended to these Minutes) be recommended onto the Trust Board for formal receipt and endorsement.

RESOLVED ITEMS

ACTION

49/13 PRIVATE DISCUSSIONS WITH BOTH SETS OF AUDITORS

In line with the guidance detailed within paper A, private discussions took place

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between the Chair and members of the Audit Committee and External and Internal Audit representatives ahead of the start of the formal meeting.

Resolved – that the position be noted.

50/13 WELCOME AND APOLOGIES

The Committee Chair welcomed Mr P Panchal, Non-Executive Director and Ms R Overfield, Chief Nurse to their first meeting of the Audit Committee.

Apologies for absence were received from Mr A Bostock, External Audit.

51/13 MINUTES

Resolved – that the Minutes of the meeting held on 28 May 2013 (papers B and B1 refer) be confirmed as a correct record.

52/13 MATTERS ARISING FROM THE MINUTES

The Committee Chair confirmed that the Matters Arising report (paper C) highlighted the matters arising from the most recent meeting held on 28 May 2013 and the previous meeting on 3 April 2013.

Resolved – that the matters arising report (paper C) be received and noted.

52/13/1 Clinical Audit Dashboard

Further to Minute 24/13/1 of 3 April 2013, the Director of Clinical Quality attended the meeting to present paper D, an update on the clinical audit dashboard, number of audits undertaken and the costs involved.

The Clinical Audit dashboard was produced on a quarterly basis and detailed progress with delivering the clinical audit programme covering the number of current active audits in addition to follow-up on implementation of actions agreed from previous audits. At the end of each financial year, the Clinical Audit team produced an annual report. The Director of Clinical Quality highlighted that the total costs of clinical audit activity and benefits were not routinely collected and were difficult to establish.

In discussion on this item, the following points were noted in particular:-

- (a) Mr R Kilner, Non-Executive Director commented that Clinicians need to be up-to-date with signing off clinical audits and this should be a prerequisite of being able to apply for/ be awarded a Local Clinical Excellence award;
- (b) the Clinical Audit team were considering ways to quantify outputs from clinical audits;
- (c) responding to a suggestion, the Director of Clinical Quality agreed to give consideration to establishing the percentage of clinical PAs that were linked to clinical audit and benchmarking that information; **DCQ**
- (d) in respect of the transition from Clinical Divisions to Clinical Management Groups, it was noted that the dashboard would be restructured;
- (e) the Director of Clinical Quality agreed to give consideration to greater patient involvement in clinical audits, and **DCQ**
- (f) consideration would be given to how discretionary clinical audits could support the transformation work to be taken forward through the Improvement and Innovation Framework workstream.

Resolved – (A) the contents of paper D be received and noted, and

- (B) the Director of Clinical Quality be requested to give consideration to :-
- (i) establishing the percentage of clinical PAs that were linked to clinical audit and benchmarking that information, and
 - (ii) greater patient involvement in clinical audits.

DCQ

53/13 ITEMS FROM THE LOCAL COUNTER FRAUD SPECIALIST

53/13/1 Local Counter Fraud Specialist Progress Report

Paper E summarised the progress made towards the completion of the Trust's 2013-14 counter fraud work plan. Ms J Clarke, Local Counter Fraud Specialist made members aware of the merger of EMIAS and Assure Internal Audit and Counter Fraud Service agencies. As of 1 July 2013, the new organisation was known as '360 Assurance'.

In discussion on the timing of the local counter fraud survey clashing with the national staff survey, members were of the view that the timing was not a major issue, however noted the need for the survey to be distributed to at least 10% of staff. In discussion on whether public awareness of the counter fraud services needed to be surveyed, it was suggested that the local counter fraud specialist seek evidence of such surveys carried out by other NHS Trusts.

LCFS

Resolved – that (A) the contents of paper E be received and noted, and

(B) the local counter fraud survey be distributed to 10% of UHL staff and be progressed, as appropriate.

LCFS

53/13/2 Report from the Local Counter Fraud Specialist Progress Report

Resolved – that this Minute be classed as confidential and taken in private accordingly.

