

Trust Board Paper M

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

**DATE OF TRUST BOARD MEETING:** 1 October 2015

**COMMITTEE:** Audit Committee

**CHAIR:** Mr R Moore, Non-Executive Director

**DATE OF MEETING:** 17 September 2015

This report is provided for the Trust Board's information in the absence of the formal Minutes, which will be submitted to the Trust Board on 5 November 2015.

**SPECIFIC RECOMMENDATIONS FOR THE PUBLIC TRUST BOARD:**

- **External Audit Annual Audit Letter 2014-15** – this is appended to this report and is recommended for Trust Board approval.

**UHL Corporate Governance Policies** – updated versions of the following 3 [updated corporate governance policies](#) were endorsed by the Audit Committee and are recommended for Trust Board approval. The Committee also agreed that a staff user guide should be developed, that appropriate performance management messages should be included when communicating the new policies to budget managers, and that the corporate governance policies should be re-reviewed in March 2016 ahead of the new financial year:-

- **Standing Financial Instructions**
- **Standing Orders**
- **Reservation of Powers to the Trust Board**

**SPECIFIC DECISIONS:**

- None.

**DISCUSSION AND ASSURANCE FOR THE PUBLIC TRUST BOARD:**

- **UHL reconfiguration programme – governance, risk management and project assurance.** Strategy Directorate representatives attended to respond to any Audit Committee questions on this report. It was agreed that an expanded overall governance map for the UHL reconfiguration programme should be completed. Also a more detailed timetable covering all stages of the business case lifecycle would be produced, setting out the timing and UHL-Committee governance flow for the various steps and detailing any interdependencies between projects. It was further agreed that the Audit Committee would assume a lead role in commissioning the major project healthchecks (formerly known as DoH Gateway reviews) as a mechanism to oversee their delivery and provide independent challenge to the process.
- **Women's Services project healthcheck – lessons learned.** Strategy Directorate representatives attended to respond to any Audit Committee questions on this report, which detailed the outcome of the healthcheck review of the women's services project (amber rating) and highlighted the post-review responses to the various recommendations arising from the healthcheck. The Audit Committee noted that a resourcing assessment for the women's services project was being prepared for the Reconfiguration Board and Executive Strategy Board, and would be shared with Audit Committee members for information. It was also agreed that the

outcome of project healthcheck reviews would be routinely reported to the Executive Strategy Board and the Audit Committee, using an action tracking mechanism for outstanding actions.

- **Planned Waiting Lists.** The Director of Performance and Information attended for this item, which updated members on UHL's review of endoscopy and orthodontic waiting list issues and the resulting actions. It was agreed to review Internal Audit's planned work on elective waiting lists to assess how this may be most appropriately scoped to provide further assurance on the management of waiting lists and also to feed in to the External Audit work on waiting lists which is required to be commissioned by 2016-17.
- **UHL risk report incorporating strategic risk register and BAF – period ending 31.8.15.** To reflect the SRR/BAF's role in influencing discussions, it was agreed that discussion of the item should be placed earlier on the Trust Board and relevant Executive Committee agendas. This is reflected on the Trust Board agenda for 1.10.15.
- **Proposal for a revised Board Assurance Framework (BAF) template and reporting process.** The Chief Executive, Director of Strategy and Risk and the Risk and Safety Manager attended to present a revised BAF, appropriately informed by comments from Internal Audit. The Audit Committee agreed that the revised template should be discussed further at the October 2015 Trust Board thinking day, and (in addition to various formatting suggestions including capturing risk trends) commented on the need for appropriate risk information to be discussed each month at the Trust Board. It was also agreed that individual sections of the risk report would be streamed to the most appropriate Executive Committee each month, rather than the report being presented in totality to the Executive Performance Board. The Trust Board BAF report would then also note which sections had been discussed at which Executive-level group. In further discussion it was also agreed to consider including 'risk horizon scanning' on future Audit Committee agendas and the possibility of extending risk reporting to include 'Emerging Risks' that threaten the delivery of longer-term objectives but not necessarily the annual objectives (e.g. the workforce issues discussed at the recent Board thinking day).
- **Internal Audit Review Reports:**
  - **2014-15 review of UHL's performance framework.** The final report had been agreed with Trust managers and was classified as low risk, with 5 low-rated findings.
  - **2015-16 review of the CQC inspection.** The final report had been agreed with Trust managers and classified as medium risk, with 2 medium and 1 low rated finding. The report would also be discussed by the Executive Quality Board. The Audit Committee discussed whether the medium risk rating was justified, and noted the need to mainstream the actions arising from the CQC inspection. It was also agreed to develop a protocol for when lead officers should attend for consideration of Internal Audit reviews, as it would have been beneficial in this case. Overall, the Committee took assurance from the review.
- **Internal Audit Progress Report.** The report detailed progress against the 2015-16 IA annual plan since the May 2015 Audit Committee meeting, and it was agreed to develop a protocol for sharing in-year changes to that plan. Members reviewed the list of audits planned for 2015-16, and requested that the amended scope (once finalised) for the medical staffing review be shared with the Audit Committee Chair and the Chief Financial Officer. Members also queried whether the breast screening cancer performance audit might consider diversity issues. In terms of completed IA reviews being presented to the Audit Committee, it was agreed to draft a schedule accordingly setting out the timetable through to March 2016. The Audit Committee also received reports on the NHS Audit Committee questions and health risk benchmarking, noting that the former of these would be discussed further at the October 2015 Trust Board thinking day.
- **Internal Audit 2015-16 charter.** This outlined the framework for the conduct of the IA function in UHL, and required annual approval from the Audit Committee.
- **External Audit progress report.** This report was received and noted.
- **External Audit Annual Audit Letter – see items recommended for Trust Board approval above.**
- **Discretionary procurement actions May – September 2015.** This report of instances when the regular procurement process had been waived in line with schedule 9.8.4 of UHL's Standing Orders, was received and noted.
- **Review of risks and controls around financial management to achieve the 2015-16 financial plan.** The Committee received a verbal update from the Chief Financial Officer, noting the Trust's new control target of £34.1m as previously reported to the Trust Board. Progress against the financial plan was being formally overseen through IFPIC and the Trust Board, and this was a key issue for the Trust (without compromising patient safety and care quality considerations). The

month 5 (August 2015) results remained key.

