

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

**DATE OF TRUST BOARD MEETING: 25 September 2014**

**COMMITTEE: Audit Committee**

**CHAIRMAN: Colonel (Retired) I Crowe, Non-Executive Director**

**DATE OF COMMITTEE MEETING: 2 September 2014**

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

- draft 2013-14 Annual Audit Letter (Minute 51/14 refers), and
- the future presentation of Charitable Funds Committee Minutes to the Audit Committee (Minute 52/14 refers).

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

- the Trust's zero tolerance policy to cases in relation to fraud, bribery, corruption and abuse of position (confidential Minute 57/14/2 refers), and
- the interim position statement from Internal Auditors in respect of the Trust's DTOC position (Minute 60/14/2 refers).

**DATE OF NEXT COMMITTEE MEETING: 6 November 2014**

**Colonel (Retired) I Crowe  
19 September 2014**

**UNIVERSITY HOSPITALS OF LEICESTER NHS Trust**

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON  
TUESDAY 2 SEPTEMBER 2014 AT 9:30AM IN THE CORPORATE MEETING ROOM, BALMORAL  
BUILDING, LEICESTER ROYAL INFIRMARY**

**Present:**

Mr I Crowe – Non-Executive Director (Chair)

Mr P Panchal – Non-Executive Director

**In Attendance:**

Miss M Durbridge – Director of Safety and Risk (for Minutes 58/14-59/14 inclusive)

Ms S Hotson - Director of Clinical Quality (for Minute 61/14/2)

Mrs H Majeed – Trust Administrator

Mr R Manton – Risk and Safety Manager (for Minutes 58/14-59/14 inclusive)

Ms S Priestnall – Information Manager (for Minute 56/14/2)

Mr J Roberts – Assistant Director of Information (for Minute 56/14/2)

Mr S Sheppard – Acting Director of Finance

Mr N Sone – Financial Controller

Ms T Jones – Head of Communications (for Minute 56/14/3)

Mr S Ward – Director of Corporate and Legal Affairs

Mr M Curtis – Local Counter Fraud Specialist (East Midlands Internal Audit Services) (until and including Minute 57/14/3)

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

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

Ms A Breadon – Head of Internal Audit, PwC (the Trust's Internal Auditor)

Ms J Watson – Internal Audit Manager, PwC (the Trust's Internal Auditor)

**RECOMMENDED ITEM**

**51/14      2013-14 ANNUAL AUDIT LETTER**

Paper P detailed the draft Annual Audit Letter 2013-14 and summarised the key issues arising from KPMG's 2013-14 audit of the Trust, highlighting areas of good performance and recommendations.

**Recommended** – that the contents of the draft 2013-14 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.

**52/14      ASSURANCE GAINED FROM OTHER COMMITTEES ON KEY RISKS/ISSUES OF THE TRUST**

The Committee Chair noted that the minutes of the Quality Assurance Committee and Finance and Performance Committee were presented to the Audit Committee. He requested that the minutes of the Charitable Funds Committee be also presented to the Audit Committee, for assurance. The Internal Auditors noted the need for this decision to be approved by the Trust Board as Corporate Trustee. Mr P Panchal, Non-Executive Director queried the scope for Audit Committee oversight of Executive Team minutes, it was agreed that Internal Audit would review this option at a future date.

**AC Chair**

**Recommended** – the Audit Committee Chair to recommend the Trust Board to approve the submission of the Charitable Funds Committee minutes to the Audit Committee, for assurance.

**AC Chair**

## RESOLVED ITEMS

## ACTION

### 53/14 PRIVATE DISCUSSIONS WITH BOTH SETS OF AUDITORS

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

### 54/14 APOLOGIES

Apologies for absence were received from Mr J Adler, Chief Executive; Mr A Bostock, External Audit; Dr S Dauncey, Non-Executive Director and Ms N Shaw, Internal Audit.

