

[**Prepare on client letterhead**]

Our ref:
Your ref:

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

[Date]

Dear Sirs

University Hospitals of Leicester NHS Trust
Financial Statements for the year ended 31 March 2019

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 Limited for the year ended 31 March 2019 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 2018-19.

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 2018-19 (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 these misstatements brought to our attention as they are 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. 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.
- xvi. The Valuer's use of 'smoothing' in the 2017/18 valuation was a reasonable judgement based on the information available at the time, and therefore no restatement of these values has been made.
- 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 have also assessed that an in-year reversal of depreciation charged in previous years on certain fully depreciated equipment assets is appropriate due to depreciation being over charged on these assets in previous years.
- xviii. We have increased our de minimus for making accruals, both manual and automated as we consider that this approach will not provide a material misstatement.

- xix. We have assessed there is a low likelihood of the put option relating to the sale of Glenfield 'Paddock' land being invoked by the developer. We have therefore determined that it is reasonable to recognise the income from this sale in full, and to value the put option at nil as at 31 March 2019.
- xx. The valuation of the provision for section 106 liabilities relating to the sale of Glenfield 'Paddock' land is a reasonable estimate of the likely future liability of the Trust.
- xxi. 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 that we consider are not collectable or payable.
- xxii. Prepayments have been valued accurately and are recognised in line with accounting standards.

Information Provided

- xxiii. 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.
- xxiv. We have communicated to you all deficiencies in internal control of which management is aware.
- xxv. All transactions have been recorded in the accounting records and are reflected in the group and parent Trust financial statements.
- xxvi. 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.
- xxvii. 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.
- xxviii. 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.
- xxix. 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.
- xxx. 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.
- xxxi. 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.
- xxxii. The Trust will require an additional revenue cash borrowing of £10.7m in 2019/20 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. If the Trust fails to deliver its savings plan in full or its financial deficits are greater than planned in 2019/20 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

xxxiii. 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

xxxiv. 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 [Board/Audit Committee] at its meeting on [ENTER DATE].

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Governing Body

Additional written representations from management or those charged with governance

The general letter of representation includes all written representations that are required to be made by management or those charged with governance for every audit.

In addition to the required representations, other ISAs (UK) require the auditor to request written representations when certain factors or situations are triggered. These ISAs and the representations are included in section 1 below.

The auditor may also determine it is necessary to obtain one or more written representations to support other audit evidence relevant to the financial statements or one or more specific assertions in the financial statements. Section 2 includes some examples of such representations.

1 Representations required by other ISAs where applicable

ISA 540.22 Auditing accounting estimates

The auditor should request specific representations from management and, where appropriate, those charged with governance about whether significant assumptions used in making accounting estimates are reasonable.

ISA 570.16(e) Going concern

Where events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern (irrespective of whether a material uncertainty exists) the auditor should request specific representations from management and, where appropriate, those charged with governance regarding their plans for future actions and the feasibility of these plans.

ISA 570.A20 Going concern

There may be situations where it is appropriate to obtain specific representations beyond those required by ISA 570.16(e) in support of audit evidence obtained regarding management's plans for future actions in relation to its going concern assessment and the feasibility of those plans.

ISA 710.9 Comparative information

The auditor should request specific representations from management about any restatement made to correct a material misstatement in prior period financial statements that affect the comparative information.

2 Other representations

ISA 580.A10 Written representations [Financial Statements]

Where relevant the auditor may want to request other representations about the following:

- whether the selection and application of accounting policies are appropriate;
- whether matters such as the following have been recognised, measured, presented or disclosed in accordance with the applicable financial reporting framework:
 - Plans or intentions that may affect the carrying value or classification of assets and liabilities;
 - Liabilities, both actual and contingent;
 - Title to, or control over, assets, the liens or encumbrances on assets, and assets pledged as collateral;

- Aspects of laws, regulations and contractual agreements that may affect the financial statements, including non-compliance.

Examples of representations:

Under Financial Statements:

Except as stated in the financial statements:

- a. there are no unrecorded liabilities, actual or contingent
- b. none of the assets of the company 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.

There were no transactions, arrangements or agreements to provide credit facilities, (including loans, quasi-loans or credit transactions and guarantees to involving directors or officers that should be disclosed in the financial statements under section 412 and 413 of the Companies Act 2006 except as disclosed in note [..].

The company has complied with all aspects of contractual agreements 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.

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

We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

We have signed sales and service franchise agreements with the manufacturer under the new Block Exemptions regulations. We are not serving the termination period for any current franchised held, nor have we been notified of any impending franchise termination notice from any manufacturer. We anticipate meeting all standards and special arrangements required by the manufacturer.

ISA 580.A11 Written representations [Information Provided to the Auditor]

In addition to the standard written representations required by ISA 580.11 for all audits, the auditor may consider it necessary to request that management provide the following representation:

Under Information Provided:

We have communicated to you all deficiencies in internal control of which we are aware.

ISA 580.A12-A13 Written representations [Specific Assertions]

The auditor may consider it necessary to request that management provide written representations in other areas of the financial statements such as:

- profit or losses foreseen on long term contract work in progress
- likely outcomes of litigation or uncertain situations
- representations concerning transactions which involve the application of specific areas of PAYE/NL, VAT or other corporate taxes eg casual labour
- any further areas of completeness or judgement
- any other areas where representations are necessary to provide adequate audit evidence.