

Enclosure M(a)

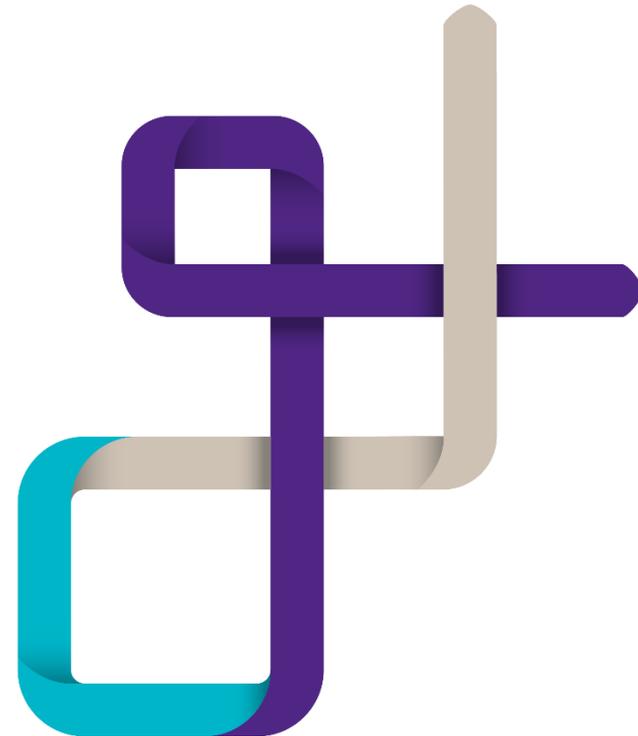


Audit Findings

Year ending 31 March 2018

Kingston Hospital Charity

24 October 2018



Contents



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Section

1. Financial statements
2. Independence and ethics

Page

3
9

Appendices

- A. Follow up of prior year recommendations
- B. Audit adjustments
- C. Fees
- D. Audit Opinion
- E. Letter of Management Representation

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

Under International Standards of Audit (ISAs (UK)), we are required to report whether, in our opinion:

- the Charity's financial statements give a true and fair view of the financial position of the Charity and its expenditure and income for the year.

We are also required to report whether the information given in the Trustees' Annual Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Charity's business and is risk based, and in particular included:

- An evaluation of the Charity's internal controls environment including its IT systems and controls; and
- Substantive testing of significant transactions and material account balances

Our audit work was completed on site during September and October. Our findings are summarised on pages 4 to 8. We have identified no adjustments to the financial statements. Audit disclosure adjustments are detailed in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix A.

We have concluded that the other information published with the financial statements, which includes the Trustees' Annual Report, is consistent with our knowledge of your organisation and the financial statements we have audited.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governing Board meeting on 5th December 2018, as detailed in Appendix D. These outstanding items include:

- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan. We detail in the table to the right our assessment of materiality for the Charity.

	Amount (£)
Materiality for the financial statements	17,000
Performance materiality	13,000
Trivial matters	850

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

Management considered key financial information including:

- Level of reserves
- Level of cash and investments available
- Expected levels of future expenditure

Auditor commentary

- Management assessed the going concern to the end of January 2020. They concluded that the Charitable Fund is expected to be able to continue to meet its liabilities due to low costs of generating funds in comparison to income, and cash/investments held by the Charitable Fund available to meet liabilities if required over that period.
- The management review is quite high level. Despite the nature of the activities of the Charity and the relatively high level of cash and reserves we would expect to see some more detail, including a cash flow forecast.

Work performed

Auditor commentary

- We considered management's assessment in reaching their conclusion relating the going concern conclusion and the level of disclosures. As there were no material uncertainties identified by management or our work, these were deemed reasonable.