### 55/14 MINUTES

**Resolved** – that the Minutes of the meeting held on 27 May 2014 (papers B and B1 refer) be confirmed as a correct record.

### 56/14 MATTERS ARISING FROM THE MINUTES

56/14/1 The Committee Chair selected the following key actions from paper C and members reported on progress:-

- (a) Minute 45/14/2 (b) of 27 May 2014 (Review of funding arrangements around overseas patients commissioned by the Leicester City CCG) – the Acting Director of Finance advised that initial discussion had taken place with Ms M Iliffe, Chief Financial Officer, Leicester City CCG. He undertook:-
- (a) to confirm whether the draft audit plan for this review was satisfactory, and
  - (b) to seek confirmation from the Leicester City CCG that this audit would be funded by them.
- (b) Minute 28/14/3 (a) of 15 April 2014 – Internal Auditors to liaise with Mr Panchal, Non-Executive Director before end of September 2014 re. the testing on charitable funds transactions.

**Resolved** – that the matters arising report (paper C) and the actions now required, as detailed above, be noted.

56/14/2 Update on Clinical Coding (Minute 10/14 of 7 March 2014)

Further to Minute 10/14 of 7 March 2014, the Assistant Director of Information and the Information Manager attended the meeting to present paper D, an update on developments with improving the quality of clinical coding.

The Information Manager advised that the staffing levels in the clinical coding team were under constant review and all opportunities to recruit were being explored. Opportunities were being extended to incorporate an apprentice role and trainee posts. A business case for additional coders had been submitted to the Revenue Investment Committee and the Finance and Performance (F&P) Committee – a financial investment of £210k to appoint 13 additional coders in 2015-16 had been approved by the F&P Committee on 27 August 2014. The Acting Director of Finance suggested that consideration be given to recruiting band 2 placement students/graduates as Clinical Coders and developing their skill set. Responding to a query regarding depth and backlog of coding, it was noted that the backlog of uncoded spells rarely went below 9000 and for areas with a small high-cost volume, the backlog was kept to a minimum with coding being undertaken as soon as the

casenotes were made available.

The Trust had purchased the EPS monthly coding review tool which would highlight inconsistencies in coding thereby allowing early correction of any errors. The data extract required to populate this coding review tool was currently with IM&T for rapid development. It was noted that many of the coding issues would be resolved once the Electronic Patient Record system was in place.

The Assistant Director of Information and the Information Manager were requested to provide an update to the Audit Committee in November 2014 on the outcome of their discussion with the Director of Strategy about the plans to eliminate the coding backlog.

ADI/IM

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

**(B) the Assistant Director of Information to give consideration to recruiting band 2 placement students/graduates as Clinical Coders and developing their skill set, and**

ADI

**(C) the Assistant Director of Information and the Information Manager to provide an update to the Audit Committee in November 2014 on the outcome of their discussion with the Director of Strategy about the plans to eliminate the coding backlog.**

ADI/IM

56/14/3 Update on processes for checking the content being posted on INsite

Further to Minute 23/14/4 of 15 April 2014, the Head of Communications attended the meeting to present paper E, assurance on how content on INsite was controlled and approved.

The Audit Committee Chair queried the controls on ‘publication rights’, i.e. on who was authorised to add material to INsite and whether this was reviewed annually and if any refresher training was in place – in response, the Head of Communications advised that if the publisher had not logged on for 6 months then the publisher rights would expire and the member of staff would be required to undertake refresher training. However, she noted that refresher training had not been routinely built in and she undertook to liaise with colleagues in IM&T and HR in respect of this matter.