54/13 2012-13 AUDIT COMMISSION PbR CLINICAL CODING AUDIT RESULTS – UPDATE ON ACTIONS TAKEN TO IMPROVE CODING

The Assistant Director of Information and the Clinical Coding Manager attended the meeting to present paper F, an update on the results, recommendations and actions from the 2012-13 PbR Clinical Coding Audit. They provided a brief background on the HRGs that were audited as part of the PbR Audit, highlighting that the audit results were disappointing but not unexpected due to the nature of the sample of clinical spells selected by the Commissioners. Another PbR audit had been confirmed in 2013-14 and it had been agreed with Commissioners to jointly select the spells that would be audited.

The Assistant Director of Information noted the need for restructuring of the Clinical Coding Team and the need for succession planning as the Clinical Coding Manager would be retiring in June 2014.

An extensive discussion took place on the way forward in respect of clinical coding and the following points were agreed:-

- (a) the need for Clinicians to be increasingly involved in the clinical coding process, and
- (b) consideration to be given in respect of the role the Medical Director could play in leading this clinical engagement process. The Committee Chair agreed to discuss the accountability of Clinicians for coding accuracy and the Medical Director's role in fostering greater clinical engagement in clinical

ADI/CCM

Chair

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coding at the Trust Board in September 2013.

Resolved – that (A) the contents of paper F be received and noted;

(B) the Assistant Director of Information and the Clinical Coding Manager be requested to ensure that Clinicians were involved in the clinical coding process, and

ADI/CCM

(C) the Committee Chair to discuss the accountability of Clinicians for coding accuracy and the Medical Director's role in fostering greater clinical engagement in clinical coding at the Trust Board in September 2013.

Chair

55/13 LOCAL SECURITY MANAGEMENT ARRANGEMENTS

Further to Minute 40/13 of 28 May 2013, the Director of Safety and Risk and the Risk and Safety Manager attended to present paper G, an overview of the security management arrangements in the Trust. The Chief Nurse had been nominated to NHS Protect to fulfil the role of Security Management Director. The annual crime profile had been completed and a self assessment against the NHS Protect security standards had been undertaken. The Local Security Management Specialist post had been advertised and an appointment was expected to be made by November 2013.

In discussion on the options for delivering security training arrangements, it was noted that consideration was being given to in-house and computer based training. Negotiations were on-going in respect of extending the training contract with Leicestershire Partnership NHS Trust until end of December 2013.

In discussion on the number of assaults against staff reported, the Director of Safety and Risk advised that currently a like for like comparison was not possible due to differences in data collection processes used previously. However, trend data would be available from April 2014 onwards.

Resolved – that the contents of paper G be received and noted.

56/13 UHL RISK REPORT INCORPORATING THE BOARD ASSURANCE FRAMEWORK FOR THE PERIOD 1 JUNE 2013 – 31 JULY 2013

Paper H provided the Audit Committee with an overview of significant risks impacting upon the Trust. There were currently 22 high risks and one extreme risk open on the UHL risk register with two new high risks opened during the reporting period.

Responding to a query from Mr R Kilner, Non-Executive Director in respect of risk 4 and the imminent Trust's Clinical Divisional restructure, it was noted that the risk assessment had been undertaken by the Chief Operating Officer and would be included in a report scheduled to be presented to the Trust Board in September 2013.

COO

In discussion on the processes in place after a risk was closed (i.e. when the current risk score met the target risk score), the Risk and Safety Manager advised that although the risk would be closed and removed from the Board Assurance Framework report, the control measures would be monitored and any issues would be reported/escalated. However, members noted the need for consideration to be given to whether the original risk had changed prior to closing the risk and whether a new risk instead had to be opened and included on the Board Assurance Framework.

RSM

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Resolved – that (A) the contents of paper H be received and noted;

(B) consideration be given to the risk assessment relating to the imminent Trust’s Clinical Divisional restructure being included in a report to the Trust Board in September 2013, and

COO

(C) the Corporate Risk Team be requested to liaise with appropriate colleagues prior to closing the risk (when the current risk score met the target risk score), to consider whether the original risk had changed and whether a new risk should be opened and included on the Board Assurance Framework instead.

