

# Annual Governance Report

Whittington Hospital NHS Trust Charitable Funds

Audit 2007/08

September 2008

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

# Summary

## Purpose

- 1 This report summarises the findings from our 2007/08 audit, which is substantially complete. It identifies the key issues that you should consider before we issue our report on the financial statements.
- 2 This report includes only matters of governance interest that have come to our attention in performing our audit. Our audit is not designed to identify all matters that might be relevant to you.

## Financial statements

- 3 We propose to issue an unqualified opinion on your financial statements.
- 4 The process of auditing your financial statements has proved to be more straightforward than in 2006/07. Trust staff produced a full reconciliation from the financial statements to the cash book at the start of the audit and ensured that they did not need to provide a number of corrections to the original statements. Consequently, no amendments have been required to the financial statements.

## Formal audit powers

- 5 I have not and do not propose to exercise my power to report issues to the Charity Commission.

## Next steps

- 6 We ask the Committee to:
  - consider the matters raised in the report before recommending the financial statements for approval; and
  - approve the representation letter on behalf of the Charity before we issue our report.

# Financial statements

- 7 The Charity's financial statements are an important means by which the Charity accounts for its stewardship of public funds. As Trustees, you have final responsibility for the financial statements. It is therefore important that you consider our findings before you adopt the financial statements.
- 8 In planning our audit, we identified specific risks and areas of judgement that we have focused on during our audit. We report to you the findings of our work in those areas.
- 9 In addition, auditing standards require us to report to you:
- the draft representation letter which we are asking management and you to sign;
  - our views about the Charity's accounting practices and financial reporting;
  - errors in the financial statements;
  - any expected modification to our report;
  - weaknesses in internal control; and
  - certain other matters.

## Key areas of judgement and audit risk

- 10 In planning our audit we identified key areas of judgement and audit risk that we have considered as part of our audit.

**Table 1 Key areas of judgement and risk**

Issue or risk	Finding
Our work on your financial statements in 2006/07 identified some weaknesses in your controls for ensuring that manual cashbook entries were accurately reflected in the statements.	Our testing identified that the cashbook entries were accurately reflected in the financial statements

## Financial statements

### Draft representation letter

**11** Before we issue our opinion, auditing standards require us to obtain from you and management, written representations that:

- you acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;
- you have approved the financial statements;
- you acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;
- you have told us the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;
- you have told us about any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);
- you have told us of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- you have told us about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
- you have assessed the reasonableness of significant assumptions, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Charity where relevant to the fair value measurements or disclosures;
- you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate;
- you are satisfied that the individual or collective impact of errors we have identified, but that you have not corrected, is not material; and
- cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.

**12** Appendix 1 contains the draft of the letter of representation we seek from you.

### Accounting policies and financial reporting

**13** We considered the qualitative aspects of your financial reporting and have not identified any significant issues to raise with you.

### Errors in the financial statements

**14** We have not identified any errors in the financial statements that required reporting.

### The audit report

- 15 We plan to issue an unmodified report including an unqualified opinion on the financial statements. Appendix 2 contains a copy of our draft report.

### Material weaknesses in internal control

- 16 We have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.
- 17 We have not provided a comprehensive statement of all weaknesses which may exist in internal control, or of all improvements which may be made. We have reported only those matters which have come to our attention because of the audit procedures we have performed.

### Other matters

- 18 There are no other matters that auditing standards require us to report to you.

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# Formal audit powers

- 19 We have duty to report to the Charity Commission where we identify a matter relating to the charity, a connected body or a connected individual, which gives us reasonable cause to believe is likely to be of material significance to the exercise of the formal powers of the Charity Commission. For example, we must report matters suggesting dishonesty or fraud involving a significant loss of, or a major risk to, charitable funds or assets.
- 20 We have not and do not propose to exercise this power.

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# Independence

- 21** The Code of Audit Practice and the APB's Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.
- 22** We confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.
- 23** We communicate to you:
- any relationships between us and the Charity, its members and senior management that might affect our objectivity and independence and any safeguards put in place;
  - total fees charged to you for audit and non-audit services; and
  - our arrangements to ensure independence and objectivity.

## Relationships with the Charity

- 24** We have identified no relationships that might affect objectivity and independence.

## Audit fees

- 25** We reported our fee proposals as part of the Audit Plan for 2007/08. The table below reports the outturn fee against that plan.