HoC

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

**(B) the Head of Communications to liaise with colleagues in IM&T and HR in respect of refresher training at appropriate intervals being built in for staff who were authorised to add material to the Trust’s intranet (INsite).**

HoC

57/14 **ITEMS FROM THE LOCAL COUNTER FRAUD SPECIALIST**

57/14/1 Local Counter Fraud Specialist (LCFS) Progress Report

Paper E provided assurance regarding the actions taken to mitigate the risk of fraud, bribery or corruption within the Trust. Mr M Curtis, Local Counter Fraud Specialist advised that performance was on target in respect of the contract. He had submitted the Self Review Tool (SRT) to NHS Protect in July 2014 as part of their quality assurance. The SRT provided NHS Protect with an overview of the work that had been completed against each standard within the Standards for Providers. In discussion, the Acting Director of Finance undertook to liaise with the Director of Corporate and Legal Affairs, LCFS and PwC colleagues and establish a system of tracking outstanding actions from the LCFS Self-Review Tool (SRT) against each standard and then feedback to the Audit Committee Chair re. how these actions would be monitored

ADF

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

(B) the Acting Director of Finance to liaise with the Director of Corporate and Legal Affairs, LCFS and PwC colleagues and establish a system of tracking

ADF

outstanding actions from the LCFS Self-Review Tool (SRT) against each standard within the Standards for Providers and then feedback to the Audit Committee Chair re. how these actions would be monitored.

57/14/2 Report from the Local Counter Fraud Specialist Progress Report

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

57/14/3 Report from the Local Counter Fraud Specialist Progress Report

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

**58/14 UHL RISK REPORT INCORPORATING THE BOARD ASSURANCE FRAMEWORK FOR THE PERIOD 1 MAY 2014 – 31 AUGUST 2014**

The Director of Safety and Risk and the Risk and Safety Manager attended the meeting to present paper I, an overview of the development of the UHL 2014-15 BAF and assurance in relation to the effectiveness of risk management processes within UHL.

The Director of Safety and Risk advised that following revision of UHL's 2014-15 strategic objectives and the approval of the five year integrated business plan, a revised suite of principal risks were worked up through the Executive Team culminating in a fully developed 2014-15 BAF. In line with the UHL Risk Management Policy, extreme and high risks on the UHL risk register continued to be reviewed on a monthly basis at CMG Board level and reported to the Executive Team.

The Committee Chair advised that sufficient assurance had been provided to indicate that effective risk management processes were in place within UHL, however noted the need for the BAF to be further embedded.

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

**59/14 FORMAT FOR CMG PRESENTATION FOR RISK MANAGEMENT**

The Risk and Safety Manager tabled paper J which provided slides describing the format for CMG presentations to the Audit Committee in respect of risk management. The Director of Safety and Risk advised that at operational level, the CMGs were confirmed and challenged on their risks through the monthly CMG Performance Management meetings. She suggested that the role of the Audit Committee was to seek assurance that the processes described in the UHL Risk Management policy were being implemented in the CMG. Members were requested to feedback any comments on the tabled paper to the Risk and Safety Manager by 16 September 2014.

ALL

The Director of Safety and Risk advised that colleagues in the Risk team were scheduled to attend at least two CMG Board meetings a year in order to participate in discussions of the risk register. Ms J Watson, Internal Auditor highlighted that the 2014-15 Internal Audit plan did not include any reviews on risk management – in response, the Acting Director of Finance advised that at each CMG Performance Management sessions, CMGs were required to provide an update on their risks. He

noted that a monthly cycle of such sessions would also be scheduled for the Alliance – the Committee Chair requested that this process be formalised by the Executive Team. DCLA

It was agreed that the tabled slide format be used to inform the CMG presentations for risk management at future Audit Committee meetings. CMGs to be requested to provide appropriate examples of how risks were included on their risk registers and managed in accordance with the Trust's risk management policy. DSR/RSM

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

(B) any comments on the tabled paper re. above be feedback to the Risk and Safety Manager by 16 September 2014; ALL

(C) the Director of Corporate and Legal Affairs to formalise at an Executive Team meeting that a monthly cycle of performance management sessions would be scheduled for the Alliance, and DCLA

(D) the tabled slide format be used to inform the CMG presentations for risk management at future Audit Committee meetings. CMGs to be requested to provide appropriate examples of how risks were included on their risk registers and managed in accordance with the Trust's risk management policy. DSR/RAM

## 60/14 ITEMS FROM INTERNAL AUDIT

### 60/14/1 Internal Audit Reviews

Paper K detailed the findings following the Quality Assurance Framework review. The report classification was medium risk with 10 findings reported as follows:

- 2 medium rated operating effectiveness findings;
- 4 low rated control design and 3 low rated operating effectiveness findings, and
- 1 advisory control design finding.