RSM

57/13 REPORT ON HOW THE NEW PROCESSES OUTLINED IN THE RISK MANAGEMENT POLICY ARE OPERATING ‘WARD TO BOARD’

Paper I provided assurance that the processes described in the UHL Risk Management policy were being implemented across the Trust. An example of a Corporate Medical Directorate ‘high risk’ was provided to show the evidence of the initial assessment, the risk assessment being discussed and approved by the Corporate Medical Board and being entered onto the UHL risk register. The Committee Chair queried the reason for the ‘Ward to Board’ example of a fairly recent risk – in response, the Risk and Safety Manager advised that the revised risk management policy had been launched on 1 June 2013 and since then there had been a lack of consistent compliance with the policy and Divisions had been challenged by the Corporate Risk Team and the Executive Team (ET) to meet the new policy requirements.

The following was noted in particular:-

- (a) greater challenge around the accuracy of the risk score was resulting in a reduction in the numbers of risks falling into the extreme/high category;
- (b) the ET received monthly reports of all extreme/high risks and also received a twice yearly report of all moderate risks enabling the ET to challenge members in relation to issues relating to elapsed action completion dates and risk review dates, and
- (c) the Corporate Risk team would continue to provide constructive feedback to Divisional and Corporate Directors/Managers in relation to the effectiveness of local Boards in the management of risk.

In discussion on the presentation of the Divisional risk registers to the Audit Committee, it was suggested that when the Clinical Management Group (CMG) structures were in place, two CMGs (one CMG which was a good performer and one CMG which required support) be invited to attend the Audit Committee meeting to present their risk registers. However, the Committee Chair suggested that the process to invite CMGs should be agreed outwith the meeting. The Committee Chair requested that timescale be assigned for completion of the actions detailed in section 4 of paper I (areas for further development) and a report on implementation of actions be provided at the Audit Committee meeting in November 2013.

**DSR/RAM/
RSM**

Resolved – that (A) the contents of paper I be received and noted, and

(B) timescales for completion of the actions detailed in section 4 of paper I (areas for further development) be assigned and a report on implementation of actions be provided at the Audit Committee meeting in November 2013.

**DSR/RAM/
RSM**

58/13 FINANCE – STRATEGIC AND OPERATIONAL ISSUES

58/13/1 Discretionary Procurement Actions

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Paper J outlined the discretionary procurement actions for the period June-August 2013 in line with the Trust's Standing Orders.

Resolved – that the contents of paper J be received and noted.

58/13/2 Internal Audit Review of Reference Costs in 2013-14

The Director of Finance and Business Services reported orally and highlighted that at the Finance and Performance Committee on 26 June 2013 (Minute 61/13 refers), it had been noted that the Trust's reference costs submission 2013 had been submitted without the benefit of prior Internal Audit review. The Audit Committee had been invited to consider requesting Internal Audit to review the Trust's next reference costs return, prior to formal submission. In discussion on this matter, the Audit Committee agreed that this would be appropriate. Ms C Wood, Internal Auditor agreed to scope this work highlighting that some other already scheduled reviews might need to be deferred. Mr R Kilner, Non-Executive Director commented that the review of the reference costs 2013-14 would not need to be undertaken until April/May 2014. Ms C Wood agreed to liaise with the Director of Finance and Business Services and submit a proposal at the next Audit Committee meeting in November 2013.

IA

Resolved – the (A) the verbal update be noted, and

(B) Internal Audit be requested to submit a proposal to the Audit Committee in November 2013 in respect of a review of the Trust's 2013-14 reference costs return prior to formal submission.

IA

58/13/3 Implementation of External Audit – Recommendations

The Financial Controller reported verbally advising that progress was being made against all of the recommendations raised in External Audit's ISA 260 report on the Trust's annual accounts 2012-13. In respect of the nature of the recommendations, these were due for full implementation by year-end.

The Financial Controller provided an example advising that the recommendations included within the Annual Audit Letter 2013-14 stated that financial services should become more involved at an appropriately early stage of contract discussion so that the relevant financial accounting implications of such agreements could be confirmed prior to the agreements being signed. He highlighted that this was being taken forward on an ongoing basis by Finance staff attending key forums where contracts were discussed, such as the MBP Commercial Sub Board and the MBP Transformation Sub Board meetings.

An increasing number of requests were being received by the Finance team in respect of contractual and VAT related issues. The Team were also involved in the Trust's Estates reconfiguration project, which included planning processes, budgeting and CIP schemes, and the processes for these were all currently being reviewed.

Other External Audit recommendations related to analytical reviews, off payroll arrangements and contract developments. These would be reviewed as part of the month 6 accounting submission to the NHS Trust Development Authority – implications would be considered and projected forward to the year-end. A further update would be provided to the Audit Committee in November 2013.