- **Review of UHL corporate governance policies – see items recommended for Trust Board approval above**
- **Consolidated list of outstanding actions from Internal, External and Local Counter-Fraud Audit reports.** The same report now went to Audit Committee as to the Executive Performance Board, and members noted the significant number of outstanding actions. A further iteration of the report would be discussed at the November 2015 Audit Committee, which would then seek the Chief Executive's advice about whether/when to apply sanctions for non-progression.
- **2016 Audit Committee dates.** Members agreed to retain the existing schedule of meetings (held after specific Trust Board meetings), with the addition of a further Audit Committee meeting in July 2016.
- **Any other business – use of cover sheets.** At the Audit Committee Chair's request, it was agreed that reports to the Audit Committee should use the agreed new-style cover sheet.

**DATE OF NEXT COMMITTEE MEETING:** 5 November 2015

Mr R Moore

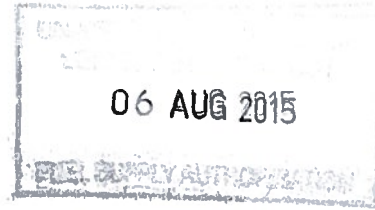
**Non-Executive Director and Audit Committee Chair**

24 September 2015



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Our ref UHL Trust AAL/201415

29 July 2015

To the Directors of University Hospitals of Leicester NHS Trust

### **Annual Audit Letter 2014/15**

We are pleased to submit our annual audit letter which summarises the key issues arising from the 2014/15 audit of University Hospitals of Leicester NHS Trust (“the Trust”). Although this letter is addressed to the Directors of the Trust it is also intended to communicate the issues arising from the audit of the Trust to external stakeholders, such as members of the public. It is the responsibility of the Trust to publish this letter on the Trust’s website at [www.leicestershospitals.nhs.uk](http://www.leicestershospitals.nhs.uk). A copy of this Letter will be published on the PSAA’s website at <http://www.psa.co.uk/audit-reports/annual-audit-letters/>

### **Scope of our audit**

The statutory responsibilities and powers of appointed auditors are set out in the Audit Commission Act 1998. Our main responsibility is to carry out an audit that meets the requirements of the Audit Commission’s Code of Audit Practice (“the Code”). Although the Audit Commission formally closed at the end of March 2015<sup>1</sup>, the Audit Commission Act and Audit Commission’s Code of Audit Practice remain applicable to 2014/15 audits.

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

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

- An unqualified opinion on the Trust's 2014/15 financial statements on 4 June 2015 to the Trust including an emphasis of matter paragraph regarding the Trust's financial performance, meeting the Department of Health's deadline of 5 June;
- A qualified value for money opinion. On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are not satisfied that in all significant respects the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015. We raised concerns regarding the Trust's financial resilience and operational achievements:
  - The Trust has failed to deliver key operational targets during 2014/15, particularly the Accident and Emergency Wait target (89.1% against target of 95%), Referral to Treatment target for admitted wait times (82.8% against target of 90%), and a number of Two Week Wait 31-Day Wait, and 62-Day targets;
  - The NHS Trust Development Authority (NTDA) reset the Trust's External Financing Limit (EFL) during 2014/15 from £20.7m to £50.3m. The Trust undershot the EFL by £4m due to a surplus of cash relating to receipt of the capital investment loan which was required to be drawn down in full. The Trust's Capital Resource Limit was set at £46.2m (£36.7m in 2013/14). The Trust incurred a deficit for 2014/15 of £40.6m. It has also set a planned Income and Expenditure overspend of £36.1m for 2015/16 with a cash requirement of £130 funded through PDC and loans.
- An unqualified Group Audit Assurance Certificate to the National Audit Office regarding the Whole of Government accounts. Our certificate reported that the Trust's submission contained no exceptions; and
- Our audit certificate closing the audit following completion of our quality accounts work on 4 June 2015.

### **Quality Accounts**

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

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

The main conclusions can be summarised as:

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

### **Public Interest Reporting**

We have a responsibility to consider whether there is a need to issue a public interest report or whether there are any issues which require referral to the Secretary of State. There were no matters in the public interest that we needed to report or refer to the Secretary of State in 2014/15.

### **Key findings**

The Trust has generally sound processes in place for the production of the accounts and in relation to use of resources. We raised one high priority recommendation, two medium priority recommendations and one low priority recommendation. These are detailed within our ISA260 report to those charged with governance. In summary, our one high priority recommendation to the Trust sought to strengthen the quality assurance procedures in relation to the valuation of land and building assets. Addressing this recommendation should ensure that it undertakes the necessary quality assurance procedures in a timely manner, and appropriate evidence to support these is available at the start of the audit. Additionally, the Trust should reassess the approach of having valuations at multiple points in the year, and consider whether the accounting complications arising from this, and the need to provide two sets of audit evidence, outweigh the intended efficiency of the exercise.

### **Fees**

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

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

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

### **Closing remarks**

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

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

Yours sincerely



Jonathan Brown  
Director