Concluding comments

Auditor commentary

- We concluded that there is no material uncertainty about the Charity's ability to continue as a going concern.
-

Significant audit risks

Risks identified in our Audit Plan	Commentary
<p>1 The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Auditor commentary</p> <p>In completing our work on this risk we:</p> <ul style="list-style-type: none"> evaluated the Charity's accounting policy for recognition of voluntary income from patient care activities for appropriateness; gained an understanding of the Charity's system for accounting for voluntary income and evaluated the design of the associated controls; undertaken substantive testing of material revenue streams; and Reviewed income received after year end to ensure it was recorded in the correct year. <p>Our audit work has not identified any issues on respect of revenue recognition.</p>
<p>2 Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>In completing our work on this risk we:</p> <ul style="list-style-type: none"> review of accounting estimates, judgements and decisions made by management testing of journal entries review of unusual significant transactions review of significant related party transactions outside the normal course of business <p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in the section of the report our work and findings on key estimates and judgements.</p>

Reasonably possible audit risks

Risks identified in our Audit Plan

Commentary

3

Voluntary income

Voluntary income (eg legacies) not recorded in the correct period (cut-off)

Voluntary income represents a significant percentage (99%) of the Charity's total income for the year and management uses judgement on when to account for these transactions.

We therefore identified the cut-off of voluntary income as a risk requiring particular audit attention.

Auditor commentary

We have undertaken the following work in relation to this risk:

- documented our understanding of processes and key controls over voluntary income;
- undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding;
- substantively tested legacy income;
- completed cut off testing of voluntary income, particularly legacies to ensure recorded in the correct period; and
- reviewed the legacy pipeline as at 31st March 2018 to identify any additional amounts that require recognition as income

Our audit work has not identified any issues in respect of the voluntary income (legacies) having not been recorded in the correct period.

4

Voluntary income

Donated cash schedules not complete (completeness)

As the Charity's donations come from a number of different sources there is a risk that voluntary income in the financial statements could be understated.

We therefore identified completeness of voluntary income as a risk requiring particular audit attention.

Auditor commentary

We have undertaken the following work in relation to this risk:

- documented our understanding of processes and key controls over voluntary income;
- undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding;
- substantively tested the completeness of donated cash income; and
- completed cut off testing of cash donations as at 31st March 2018 to identify any additional amounts that required recognition as income in 2017/18.

Our audit work has not identified any issues in respect of the completeness of the donated cash schedules

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> • Gifts in kind - Assets given for distribution by the Fund are included in the Statement of Financial Activities when distributed. • Legacies - Legacies are accounted for as incoming resources once the receipt of the legacy becomes probable. This occurs once the final estate accounts have been approved by all parties. • Income from fundraising activities - General donations and Gift Aid are disclosed under voluntary income in the Statement of Financial Activities. • Grants - Where grants are related to performance and specific deliverables, these are accounted for as the Fund earns the right to consideration by its performance. Where income is received in advance of performance its recognition is deferred and included in creditors. Where entitlement occurs before income is received the income is accrued. 	<ul style="list-style-type: none"> • The Charity's revenue recognition policy is appropriate and consistent with the Charities SORP and FRS 102. No issues over revenue recognition noted. 	
Judgements and estimates	<ul style="list-style-type: none"> • Key estimates and judgements include: <ul style="list-style-type: none"> • Accruals 	<ul style="list-style-type: none"> • We have reviewed the Charity's policies and do not have any comments to make. 	
Other accounting policies	<ul style="list-style-type: none"> • We worked with management to strengthen the disclosure of the reserves policy in the Trustees' Annual Report • The Charity has adopted the standard accounting policies for NHS Charitable funds. 	<ul style="list-style-type: none"> • We have reviewed the Charity's policies and do not have any comments to make. 	

Assessment

- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
① Matters in relation to fraud	<ul style="list-style-type: none"> We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed.
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Charity, which is appended at Appendix E.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to your bank, and investment custodian and fund managers. This permission was granted and the requests were sent. All have now ben received with positive confirmations..
⑥ Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
⑦ Audit evidence and explanations/significant disclosures	<ul style="list-style-type: none"> All information and explanations requested from management was provided.

Independence and ethics

Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers).

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Details of fees charged are included in Appendix C.

Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Charity. No non-audit services were identified.