FC

Resolved – that the verbal update be received and noted and a further update on the implementation of External Audit recommendations be provided to the Audit Committee in November 2013.

FC/TA

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58/13/4 UHL's Financial Position 2013-14 – forthcoming meeting with Finance Director, NHS Trust Development Authority (NTDA)

The Director of Finance and Business Services reported orally and made Audit Committee members aware of a Trust meeting with the Finance Director of the NTDA on 12 September 2013 to discuss current year financial performance and the Trust's recovery plan. It was noted that the report submitted to the NTDA for this purpose would be circulated to Audit Committee members, for information.

DFBS

Resolved – that the report submitted to the NTDA (ahead of the Trust's meeting with them on 12 September 2013) be circulated to Audit Committee members, for information.

DFBS

59/13 ITEMS FROM INTERNAL AUDIT

59/13/1 Internal Audit Progress Report

The Internal Audit Manager presented paper K, a report outlining progress with the implementation of the internal audit plan for 2013-14 and provided an update on the implementation of audit recommendations. Agreed audit actions were tracked through the electronic database, Traction – the Internal Audit Manager highlighted that improvements could be made in the usage of this database.

Responding to a query from Mr R Kilner, Non-Executive Director, it was noted that the bank and agency staff review was due to commence shortly and further information would be available for the Audit Committee in November 2013.

IA

The Committee Chair noted that, out of the 24 overdue outstanding actions, 9 were 'medium risk' and 2 were 'high risk' – she requested that future such reports included an update on how risks were mitigated, pending implementation of the agreed actions.

IA

In respect of an overdue action in respect of updating of the Treasury Management Strategy, it was noted that, due to the slippage of the FT timeline, this had not yet been approved by the Trust Board.

Mr P Panchal, Non-Executive Director requested that recent PwC publications which were referenced in appendix 4 be circulated to all Non Executive Directors for information.

IA

Resolved – that (A) the contents of paper K, Internal Audit progress report for 2013-14 be received and noted, and

(B) Internal Audit be requested to:-

IA

- (i) **provide an update on the bank and agency staff review to the Audit Committee in November 2013;**
- (ii) **include an update on mitigation of risks, pending implementation of the agreed actions in future Internal Audit progress reports to the Committee, and**
- (iii) **to circulate the PwC publications referenced in paper K – appendix 4 to all Non Executive Directors, for information.**

60/13 ITEMS FROM EXTERNAL AUDIT

60/13/1 External Audit Progress Report

Paper L detailed the External Audit progress report. External Auditors had

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commenced planning work for 2013-14 audits and were meeting with key officers at the Trust on a monthly basis to identify any significant issues that would contribute to the planning approach. Responding to a query from the Committee Chair in respect of the consolidation of the NHS Charitable Funds, the Financial Controller advised that work was in progress to present the information in the accounts in an appropriate way. Responding to a suggestion, the External Audit representative agreed to circulate the technical updates referenced in the progress report to all Non Executive Directors for information.

EA

Resolved – that (A) the contents of paper L be received and noted, and

(B) External Audit be requested to circulate the technical updates referenced in the progress report to all Non Executive Directors for information.

EA

61/13 Report from the Director of Corporate and Legal Affairs

Resolved – that this Minute be classed as confidential and taken in private accordingly.

62/13 **MINUTES FOR INFORMATION AND DISCUSSION**

62/13/1 Quality Assurance Committee

Resolved – that the Minutes of the Quality Assurance Committee meetings held on 21 May 2013 (paper O refers), 18 June 2013 (paper O1 refers) and 23 July 2013 (paper O2 refers) be received and noted.

62/13/2 Finance and Performance Committee

Resolved – that the Minutes of the Finance and Performance Committee meeting held on 29 May 2013 (paper P refers), 26 June 2013 (paper P1 refers) and 24 July 2013 (paper P2 refers) be received and noted.

63/13 **ANY OTHER BUSINESS**

Resolved – that there were no items of any other business.

64/13 **IDENTIFICATION OF KEY ISSUES THAT THE COMMITTEE WISHES TO DRAW TO THE ATTENTION OF THE TRUST BOARD**

Resolved – that the following items be brought to the attention of the Trust Board:-

- accountability of Clinicians for coding accuracy and the Medical Director's role in fostering greater clinical engagement in clinical coding (Minute 54/13 refers), and
- discussion under Minute 61/13.

