

Trust Board Report

Meeting Date:	24 June 2013
Title:	External Audit – Management Representation Letter
Executive Summary:	The Management Representation Letter was accepted at the Audit Committee meeting on the 6 June 2013. The Board are, therefore, asked to approve the Letter as detailed at Appendix 1.
Action Requested:	To approve the Management Representation Letter.
Report of:	Chief Financial Officer – Kevin Stringer
Author: Contact Details:	Kevin Stringer, Chief Financial Officer Tel: 01902 695954 Email: kevin.stringer@nhs.net
Resource Implications:	None
Public or Private: (with reasons if private)	Public Session
References: (eg from/to other committees)	N/A
Appendices/ References/ Background Reading	Management Representation Letter 2012/13 Accounts Audit Opinion and ISA 260
NHS Constitution: (How it impacts on any decision-making)	In determining this matter, the Board should have regard to the Core principles contained in the Constitution of: <ul style="list-style-type: none"> ✦ Equality of treatment and access to services ✦ High standards of excellence and professionalism ✦ Service user preferences ✦ Cross community working ✦ Best Value ✦ Accountability through local influence and scrutiny

Background Details

1	The Board are asked to approve the Management Representation Letter as detailed at Appendix 1 below.
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Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of The Royal Wolverhampton NHS Trust (the "Trust") for the year ended 31 March 2013.

Your audit is conducted for the purpose of expressing an opinion as to whether the financial statements of the Trust give a true and fair view of the Trust's affairs as at 31 March 2013 and of its income and expenditure and cash flows for the 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 being relevant to the National Health Service in England.

We acknowledge that the Chief Executive has been designated as the Accountable Officer for the Trust by the Secretary of State and that the following requirements included in the Accountable Officer Memorandum have been complied with:-

"You have a particular responsibility for ensuring that expenditure by the Trust complies with Parliamentary requirements. The basic principle which must be observed is that funds should be applied only to the extent and for the purpose authorised by Parliament..."

"As the Accountable Officer you have a responsibility to see that appropriate advice is tendered to the Board on all matters of financial probity and regularity..."

"If the Board or the Chairman is contemplating a course of action which you consider would infringe the requirements of propriety and regularity, you should set out in writing to the Chairman and the Board your objection to the proposal and the reasons for it."

We confirm that the following representations are made on the basis of enquiries of management and staff of the Trust with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy ourselves that we can properly make each of the following representations to you.

We confirm, for all directors at the time the directors' report is approved, to the best of our knowledge and belief, and having made the appropriate enquiries, the following representations:

Financial Statements

We acknowledge as Directors our responsibilities under the National Health Service Act 2006 for preparing financial statements of the Trust which give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England and for making accurate representations to you.

All transactions have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used by us in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

All events subsequent to the date of the financial statements for which the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England require adjustment or disclosure have been adjusted or disclosed.

The reasons why we have decided not to adjust the financial statements for the uncorrected misstatements that you have drawn to our attention in your ISA 260 Report to those charged with governance (which is set out in the table below) is that these misstatements are not material, both individually and in aggregate, to the financial statements as a whole. In addition, the Trust purchased the MRI scanner in May 2013, which will correct the accounting entries at 1 below.

	Description of misstatement (factual, judgmental, projected)		Statement of Comprehensive Income		Statement of Financial Position	
			Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Movement of MRI Fixed Assets into Prepayments Dr Prepayments – Deferred Assets Cr Fixed Assets Equipment Included within PPE Equipment is £1.024 million in relation to PFI additions which should be shown as deferred assets. This relates to the MRI scanner which was originally scheduled to be purchased in 2010/11.	F			1,024	1,024
2	Legal case provision Dr Provisions Cr Operating Expenses The Trust has recognised a provision for a potential unfair dismissal case. However, as at 31 March 2013 the employee was still contracted with the Trust. In our view, this does not meet the criteria for establishing a provision as set out in International Auditing Standard 37.	J		100	100	
Total uncorrected misstatements			0	100	1,124	1,024

Information Provided

Each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that you (the Trust's auditors) are aware of that information.

We have provided you with:-

- access to all information of which we are 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 us for the purpose of the audit; and
- unrestricted access to persons within the Trust from whom you determined it necessary to obtain audit evidence.

So far as each Director is aware, there is no relevant audit information of which you are unaware.

Fraud and non-compliance with laws and regulations

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all information in relation to fraud or suspected fraud that we are 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.

We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Trust's financial statements communicated by employees, former employees, analysts, regulators or others.

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.

We are not aware of any irregularities, or allegations of irregularities, involving management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the financial statements.

Related party transactions

We confirm that we have disclosed to you the identity of the Trust's related parties and all the related party relationships and transactions of which we are aware.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

Employee Benefits

We confirm that we have made you aware of all employee benefit schemes in which employees of the Trust participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Trust have been properly reflected in the accounting records or, where material (or potentially material) to the financial statements, have been disclosed to you.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and such matters have been appropriately accounted for and disclosed in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

Accounting estimates: measurement processes, assumptions, disclosures and effects of subsequent events

Regarding the accounting estimates disclosed in the financial statements note 1.4:

- we used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England;
- measurement processes were consistently applied from year to year; and
- the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Trust, where relevant to the accounting estimates and disclosures.