The Director of Corporate and Legal Affairs advised that an action plan following the review had been developed and presented to the Quality Assurance Committee (QAC) in August 2014 and would be monitored through QAC.

Responding to a query from Mr P Panchal, Non-Executive Director, the Director of Corporate and Legal Affairs confirmed that the membership of the Executive Quality Board had been revised and would now be chaired by the Chief Executive. The first meeting of the EQB (revised membership) was scheduled to be held on 9 September 2014.

Mr P Panchal, Non-Executive Director queried whether there was need for a Board-level Sub-Committee in respect of Strategy given that the Quality Assurance Committee and Finance and Performance Committee were Board-level Sub-Committees. In response, the Director of Corporate and Legal Affairs advised that Foresight Partnership had recently undertaken a review of the Board's effectiveness. The Trust Board were reviewing the board effectiveness action plan at each of its monthly meetings He also highlighted that with the new incoming Trust Chair and Non-Executive Directors, the Committee structures would be reviewed further. The Director of Corporate and Legal Affairs undertook to provide an update at the Audit Committee meeting in November 2014 on the implementation of the Board effectiveness action plan. DCLA

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

(B) the Director of Corporate and Legal Affairs to provide an update at the DCLA/TA

**Audit Committee meeting in November 2014 on the implementation of the Board effectiveness action plan.**

60/14/2 Internal Audit Progress Report

The Internal Audit Manager presented paper L, a report outlining progress with the implementation of the internal audit plan for 2014-15 and implementation of audit recommendations.

In discussion on the Delayed Transfers of Care (DTCO) review, Internal Auditors had undertaken testing on a sample of delays from the May 2014 submission back to the discharge team's records in June 2014. Currently, testing was being undertaken on agreement of this sample back to patient notes, however an update on this was not yet available. In response to a request from the Committee Chair, Internal Auditors undertook to provide an interim position statement in respect of the Trust's DTCO position to inform the Trust Board's consideration of this matter at the Trust Board meeting on 25 September 2014, pending Internal Audit finalising their DTCO report in due course.

IA

**Resolved – that (A) the contents of paper L, Internal Audit progress report for 2014-15 be received and noted, and**

**(B) Internal Audit be requested to provide an interim position statement in respect of the Trust's DTCO position to inform the Trust Board's consideration of this matter at the Trust Board meeting on 25 September 2014, pending Internal Audit finalising their DTCO report in due course.**

IA

60/14/3 Internal Audit Charter 2014-15

**Resolved – that the Internal Audit Charter 2014-15 (paper M) was approved.**

60/14/4 Internal Audit Plan 2014-15 – Reputation Audit

In respect of the partnership working review, the Internal Audit Manager advised that the Trust had provided a list of key stakeholders to interview as part of the follow up to the reputation audit previously undertaken by the Trust. These meetings were currently being held.

**Resolved – that the verbal update be noted.**

**61/14 ITEMS FROM EXTERNAL AUDIT**

61/14/1 External Audit Progress Report

Paper N detailed the External Audit progress report. External Auditors had commenced planning work for 2014-15 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. In accordance with best practice, the external audit signing role of Mr A Bostock, KPMG would now rotate to Mr J Brown, KPMG. Members noted that Mr A Bostock had signed 7 consecutive sets of UHL's accounts. Mr J Brown was scheduled to meet the Chief Executive on 23 September 2014. The External Audit Plan 2014-15 would be submitted to Audit Committee in February 2015.