Chair

DCLA

65/13 **DATE OF NEXT MEETING**

Resolved – that (A) the next meeting of the Audit Committee be held on Tuesday, 12 November 2013 from 10:30am in the Board Room, Victoria Building, Leicester Royal Infirmary, and

(B) it be noted that this meeting would be preceded by a private meeting between the Audit Committee Chair and the Non-Executive Director members at 10:00am, with representatives from Internal and External Audit to attend from 10:15am in the Committee Room, Victoria Building, Leicester Royal Infirmary.

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The meeting closed at 12:40pm.

Hina Majeed, **Trust Administrator**

Cumulative Record of Members' Attendance (2013-14 to date):

Name	Possible	Actual	% attendance
K Jenkins (Chair)	3	3	100%
R Kilner	3	2	66%
I Reid *	2	2	100%
P Panchal	1	1	100%

Attendees

Name	Possible	Actual	% attendance
S Hinchliffe **	1	1	100%
A Seddon	3	3	100%
S Ward	3	3	100%
R Overfield	1	1	100%



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University Hospitals of Leicester NHS Trust

Annual Audit Letter 2012-13

July 2013

The contacts at KPMG in connection with this report are:

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This report is addressed to University Hospitals of Leicester NHS Trust (the Trust) and has been prepared for the sole use of the Trust. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Bostock who is the engagement lead to the Trust or Trevor Rees, the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. You can contact the Complaints Unit by phone (0844 798 3131), by email (complaints@audit-commission.gov.uk), through the audit commission website (www.audit-commission.gov.uk/aboutus/contactus), by textphone/ minicom (020 7630 0421), or via post to Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR.

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2012-13 audit at 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 these issues to external stakeholders, such as members of the public. It is the responsibility of the Trust to publish the letter on the Trust's website at www.leicesterhospitals.nhs.uk

In the letter we highlight areas of good performance and also provide recommendations to help the Trust improve performance. We have included a summary of our key recommendations in Appendix A. We have reported all the issues in this letter to the Trust during the year and we have provided a list of our reports in Appendix B.

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) which requires us to report on:

Use of Resources (UoR)	<ul style="list-style-type: none"> ■ We conclude on the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Trust's use of resources.
Financial Statements including the Annual Governance Statement	<ul style="list-style-type: none"> ■ We provide an opinion on the Trust's accounts. That is whether we believe the accounts give a true and fair view of the financial affairs of the Trust and of the income and expenditure recorded during the year. ■ We also confirm that the Trust has complied with the Department of Health (DoH) requirements in the preparation of its Annual Governance Statement. We provide a certification to the National Audit Office (NAO) to provide assurance on inputs to the DoH's Resource Accounts. We also confirm that the balances you have prepared for consolidation into the Whole of Government Accounts (WGA) are not inconsistent with our other work.

The Audit Commission also mandated its appointed auditors to carry out assurance work on the 2012-13 quality accounts, as part of their duties under section 5(1) of the Audit Commission Act 1998. We provide a limited assurance opinion on the Trust's report against the guidance, their consistency with other specified documentation and over detailed testing on two performance indicators. The 'limited' reference relates to the limited procedures we were required to complete rather than any limitations on the assurance opinion given.

Adding value from the External Audit service

We have added value to the Trust from our service throughout the year through our:

- Proactive and pragmatic approach to issues arising in the production of the financial statements to ensure that our opinion is delivered on time;
- Attendance at meetings with members of the Executive Team and Audit Committee to present our audit findings, broaden our knowledge of the Trust and to provide insight from sector developments and examples of best practice;
- Review of general IT controls in place at the Trust highlighting any control weaknesses and areas for improvement; and
- Building a strong and effective working relationship with Internal Audit to maximise assurance to the Audit Committee, avoid duplication and provide value for money.

Fees

Our fee for the audit in 2012-13 was £173,875 plus VAT. This fee was in line with that highlighted within our audit plan and was communicated during the year to the Audit Committee. We will conduct our audit of the Trust's Charity later in the year, the fee for which is £6,420 + VAT. These fees are also in line with those highlighted within our audit plan and communicated to the Audit Committee during the year.