Follow up of prior year recommendations

We identified the following issues in the audit of [insert client name] Charity's 2016/17 financial statements, which resulted in 1 recommendation being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	<p>Voluntary income donated cash schedules:</p> <p>It was identified that not all donated cash banking sheets had been countersigned by a witness to the cash count.</p> <p>The purpose of having a witness to the count is to prevent defalcation of cash prior to it being banked and to ensure that errors are identified. The count provides the basis for the ledger entries made prior to the physical banking of the cash.</p> <p>Without evidence of two people having been involved in the cash count, there is uncertainty over whether it has all be banked. Though there is unlikely to have been a material misappropriation, it is a serious control weakness.</p>	<p>The Charity now ensures that all cash banking sheets are countersigned by at least one witness, and that the witness is present while the cash is being counted.</p> <p>This change was enacted and enforced half way through the financial year 2017/18, upon receipt of the Audit Findings Report for 2016/17.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

We have not identified any adjusted or unadjusted misstatements.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Incorrect periods	<ul style="list-style-type: none"> On the creditors note, the periods covered by the note were incorrectly noted as 2015/16 and 2016/17, rather than 2016/17 and 2017/18. 	<ul style="list-style-type: none"> Correct the periods covered by the note to 2016/17 and 2017/18. 	✓

Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit Fees

	Proposed fee (£)	Final fee (£)
Charity Audit	5,000	5,000
Total audit fees (excluding VAT)	5,000	5,000

Audit opinion

We anticipate we will provide the Charity with an unmodified audit report

Independent auditor's report to the corporate trustee of Kingston Hospital Charity

Opinion

We have audited the financial statements of Kingston Hospital Charity (the 'charity') for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2018 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We have been appointed as auditor under section 145 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the charity's corporate trustee, as a body, in accordance with Section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the corporate trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the corporate trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the corporate trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The corporate trustee is responsible for the other information. The other information comprises the information included in the Trustees' Annual Report, set out on pages [**xx to xx**] other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- the charity has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the corporate trustee for the financial statements

As explained more fully in the Statement of Trustee's Responsibilities in respect of the Accounts set out on page 11, the corporate trustee is responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the corporate trustee is responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the corporate trustee either intends to liquidate the charity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

[Signature]

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

30 Finsbury Square
London
EC2A 1AG

[Date]

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Management Letter of Representation

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

[Date]

Dear Sirs

Kingston Hospital Charity Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Kingston Hospital Charity for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with Section 154 of the Charities Act 2011.

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:

Financial Statements

- i We have fulfilled our responsibilities, [as set out in the terms of our engagement letter dated 8th October 2018, for the preparation of the financial statements in accordance with the Charities Act 2011, and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland ('Charities SORP (FRS 102)'), issued by the Charity Commission for England and Wales and any subsequent amendments or variations to this statement., in particular the financial statements give a true and fair view in accordance therewith.
- ii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iii Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- iv Except as stated in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the charity 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.
- v Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Charities SORP (FRS 102) and any subsequent amendments or variations to this statement.
- vi All events subsequent to the date of the financial statements and for which the Charities SORP (FRS 102) and any subsequent amendments or variations to this statement require adjustment or disclosure have

been adjusted or disclosed.

vii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

The financial statements are free of material misstatements, including omissions.

- viii We can confirm that:
 - a. all income has been recorded;
 - b. the restricted funds have been properly applied;
 - c. constructive obligations for grants have been recognized; and
 - d. we consider there to be appropriate controls in place to ensure overseas payments are applied for charitable purposes.
- ix The charity 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.
- x We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice.

Information Provided

- xii We have provided you with:
 - a. 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;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons from whom you determine it necessary to obtain audit evidence.
- xiii We have communicated to you all deficiencies in internal control of which we are aware.
- xiv 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.
- xv All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi We have disclosed to you our knowledge of fraud or suspected fraud affecting the charity involving:
 - a. management;

- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

xvii We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the charity's financial statements communicated by employees, former employees, analysts, regulators or others.

xviii 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.

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

xx We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

xxi We confirm that we have reviewed all correspondence with regulators, which has also been made available to you, including the guidance 'How to report a serious incident in your charity' issued by the Charity Commission (updated in September 2017). We also confirm that no serious incident reports have been submitted to the Charity Commission, nor any events considered for submission, during the year or in the period to the date of signing of the balance sheet.

Yours faithfully

Name.....

Position.....

Date.....

Signed on behalf Kingston Hospital NHS Foundation Trust, the Corporate Trustee



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