

(UHL Letterhead)

KPMG LLP
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

7 June 2012

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of the University Hospitals of Leicester NHS Trust ("the Trust"), for the yearended 31 March 2012, for the purpose of expressing an opinion as to:

- i. whether these financial statements give a true and fair view of the state of the Trust's affairs as at 31 March 2012 and of its income and expenditure for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

These financial statements comprise the statement of financial position as at 31 March 2012, the statements of comprehensive income, changes in taxpayers' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Board confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Board confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Board has fulfilled its responsibilities, as set out in the Secretary of State's directions, for the preparation of financial statements that:
 - give a true and fair view of the state of the Trust's affairs as at 31 March 2012 and of its income and expenditure for the financial year then ended; and
 - have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Board in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Board has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Board for the purpose of the audit; and
 - unrestricted access to persons within the Trust from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Board acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Board acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Board has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

8. The Board has disclosed to you all information in relation to:
 - (a) Fraud or suspected fraud that it is aware of and that affects the Trust and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - (b) allegations of fraud, or suspected fraud, affecting the Trust's financial statements communicated by employees, former employees, analysts, regulators or others.
9. The Board has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
10. Further, the Board has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation

and claims whose effects should be considered when preparing the financial statements.

11. The Board has disclosed to you the identity of the Trust's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Board understands them and as defined in IAS 24.

12. The Board confirms that all intra-NHS balances included in the Statement of Financial Position (SOF) at 31 March 2012 in excess of £250,000 have been disclosed to you and that the Trust has complied with the requirements of the Intra NHS Agreement of Balances Exercise as set out in Chapter 4 of the NHS Manual For Accounts 2011/12 and Joint Supplementary Accounting Guidance issued by the Department of Health and Monitor on 4 April 2012. The Board confirms that intra-NHS balances includes all balances with NHS counterparties, regardless of whether these balances are reported within those SOFP classifications formally deemed to be included within the Agreement of Balances exercise.

13. The Board confirms that:

- (a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Trust's ability to continue as a going concern as required to provide a true and fair view.
- (b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Trust to continue as a going concern.

Additional representations:

14. a) The Board agrees with the findings of Gerald Eve as the Trust's specialist in preparing the valuation of the Trust's land and building assets. In connection with the specialist's study, the Board provided Gerald Eve with all significant and relevant information of which it is aware. The Board did not give or cause any such instructions to be given to the specialist with respect to the values or amounts derived in an attempt to bias their work, and it is not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialistb) The Board confirms that it has provided you with all relevant information regarding the significant assumptions applied in estimating fair values of revalued items of property, plant and equipment, as required by IAS 16 Property Plant and Equipment.

- c) The Board confirms that the assumptions and judgements made by management with regards to the treatment of deferred income are appropriate.

This letter was tabled and agreed at the meeting of the Board of Directors on 7 June 2012.

Yours faithfully,

[Chief Executive]

[Director of Finance]

Optional cc: Audit Committee

Appendix A to the Board Representation Letter of the University Hospitals of Leicester NHS: Definitions

Financial Statements

IAS 1.10 states that a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state the following:

Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- (a) was available when financial statements for those periods were authorised for issue; and
- (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

[In recognition of the circumstances arising in certain countries whereby governments hold large investments in entities, and furthermore, as a result of government “bail-outs” and financial support provided to various entities, resulting from the economic downturn, revised IAS 24.25 states the following, in respect of government-related entities.]

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Schedule of Unadjusted Audit Differences

Issue	Balance Sheet (£) / &P Account (£)	
	Adverse Impact (Dr)	Favourable Impact (Cr)
We reviewed third party information and identified that the Trust overstated its Road Traffic Accident provision by £102k.	£102k RTA Provision	£102k Income
The Trust's creditor balances include £306k relating to balances aged over one year. We did not identify expectation of settlement, and therefore these balances should be derecognised.	£306k Creditors	£306k Income
The Trust recorded £420k of invoices related to 2012/13 in 2011/12. These have been recorded as creditor balances and then netted off through the raising of prepayments. This overstates both balances, and should be removed from the financial statements.	£420k Creditors	£420k Prepayments

