

Caring at its best

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

25 May 2018

Dear Sirs

**University Hospitals of Leicester NHS Trust
Financial Statements for the year ended 31 March 2018**

This representation letter is provided in connection with the audit of the financial statements of University Hospitals of Leicester NHS Trust and its subsidiary undertaking, Trust Group Holdings Ltd for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the group and parent Trust financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the Department of Health and Social Care Group Accounting Manual 2017-18.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Group Financial Statements

- i As Trust Board members, we have fulfilled our responsibilities under the National Health Services Act 2006 for the preparation of the group and parent Trust's financial statements in accordance with International Financial Reporting Standards and the Department of Health and Social Care Group Accounting Manual 2017-18 (GAM); in particular the group and parent Trust financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the group and parent Trust and these matters have been appropriately reflected and disclosed in the group and parent Trust financial statements.
- iii The Trust has complied with all aspects of contractual agreements that could have a material effect on the group and parent Trust financial statements in the event of non-compliance. There has been no non-compliance with requirements of the Care Quality Commission or other regulatory authorities that could have a material effect on the group and parent Trust financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi In calculating the amount of income to be recognised in the group and parent Trust financial statements from other NHS organisations we have applied judgement, where appropriate, to reflect the appropriate amount of income expected to be derived by the Trust in accordance with the International Financial Reporting Standards and the GAM. We are satisfied that the material judgements used in the preparation of the group and parent Trust financial statements are soundly based, in accordance with International Financial Reporting Standards and the GAM, and adequately disclosed in the group and parent Trust financial statements. There are no other material judgements that need to be disclosed.
- vii We acknowledge our responsibility to participate in the Department of Health and Social Care's agreement of balances exercise and have followed the requisite guidance and directions to do so. We are satisfied that the balances calculated for the Trust ensure the group and parent Trust financial statements and consolidation schedules are free from material misstatement, including the impact of any disagreements.
- viii Except as disclosed in the group and parent Trust financial statements:
 - a) there are no unrecorded liabilities, actual or contingent
 - b) none of the assets of the group and parent Trust has been assigned, pledged or mortgaged
 - c) there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the GAM.
- x All events subsequent to the date of the group and parent Trust financial statements and for which International Financial Reporting Standards and the GAM require adjustment or disclosure have been adjusted or disclosed.
- xi We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Trust financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xii We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the group and parent Trust financial statements for the misstatements brought to our attention as they are collectively immaterial to the results of the group and parent Trust and its financial position at the year-end.

The group and parent Trust financial statements are free of material misstatements, including omissions.
- xiii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

- xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Trust financial statements.
- xv We consider that all operating income recognised within the financial statements will be received. In particular, we consider that the amount of VAT due to the Trust is accurate based upon the advice of external VAT experts, that the VAT reclaim will be allowable under the provisions of the Capital Goods Scheme, and that the VAT is claimable as at the 31 March 2018 due to the formation of the subsidiary company.
- xvi We consider that the information used by the Valuer in relation to site area, which directly informs the valuation of land and buildings within the financial statements, provides a reasonable estimation of the value of the assets under the Modern Equivalent Asset (MEA) valuation methodology.
- xvii We have assessed the asset lives of our asset base, excluding land, and determined that the estimated remaining life of each asset group should be increased to more accurately reflect the actual consumption of the asset. We note that on buildings that we have not followed the guidance of our expert valuer but consider that the revised asset lives are appropriate.
- xviii We have increased our de minimus for making accruals, both manual and automated as we consider that this change in practice is appropriate given the size and operations of the Trust, and that it will not provide a material misstatement.
- xix We have assessed the collectability of all debt over 180 days which is contained within our Statement of Financial Position. We have provided adequate bad debt provisions where we have identified that there is a possibility that the debt will not be collectable.
- xx As part of the national exercise to confirm internal payables and receivables, income and expenditure within the NHS family, we have reviewed the Department of Health and Social Care's summary which identifies mismatches between bodies. Within the items not agreed, there are no material balances and we consider are not collectable or payable.
- xxi We have made material amendments to the comparative information within the financial statements disclosure notes of the prior period. We now consider that the comparative information is free from material misstatement and provides a more accurate reflection of the year on year movements for the reader of the accounts.

Information Provided

- xxii We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and parent Trust financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Trust from whom you determined it necessary to obtain audit evidence.
- xxiii We have communicated to you all deficiencies in internal control of which management is aware.
- xxiv All transactions have been recorded in the accounting records and are reflected in the group and parent Trust financial statements.

- xxv We have disclosed to you the results of our assessment of the risk that the group and parent Trust financial statements may be materially misstated as a result of fraud.
- xxvi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and parent Trust and involves:
- a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the group and parent Trust financial statements.
- xxvii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent Trust's financial statements communicated by employees, former employees, analysts, regulators or others.
- xxviii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxix We have disclosed to you the identity of the group and parent Trust's related parties and all the related party relationships and transactions of which we are aware.
- xxx We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Trust financial statements.
- xxv The Trust will require an additional cash loan of £29.9 million in 2018/19 to maintain current payment performance assuming that it delivers its savings plan. Although the Trust has not received formal notification of future financing, this has always been available in the past in accordance with the need of the Trust to meet all essential liabilities and there is no indication that this will not continue. The Trust has accessed April and May 2018 loans from the Department of Health and Social Care in line with their financial plan submitted to NHS Improvement. If the Trust fails to deliver its savings plan in full or its financial deficits are greater than planned in 2018/19 then further cash loans will be required. As the Trust's continuing operational stability depends on finance that has not yet been approved this represents a material uncertainty for the Trust.

Although these factors represent a material uncertainty that may cast significant doubt over the Trust's ability to continue as a going concern, the Directors, having made appropriate enquiries, still have reasonable expectations that the Trust will have adequate resources to continue in operational existence for the foreseeable future. As directed by the GAM, the Directors have prepared the group and parent Trust financial statements on a going concern basis as they consider that the services currently provided by the Trust will continue to be provided in the foreseeable future.

Annual Report

- xxxi The disclosures within the Annual Report fairly reflect our understanding of the group's and parent Trust's financial and operating performance over the period covered by the financial statements.

Annual Governance Statement

xxxii We are satisfied that the Governance Statement fairly reflects the Trust's risk assurance framework and we confirm that we are not aware of any significant risks that are not disclosed within the Governance Statement.

Approval

The approval of this letter of representation was minuted by the Trust's Audit Committee at its meeting on 25 May 2018.

Yours faithfully

Name John Adler

Position Chief Executive Officer

Date 25 May 2018

Name Paul Traynor

Position Chief Financial Officer

Date 25 May 2018

Signed on behalf of the Board of Directors