EA

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

**(B) the External Audit plan 2014-15 be submitted to Audit Committee in February 2015.**

EA

61/14/2 Update re. Review of Quality Accounts

Mr D Hayward, External Auditor, presented paper O, which detailed an overview of the work undertaken to provide a limited assurance opinion on whether the Trust's

Quality Accounts had been prepared in accordance with the relevant regulations. These included results of sample testing over the preparation of two mandated performance indicators. Mrs S Hotson, Director of Clinical Quality was in attendance for this item. In response to a query, the Director of Clinical Quality advised that hard copies of the quality accounts would be available at the Annual Public Meeting on 9 September 2014. An update on the limited assurance opinion

would be included in the annual report. Responding to a query from the Committee Chair, the Director of Quality advised that the actions in the action plan had specific owners, however she had oversight on the whole action plan.

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

62/14 **FINANCE – STRATEGIC AND OPERATIONAL ISSUES**

62/14/1 Discretionary Procurement Actions

Paper Q outlined the discretionary procurement actions for the period June-August 2014 in line with the Trust's Standing Orders.

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

62/14/2 Delegated Authority Thresholds in relation to the Alliance Contract

The Acting Director of Finance advised that this item had been included on the Audit Committee agenda further to discussion at the June 2014 Finance and Performance Committee (Minute 67/14/8 refers). He advised that a report on the authorisations limits/thresholds for CMGs and Alliance would be presented to the Executive Team on 16 September 2014 and circulated to Audit Committee members, for information.

ADF

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

**(B) the Acting Director of Finance to present a report on the authorisations limits/thresholds for CMGs and Alliance to the Executive Team on 16 September 2014 and circulated to Audit Committee members, for information.**

ADF

62/14/3 Trust's Loan Application

Further to an update on the Trust's loan application to the Finance and Performance Committee in August 2014, the Acting Director of Finance advised that paper R detailed the loan application and outlined the process that would be followed between its submission and cash draw down.

The Audit Committee Chair sought assurance re. whether the approach/process to come to the conclusion of loan financing was robust. In response to this query, External Auditors advised that this was outside their remit, however they believed that due process had been followed. Mr D Sharif reiterated that External Auditors would usually review the Trust's going concern and the Audit Committee needed to seek assurance whether loan financing was the best available option for the Trust. The Acting Director of Finance confirmed that the process review would be undertaken by the NTDA.

**Resolved** – that the concerns of paper R and verbal update be noted.

62/14/4 Processes around early monitoring of debt

The Financial Controller advised that he managed the Overseas Visitors and Private Patients' income team. He would be restructuring this team to strengthen performance and set clear targets. A LiA pioneering scheme had been put in place to ensure that the Trust received income for every patient treated and that free at the point of care NHS treatment was only provided to patients who were entitled to receive it. A part of the LiA scheme was to work with GPs to improve patient documentation.

**Resolved** – that the verbal update be noted.

63/14 **ITEMS FOR INFORMATION**

63/14/1 Major Incident Annual Report

Paper S detailed the major incident annual report (annual resilience report) which detailed the improvements that had been made in relation to Emergency Preparedness within the Trust between July 2013 and July 2014. Responding to a comment from Mr P Panchal, Non-Executive Director, the Committee Chair suggested that the Emergency Planning Steering Group took consideration of cultural understanding aspects of the major incident plan in respect of the local population.

EPO

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

**(B) the Emergency Planning Steering Group to take consideration of cultural understanding aspects of the major incident plan in respect of the local population.**

EPO

63/14/2 External Auditor Appointment for 2015-16

The Director of Corporate and Legal Affairs advised that the Audit Commission had consulted the Trust on the appointment of External Auditors for 2015-16. The Trust had responded to the re-appointment of KPMG, however a formal confirmation from the Audit Commission was awaited. An update would be provided to the Audit Committee in November 2014.

