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Sandwell and West Birmingham Hospitals NHS Trust

Annual Audit Letter 2013/14

July 2014

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	Page
Introduction	2
Headlines	4
Appendices	
A. Summary of our issued reports	6

This report is addressed to Sandwell and West Birmingham Hospitals 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 (0161 246 4063 / trevor.rees@kpmg.co.uk), 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 (0303 444 8330), by email (complaints@audit-commission.gsi.gov.uk), through the Audit Commission website (www.audit-commission.gov.uk/about-us/contact-us) by textphone/minicom (0207 630 0421), or via post to The Private Secretary, Controller of Audit's Office, Audit Commission, 3rd Floor Fry Building, 2 Marsham Street, London, SW1P 4DF.

Background

This Annual Audit Letter (the Letter) summarises the key issues arising from our 2013-14 audit at Sandwell and West Birmingham Hospitals 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.

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)	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	<p>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.</p> <p>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.</p>

The Audit Commission also mandated its appointed auditors to carry out assurance work on the 2013-14 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:

- Attendance at meetings with members of the Executive Team and Audit & Risk Management Committee to present our audit findings, broaden our knowledge of the Trust and to provide insight from sector developments and examples of best practice; and
- A proactive and pragmatic approach to issues arising in the production of the financial statements to ensure that our opinion is delivered on time.

- Building a strong and effective working relationship with the Trust's new Internal Auditors to maximise assurance to the Audit & Risk Management Committee, avoid duplication and provide value for money.

Audit Fees

Our final audit scale fee in 2013/14 was £111,107 (plus VAT). This fee was in line with the scale fee highlighted within our audit plan and communicated to the Audit and Risk Management Committee.

During the course of the year, we have also completed a piece of non audit work in respect of a review of the Trust's Long Term Financial Model (LTFM) to challenge where improvements could be made to the basis of preparation and provide high level commentary on key assumptions underlying the LTFM. Our fee for this work was £11,000.