**Table 2      Audit fees**

	<b>Plan 2007/08</b>	<b>Actual 2007/08</b>
Financial statements	£4,100	£4,100
Other work	0	0

- 26** The analysis above shows that we contained our audit fee within the totals you have already agreed.
- 27** Under the Audit Commission's advice and assistance power it may provide non-audit services to the Charity. We have not provided any such services.

## Our arrangements to ensure independence and objectivity

- 28** We have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 3.

**Table 3 Arrangements to ensure independence and objectivity**

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none"> <li>• do not hold a financial interest in any of our audit clients;</li> <li>• may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and</li> <li>• may not enter into business relationships with UK audit clients or their affiliates.</li> </ul> <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none"> <li>• the general requirement to carry out work independently and objectively;</li> <li>• safeguarding against potential conflicts of interest;</li> <li>• acceptance of additional (non-audit) work;</li> <li>• rotation of key staff;</li> <li>• other links with audited bodies;</li> <li>• secondments;</li> <li>• membership of audited bodies;</li> <li>• employment by audited bodies;</li> <li>• political activity; and</li> <li>• gifts and hospitality.</li> </ul>
Code of Conduct	<p>The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff has to comply with ethical guidance issued by their relevant professional bodies.</p>
Confidentiality	<p>All staff are required to sign an annual undertaking of confidentiality as a condition of employment.</p>

# Appendix 1 – Draft letter of management representation

Philip Johnstone  
Engagement Lead  
Audit Commission  
1st Floor, Millbank Tower  
Millbank  
LONDON SW1P 4HQ

Dear Mr Johnstone

## **Whittington Hospital NHS Trust Charitable Funds - Audit for the year ended 31 March 2008**

We confirm to the best of our knowledge and belief, having made appropriate enquiries of other trustees and staff of the Whittington Hospital NHS Trust Charitable Funds, the following representations given to you in connection with your audit of the Charitable Funds' financial statements for the year ended 31 March 2008.

### **Compliance with the statutory authorities**

We acknowledge our responsibility under the relevant statutory authorities for preparing the financial statements which give a true and fair view of the financial position and financial performance of the Charitable Funds, and for making accurate representations to you.

### **Supporting records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Charitable Funds have been recorded in the accounting records. All other records and related information, including minutes of all trustees' meetings, have been made available to you.

### **Going Concern**

We are satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

### **Irregularities**

We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

We also confirm that we have disclosed:

- our knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### **Law, regulations, contractual arrangements and codes of practice**

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Charitable Funds.

The Charitable Funds have complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### **Fair Values**

We confirm the reasonableness of the significant assumptions within the financial statements. For all such assumptions, I confirm:

- the appropriateness of the measurement method; and
- the completeness and appropriateness under the financial reporting framework.

### **Compensating arrangements**

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

**Contingent liabilities**

There are no other contingent liabilities. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

**Related party transactions**

We confirm the completeness of the information disclosed regarding the identification of relevant related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

**Post balance sheet events**

Since the date of approval of the financial statements by the Charity, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Charity has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of the Whittington Hospital NHS Trust Charitable Funds.

We confirm that this letter was discussed and agreed by the Trustees on 17 September 2008.

Yours sincerely

Joe Liddane

Chair

Date:

Richard Martin

Director of Finance

Date:

# Appendix 2 – Proposed auditor’s report

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## Independent Auditor’s Report to the Trustees of the Whittington Hospital NHS Trust Charitable Funds

I have audited the financial statements of The Whittington Hospital NHS Trust Charitable Funds for the year ended 31 March 2008 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charity’s trustees, as a body, in accordance with section 43A of the Charities Act 1993 and regulations made under section 44 of that Act. My audit work has been undertaken so that I might state to the charity’s trustees those matters I am required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for my audit work, for this report, or for the opinions I have formed.

### Respective responsibilities of trustees and auditor

The responsibilities of the trustees for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees’ Responsibilities.

I have been appointed as auditor under section 43A of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. I also report to you if, in my opinion, the Trustees’ Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the Trustees’ Annual Report and consider the implications for my report if I become aware of any apparent misstatements within it.

### Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In my opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charity's affairs as at 31 March 2008 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

Philip Johnstone  
Auditor Appointed by the Audit Commission  
Audit Commission  
1st Floor, Millbank Tower  
Millbank  
LONDON  
SW1P 4HQ  
XX September 2008