We have completed the following pieces of non-audit work at the Trust during the year:

Review of preferred IM&T bidder	<ul style="list-style-type: none"> ■ This work included the provision of supporting advice and analysis of the data supplied by the Trust's provisionally selected Managed Business Partner. ■ The fee for this work was £20,000.
IM&T provider identification support	<ul style="list-style-type: none"> ■ This work included the provision of an independent assistant to support the Trust's IM&T Department to evaluate the bidders to a Managed Business Partner Project ITT. ■ The fee for this work was £90,000.
Refund of overpayments	<ul style="list-style-type: none"> ■ Follow-up work in relation to the provision of advice and to support compliance and the refund of PAYE, NIC and pension contribution payments made to employees after leaving their employment with the Trust. ■ The fee for this work was £10,000.

Our remuneration disclosed by the Trust during the year, also included £25,000 pertaining to work undertaken in 2011/12, relating to the provision of support for a salary sacrifice scheme. We disclosed this work in our *Audit Highlights Memorandum 2011/12*.

Overall financial results and other key messages

- The Trust's final year-end position was a surplus, after technical accounting adjustments, of £91,000 for the period. The Trust achieved Cost Improvement Plans (CIPs) of £26.8m (from a total of £32m or 83.8%), or 3.5% of its revenue. The Trust also received significant sums of non-recurrent income in part due to emergency activity pressures during the year. Whilst the Trust has secured some of this type of income in next year's contracts, the Trust cannot rely on significant sums of non-recurrent income to deliver its future plans and will need to deliver its CIP plans in full.
- The Care Quality Commission (CQC) took enforcement action against the Trust during 2012-13. It issued warning notices in April 2012 and June 2012, relating to Leicester Royal Infirmary. The Trust complied with both warning notices during the required time frame. The Trust was also subject to a special review by the CQC relating to the termination of pregnancies in May 2012. The Trust undertook immediate remedial action to address requirements reported and this resulted in a judgement of compliance by the CQC.
- The Trust did not meet the following performance targets:
 - **Cancer target** – The Trust narrowly missed the 62 day referral to treatment target, achieving a year-end position of 84.4% vs. the 85% threshold.
 - **Referral to treatment (RTT) delivery in all specialities** – The Trust continues to develop plans to reduce its backlog by carrying out additional work in 2013-14.
 - **Emergency Department four hour waiting time (95% threshold vs. 91.9% performance)** - The Trust met the 95% target in only three out of 12 months in year. The Trust continues to invest in and develop action plans to mitigate pressures in the Emergency Care system.

Whilst we identified appropriate actions taken and evidence of improvement, the Trust needs to embed the lessons learnt across the organisation from critical reviews and improving performance.

Use of Resources

- Auditors are required to give their statutory Value for Money (VfM) conclusion based on two criteria specified by the Audit Commission. These consider whether the Trust has proper arrangements in place for:
 - **Securing financial resilience:** looking at the Trust's financial governance, financial planning and financial control processes; and
 - **Challenging how it secures economy, efficiency and effectiveness:** looking at how the Trust is prioritising resources and improving efficiency and productivity.
- We followed a risk based approach to target audit effort on the areas of greatest audit risk. We considered the arrangements put in place by the Trust to mitigate these risks and planned our work accordingly. Our VfM opinion was informed by our:
 - structured risk based assessment of the Trust's general VfM arrangements; and
 - data quality and indicator testing, in respect of your Quality Account.
- We concluded that the Trust has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