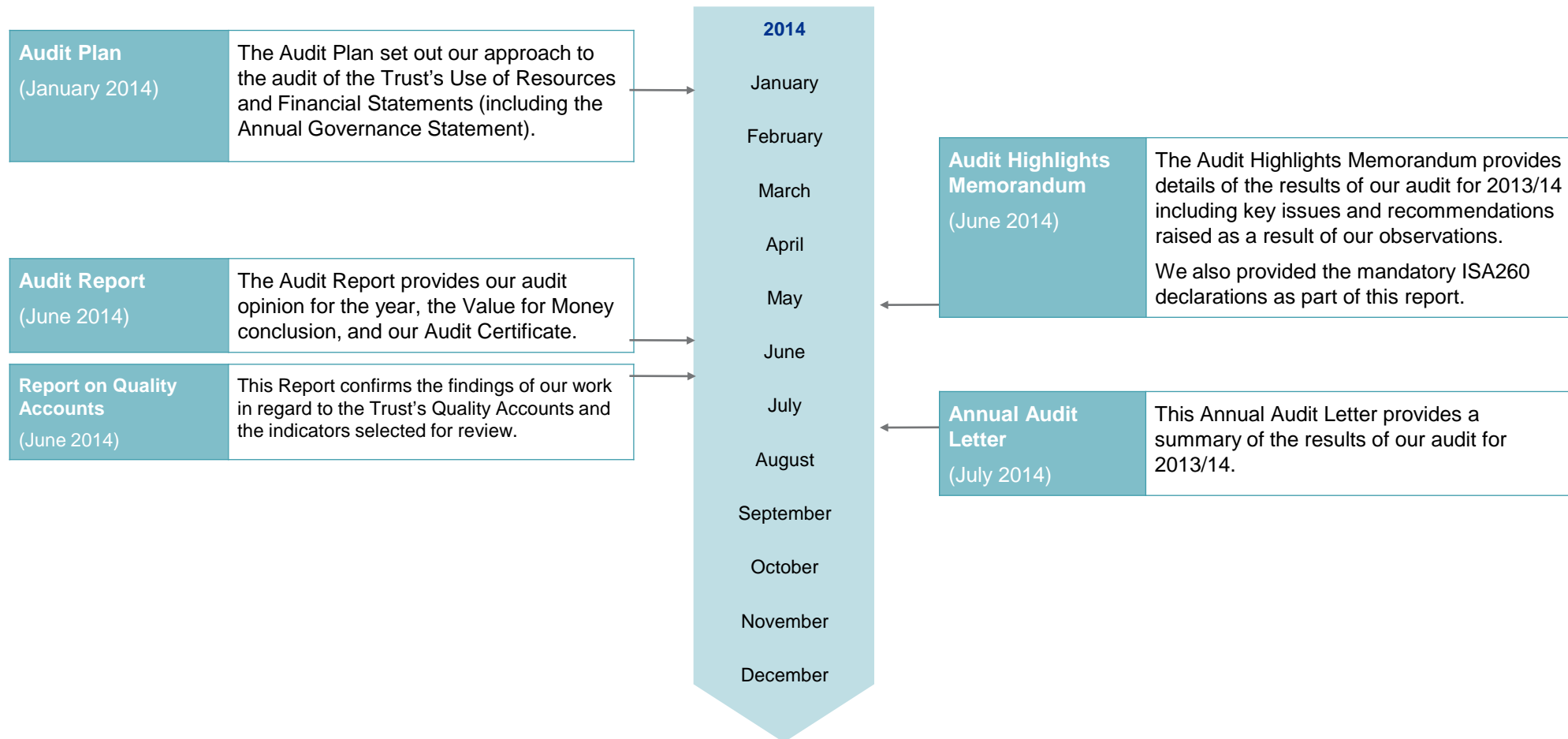
Acknowledgement

We would like to take this opportunity to thank the officers of the Trust for their continued support throughout the year.

This section summarises the key messages from our work during 2013/14.

<p>Overall financial results and other key messages</p>	<ul style="list-style-type: none"> ■ The Trust achieved £21.8 million (98 per cent) of cost improvement programme savings within its transformation programme. This is against an initial target of £22.3 million, a £0.5 million shortfall. The Trust has assessed that the full year effect of these savings is £19.8 million which is £2.4 million (12 per cent) below plan. ■ The Trust has achieved the majority of its key performance targets throughout the year, but achieved 94.5% for the Emergency Care four hour maximum wait, slightly under the target of 95%. ■ We noted that the Trust has recognised the challenges presented to the NHS economy and its own financial position against its long term financial plan but has responded by setting up a Trust wide Project Management Office (PMO) to manage its cost improvement programmes, having initiated a local trial within Medicine & Emergency Care.
<p>Use of Resources</p>	<ul style="list-style-type: none"> ■ We concluded that the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Based on the work we have completed we concluded that: <ul style="list-style-type: none"> ■ The Trust has robust systems and processes to effectively manage financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and ■ The Trust demonstrates prioritisation of its resources within tighter budgets including the achievement of cost reductions.
<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 6 June 2014. 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 2013/14 financial year. ■ We also confirmed that the Trust had complied with the Department of Health requirements in the preparation of the Trust's Annual Governance Statement. ■ We reported our concerns with regard to balances in the accounts which are accounted for as provisions but do not in our view meet the definition of a provision as set out in International Accounting Standard (IAS) 37 – Provisions, Contingent Liabilities and Contingent Assets. The total value of these balances was £4.4m. These items were not adjusted in the financial statements but are not material in the context of the accounts as a whole. The Trust has continued to apply this consistent accounting treatment in 2013/14, but the treatment as provisions excludes this funding received in advance from being included in the agreement of balances exercise. ■ No significant adjustments were required to the Annual Governance Statement.

Whole of Government Accounts	<ul style="list-style-type: none"> ■ The Trust addressed the disclosure observations we raised during our interim audit as part of its preparation of the month 12 consolidation schedules. ■ We issued an unqualified Group Audit Assurance Certificate to the National Audit Office regarding the Trust's Whole of Government accounts submission.
Recommendations	<ul style="list-style-type: none"> ■ As part of our audit we raised no “high” risk recommendations to replicate in this letter. We raised six recommendations for improvement as a result of our 2013/14 financial statements audit work of which four were “medium” and two were “low” risk.
Quality Accounts	<p>From our mandated work on the Trust's Quality Account:</p> <ul style="list-style-type: none"> ■ 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. <p>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 best possible level of assurance available.</p> <p>Detailed testing was undertaken on two of the Trust's performance indicators included in its Quality Account. The two indicators tested were:</p> <ul style="list-style-type: none"> ■ Percentage of patients risk-assessed for venous thromboembolism (VTE); and ■ Rate of clostridium difficile infections. <p>We have recommended that the Trust further develops its timetable in 2014/15 to meet an earlier completion date as an aspiring Foundation Trust, which should incorporate each detailed requirement step, and bring forward the production of the required Complaints report in line with regulations.</p>
Audit Certificate	<p>On 27 June 2014 we issued our Audit Certificate confirming the completion of our audit responsibilities in respect of the 2013/14 financial year. This was issued following the completion and reporting of our Quality Accounts work.</p>
Public Interest Reporting	<p>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 a report in the public interest or refer any matters to the Secretary of State in 2013/14.</p>





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