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Our ref **HEY NHS Trust**  
**AAL/201415**

29 July 2015

To the Directors of Hull and East Yorkshire Hospitals 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 Hull and East Yorkshire Hospitals 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. 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.

### **Audit and VFM Opinions**

On 28 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:

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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.

- issued an unqualified opinion on the Trust's 2014/15 financial statements on 4 June 2015 meeting the Department of Health's deadline of 5 June 2015;
- concluded that there was the following issue to report in respect of our use of resources work for the year ended 31 March 2015:
  - Based on the findings of our work, we are unable to conclude that the Trust had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. This is based on the Trust's projected financial performance. The projected deficit of £21.9m in 2015/16 meant that the Trust's expenditure is likely to exceed income for the three year period ending 31 March 2016. The forecast cumulative three year deficit position as at 31 March 2016 (based on actual results from 2013/14 and 2014/15 and the projected deficit for 2015/16) is £13.0 million.
  - In all other respects we were satisfied that the Trust has put in proper arrangements to secure economy, efficiency, and effectiveness in its use of resources for the year ending 31 March 2015.

## **Quality Accounts**

At the Audit Committee on 18 June 2015 we reported the findings of our limited assurance work in regard to the Trust's Quality Accounts. The main conclusions can be summarised as:

- The Trust achieved a limited assurance opinion on compliance with the Quality Accounts Regulations and on consistency with other specified information.
- The Trust also achieved a limited assurance opinion on the mandated indicator 2 indicator *the rate of clostridium difficile infections* in the quality account. However, we were not able form an opinion on mandatory indicator 1 *the percentage of patients risk-assessed for venous thromboembolism (VTE)*. This was because in four of the 22 case files sampled for testing the expected VTE test form was not on file. The indicator was therefore not reliable or valid, as it did not agree to the underlying records and the checking arrangement did not identify the error.

The Trust has an action plan in place to address the deficiency.

## **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 have issued a Section 19 report to the Secretary of State because the projected deficit in 2015/16 of £21.9m means that the Trust's expenditure is likely to exceed income for the three year period ending 31 March 2016 described above in our use of resources work. This deficit results in a projected shortfall of £13.0m in meeting the three year break even duty.

## **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 five medium priority recommendations and two low priority recommendations. These are detailed within our ISA260 Report.

## **Fees**

Our fee for the 2014/15 external audit was £86,327, the charitable funds external audit £4,200 and Quality Accounts of £9,500. These are all excluding VAT. Additional fee arising from extra work on the annual accounts, VFM and linked to the S19 referral letter is currently under discussion and will need final approval by the PSAA.

We did not provide any non-audit services or other audit related services in 2014/15.

## **Closing remarks**

I have discussed and agreed this letter with the Chief Finance Officer of the Trust and confirmed that all Directors of the Trust have received a copy. I would like to thank the finance team, the Directors and the Audit Committee for their support and co-operation 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 faithfully



KPMG LLP