<p>Financial Statements including the Annual Governance Statement</p>	<ul style="list-style-type: none"> ■ We issued an unqualified opinion on the Trust’s accounts on 7 June 2013. This means that we believe the accounts give a true and fair view of the financial affairs of the Trust and of the income and expenditure recorded during the year. ■ We are pleased to report that there were no unadjusted audit differences other than those which we deem to be immaterial and no adjusted audit differences. We identified a number of minor presentational issues during our audit and these have all been amended by the Trust. There were no significant matters which we were required to report to ‘those charged with governance’. ■ We have also confirmed that the Trust had complied with the Department of Health requirements in the preparation of the Trust’s Annual Governance Statement. No significant adjustments were required to the Annual Governance Statement. ■ We received the majority of working papers in line with the agreed timetable, with the exception of the analytical reviews which we did not receive until 21 May 2013, and were initially of insufficient quality to enable us to place reliance on them as part of our audit evidence. ■ The draft accounts were to a good standard, and the accounting policies, accounting estimates and financial statement disclosures were in line with the requirements of the Department of Health.
<p>Recommendations</p>	<ul style="list-style-type: none"> ■ The Trust has made good progress in implementing our agreed audit recommendations from prior years. Of the six recommendations made in 2011-12, the Trust had fully implemented three of them. Of the remaining three, all of which were assessed as low risk, two were partially implemented with work on-going, and one was superseded by a new recommendation. ■ There were five new recommendations arising from our 2012-13 audit work, one of which we assessed as high risk. We have summarised these in Appendix A.
<p>Whole of Government Accounts</p>	<ul style="list-style-type: none"> ■ We issued an unqualified Group Audit Assurance Certificate to the National Audit Office on 7 June 2013 regarding the Whole of Government accounts submission. ■ We were required to report any inconsistencies we have identified greater than £250,000 between the signed audited accounts and the consolidation data. We were also required to report the details of any identified unadjusted errors or uncertainties in the data provided for intra-group and intra-government balances and transactions. In applying this approach we were not required to report any differences where mismatches appeared on the Department of Health’s report and where we had obtained sufficient, appropriate evidence to confirm that the Trust’s figure was correct. ■ We provided details of the nine exceptions identified in the report above the <i>de minimis</i> limit in our <i>Audit Highlights Memorandum 2012-13</i>. The Trust confirmed that it expected that changes to the next iteration of balance information would eliminate these inconsistencies greater than £250,000.

Quality Accounts

From our mandated work on the Trust's Quality Account:

- The Trust achieved a limited assurance opinion on compliance with the Quality Accounts Regulations.
- The Trust achieved a limited assurance opinion on consistency with other specified information.
- The Trust achieved a limited assurance opinion on the indicators in the quality account.

The 'limited' reference relates to the limited procedures we were required to complete rather than any limitations on the assurance opinion given. Achieving a limited assurance opinion is the highest possible level of assurance available.

Detailed testing was undertaken on two of the performance indicators included in the quality account. The two indicators tested were:

- Mandated indicator: Percentage of patient safety incidents resulting in severe harm or death.
- Local indicator: Number of Clostridium difficile infections ("CDIs"), for patients aged two or more on the date the specimen was taken.

We reported a completeness risk at every Trust relating to the data collected for patient safety incidents as it relies on every incident being reported (as the denominator). The nature of the indicator means it is not possible to obtain sufficient audit assurance that the data used to calculate the indicator is complete. We also noted that the indicator relies heavily on clinical judgements in the classification of an incident as "severe harm". Within the scope of this engagement we have not deployed clinical expertise to challenge and assess these judgements there is therefore an inherent uncertainty in the presentation of the indicator.

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. We did not issue any public interest reports in the year.

No.	Risk	Issue, Impact and Recommendation
1	1	<p>Contracts</p> <p>The Trust has entered into a number of new contractual agreements during the year regarding a range of outsourced services, including those relating to IM&T and the facilities management outsourcing.</p> <p>We had planned to review these contracts and their associated accounting treatment as part our interim work. However, the Finance Services Team did not receive sufficient and appropriate information to enable them to assess such contracts against IFRS requirements until March 2013.</p> <p>The Trust should ensure that there is involvement from the Financial Services Team at an appropriately early stage of the contract discussions so that the relevant financial accounting implications of such agreements can be confirmed prior to agreements being signed.</p> <p>Additionally, the Trust should ensure that sufficient and appropriate documentation and contract information is provided to the Finance Team in a timely manner to enable a timely evaluation of accounting treatment to be undertaken in reference to provided evidence.</p> <p>This will ensure the timely provision of sufficient and appropriate audit evidence.</p> <p>Update</p> <p>The Trust has subsequently taken a number of actions to address this issue. Finance has strengthened its presence and oversight of contractual developments arising from the Trust's current reconfiguration projects, for example through attendance at the Commercial and Transformation Sub Board meetings. They aim to provide guidance on the potential accounting implications and consider any financial statement implications arising from new transactions.</p>