DCLA

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

**(B) formal confirmation of KPMG being appointed as the Trust's External Auditors for 2015-16 be provided to the Audit Committee in November 2014.**

DCLA/TA

63/14/3 2014-15 Working Capital Strategy

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

63/14/4 Local Security Management Specialist Annual Report 2013-14

The Committee Chair advised that he was the Non-Executive Director responsible for security management. It was noted that appropriate discussions in respect of the security management workstream were held at the Security Committee. Paper U detailed the LSMS annual report for 2013-14.

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

63/14/5 Consultation on Regulations for NHS Bodies' Auditor Panels

The Director of Corporate and Legal Affairs advised that due to the closure of the Audit Commission from 2015 onwards, the Department of Health had developed

and consulted proposals for new constitutional requirements for the Audit Committees of NHS Trusts. The DoH had published the consultation outcome response regarding those proposals. The guidance following the consultation would be published in the first quarter of 2015.

**Resolved** – that the verbal update be noted.

#### **64/14 MINUTES FOR INFORMATION AND DISCUSSION**

##### **64/14/1 Quality Assurance Committee**

**Resolved** – that the Minutes of the Quality Assurance Committee meetings held on 28 May 2014 (paper V refers), 25 June 2014 (paper V1 refers) and 30 July 2014 (paper V2 refers) be received and noted.

##### **64/14/2 Finance and Performance Committee**

**Resolved** – that the Minutes of the Finance and Performance Committee meeting held on 28 May 2014 (paper W refers), 25 June 2014 (paper W1 refers) and 30 July 2014 (paper w2 refers) be received and noted.

#### **65/14 ANY OTHER BUSINESS**

##### **65/14/1 UHL's Relationship with Interserve and NHS Horizons**

Mr P Panchal, Non-Executive Director queried whether there was a possibility of undertaking an independent examination of the Trust's relationship with NHS Horizons given that there had been a change in the management structure. In response, the Director of Corporate and Legal Affairs advised that he would liaise with Internal Auditors in respect of the scope of the 'Review of NHS Horizons' which had been scheduled within the 2014-15 Internal Audit plan.

**DCLA**

**Resolved** – that the Director of Corporate and Legal Affairs to liaise with Internal Auditors in respect of the scope of the 'Review of NHS Horizons' which had been scheduled within the 2014-15 Internal Audit plan.

**DCLA**

#### **66/14 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:-

- External Audit Letter 2013-14 (Minute 51/14 refers);
- the presentation of Charitable Funds Committee minutes to the Audit Committee (Minute 52/14 refers);
- the Trust's zero tolerance policy to cases in relation to fraud, bribery, corruption and abuse of position (confidential Minute 57/14/2 refers), and
- interim position statement from Internal Auditors in respect of the Trust's DTOC position (Minute 60/14/2 refers).

**AC Chair**

#### **67/14 DATE OF NEXT MEETING**

**Resolved** – that (A) the next meeting of the Audit Committee be held on Thursday, 6 November 2014 from 9:00am- 11:30am, 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 8:30am, with representatives from Internal and External Audit to attend from 8:45am.

The meeting closed at 12:13pm.

Hina Majeed, Trust Administrator

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

Name	Possible	Actual	% attendance
K Jenkins (Chair)	2	2	100%
I Crowe	3	2	66%
P Panchal	3	3	100%

**Attendees**

Name	Possible	Actual	% attendance
P Hollinshead	2	2	100%
S Ward	3	3	66%
R Overfield	3	1	50%
S Sheppard	1	1	100%



**KPMG LLP**  
**Infrastructure, Government & Healthcare**  
One Snow Hill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
United Kingdom

Tel +44 (0) 121 232 3000  
Fax +44 (0) 121 232 3500  
DX 709850 Birmingham 26

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

Our ref

UHL Trust AAL/201314

31 July 2014

Dear John

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

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

### **Scope of our audit**

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

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

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

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

### **Quality Accounts**

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

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

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

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

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

### **Public Interest Reporting**

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

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

### **Key findings**

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

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

### **Fees**

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

### **Closing remarks**

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

Yours sincerely,



Andrew Bostock  
Partner