Disclosures related to accounting estimates are complete and appropriate under the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

There has been no subsequent event that requires adjustment to the accounting estimates and disclosures included in the financial statements.

Assets and liabilities

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

In our opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.

The Trust has satisfactory title to all assets and there are no liens or encumbrances on the Trust's assets, except for those that are disclosed in the financial statements.

We confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. We confirm that we have used the appropriate assumptions within those reviews.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the year-end have been properly valued and that valuation incorporated into the financial statements. When appropriate, open positions in off-balance sheet financial instruments have also been properly disclosed in the financial statements.

We confirm that all significant assumptions made in relation to fair value measurement and disclosures are reasonable and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Trust where relevant to the fair value of measurements or disclosures.

Provisions for depreciation and diminution in value including obsolescence have been made against fixed assets on the bases described in the financial statements and at rates calculated to reduce the net book amount of each asset to its estimated residual value by the end of its probable useful life in the Trust's business. In this respect we are satisfied that the probable useful lives have been realistically estimated and that the residual values are expressed in current terms.

We confirm that we have completely and accurately accounted for all PFI lifecycle assets which have been purchased in 2012/13.

Retirement benefits

All retirement benefits that the Trust is committed to providing, including any arrangements that are statutory, contractual or implicit in the Trust's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.

All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.

The Trust participates in the NHS pension scheme. We confirm that the Trust's share of the underlying assets and liabilities of this scheme cannot be identified and as a consequence the scheme has been accounted for as a defined contribution scheme.

Provisions

Full provision has been made for all liabilities at the balance sheet date including guarantees, commitments and contingencies where the items are expected to result in significant loss. In particular, there is one provision, for £547,686, in the financial statements regarding income which has been received from Wolverhampton City PCT for services which have not been delivered in 2012/13. Until 2011/12, the Trust would have deferred this income as at the year-end. However, due to the release of guidance in 2011/12 in respect of the NHS agreement of balance exercise by the Department of Health, it has not been possible for the Trust to defer the income without this resulting in NHS agreement of balances differences.

Therefore, the Trust has recognised the income in year but provided in full for its return to the PCT (or in practice its successor CCG) should the Trust fail to deliver the activity associated with the income. The circumstances under which the Trust would need to return monies to the CCG, should it fail to deliver the activity associated with the income, were set out in a letter from the CCG to the Trust dated 27 March 2013.

Deferred income – Safe Hands project

In 2009/10 the Trust received a payment of £1.0 million from the West Midlands SHA relating to the Safe Hands project, the total amount of which was deferred at the year-end (31 March 2010). A subsequent amount of £1.5 million was received from the Department of Health in 2010/11; both the £1 million and the £1.5 million were deferred as at 31 March 2011.

In the 2011/12 financial statements, the Trust recognised a £0.5 million release to income and accounted for the balance of £2.0 million as deferred income at 31 March 2012. The Trust has continued to account for £2.0 million of the monies received as deferred income as at 31 March 2013, with the Trust recognising no release of income in 2012/13. Whilst you accept that it is entirely reasonable that the Trust should carry forward some part of the deferred income balance into 2013/14 in order to fund the expenditure that is to be incurred in future years, you have challenged the Trust as to whether income should be released to match the expenditure which has been incurred in 2012/13 and the remainder carried forward as deferred income.

The Trust believes that due to the current economic climate it remains the case that it is more prudent to self-fund the majority of expenditure which has been incurred in 2012/13 rather than release deferred income to match expenditure incurred. This is because the Trust believes that over the coming years the funding environment for the Trust will become more challenging and so self-funding of the costs to complete the project in future years may not be possible.

Furthermore, we confirm that:-

- we expect that the £2 million of deferred income will be applied against revenue costs in 2013/14;
- we are not aware of any restrictions on us deferring this income into 2013/14; and
- we are not aware of any intent by the third parties concerned to reclaim this income either now or on the future.

Losses and special payments

The losses and special payments forms have been compiled in accordance with the direction of the Secretary of State and there are no outstanding items that have been omitted from the losses and special payments register.

NHS Agreement of balances

We confirm that we have complied with the agreement of balances exercise in accordance with the Department of Health's requirements for 2012/13. We confirm that all balances and transactions with counterparty NHS organisations are completely and accurately stated within our final summarisation schedules for 2012/13.

Other matters

We do not have plans to enter into any further Private Finance Initiative schemes that might affect the financial statements for 2012/13.

We are not in negotiations to merge with any other NHS body and we have made you aware of all instances where we may intend to take on any other NHS body's functions in the next financial year.

We confirm that we have recognised all income receivable in 2012/13 in the Statement of Comprehensive Income except where this income relates to specific activity to be delivered in future years.

We are not aware of any reports from the Care Quality Commission or other regulators which have not been brought to your attention.

To the best of our knowledge and belief, reported information on the quality of care, including mortality rates, is accurate and has been compiled and submitted in line with national guidance.

As minuted by the Audit Committee on behalf of the Trust Board at its meeting on 6 June 2013.

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(Chief Financial Officer)

For and on behalf of The Royal Wolverhampton NHS Trust

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(Chair of Audit Committee)

Date