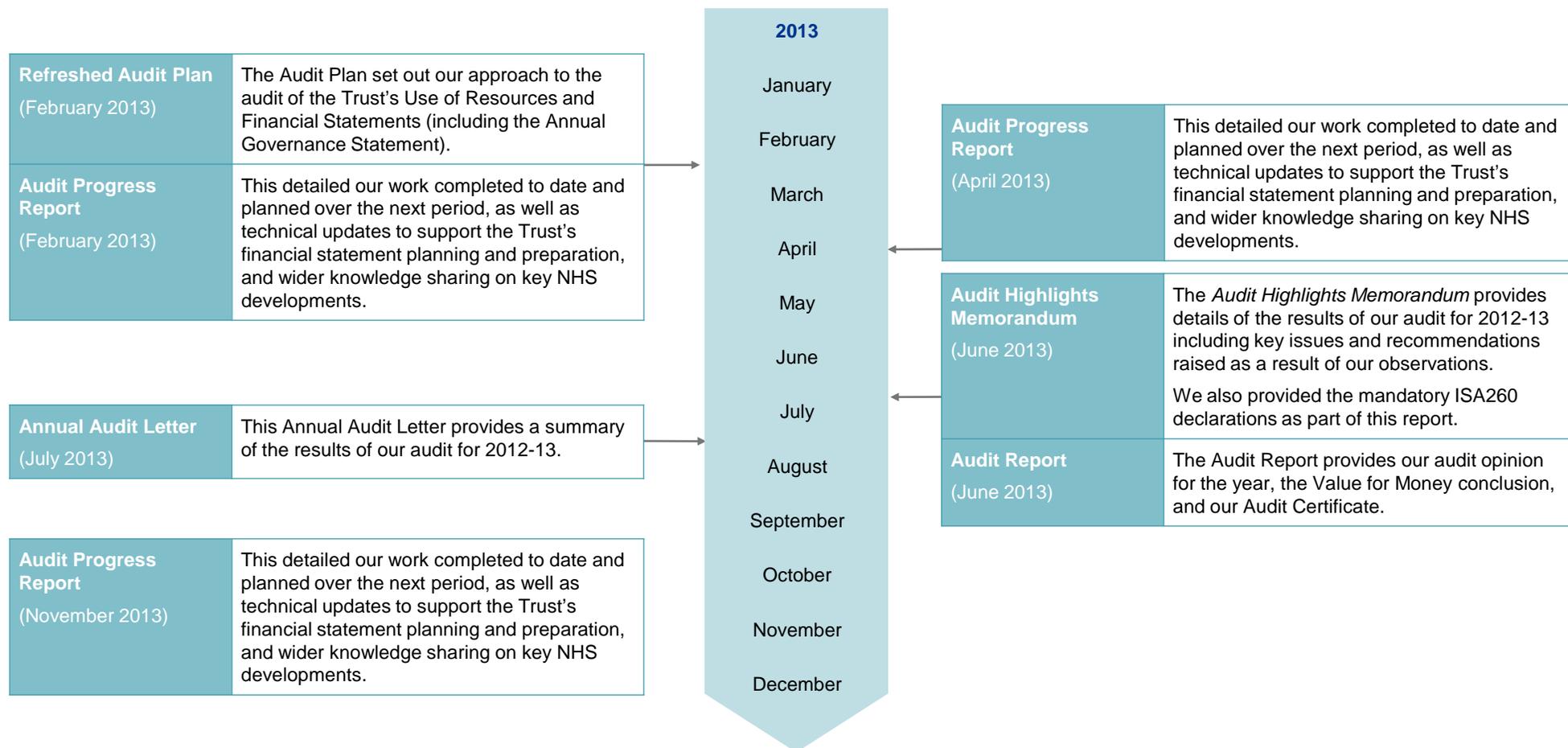
We also raised four medium recommendations in the year concerning:

Financial Resilience – to help strengthen the Trust's development of Service Line Management, embed more robust financial reporting on CIP schemes, as well as ensuring schemes are regularly risk assessed to understand the ongoing potential impact on clinical quality and outcomes.

Contracts – to ensure that the Trust evaluates new contracts and where services evolve. This will help ensure that if any sub-leases and capital spend clauses are activated, the Trust obtains relevant information and reviews this on a timely basis to ensure that the accounting treatment and disclosures remain appropriate.

Off-Payroll Arrangements – to ensure that the Trust maintains a central record of all individuals not paid through the payroll system.

Analytical Reviews – to ensure that all analytical review working papers to support the audit are available to a consistently high standard and quality by the start of the onsite work.





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