

Ms Yarlini Roberts
Mr Damien Regent
Kingston Hospital NHS Foundation Trust
Galsworthy Road
Kingston upon Thames
KT2 7QB

24 April 2020

Dear Ms Roberts, Ms Mulcahy,

Quality Review of Audits by the Quality Assurance Directorate of the Institute of Chartered Accountants of England and Wales ('QAD')

May I begin by apologising for the delay in issuing this letter to you: while originally drafted some weeks ago, the unexpected events of the past few weeks has caused some disruption to planned activities as you can imagine.

We wrote to you in July 2019 to inform you that Grant Thornton UK LLP's audit of your trust accounts for the year ended 31 March 2019 was one of the audits of NHS foundation trusts selected for review by QAD for that year.

We explained an overview of the process in the annex to our previous letter. In summary, the NHS Act 2006 requires external auditors of NHS foundation trusts to comply with a monitoring regime established by the Secretary of State for Health. The Secretary of State has issued a direction delegating this to NHS Improvement, in exercise of Monitor's legal functions. NHS Improvement appointed QAD, of the Institute of Chartered Accountants of England and Wales, to perform this work and make recommendations to NHS Improvement.

The QAD has provided a report on its findings to us and we have considered this. In its summary report from the review of this audit, QAD has recommended its finding of a material cash flow presentation error in the audited accounts be considered a significant finding in relation to the work of the auditor.

The QAD summary identifies that £5.7m of cash was disclosed in the cash flow statement as being part of cash proceeds from disposal of property when it was in fact



a receivable, with a compensating error in the operating cash flows part of the statement. Our consideration is that this error likely originates in the receivables note: it appears that the receivables balance has been recorded as a contract receivable rather than a capital receivable (the latter would have facilitated the cash flow statement in our consolidation return). We therefore believe there is also material non-compliance with paragraph 116 IFRS 15.

Given the material error in a primary statement in the Trust's accounts **we agree with QAD's recommendation that this finding be considered significant.**

Our expectation is that this will be amended through a prior period adjustment in the trust's 2019/20 accounts. I appreciate the delayed issuance of this letter is not ideal to facilitate this, but the Trust may have already been made aware of the matter by the auditor.

We will shortly be publishing an anonymised summary of QAD's findings from across their nine reviews, and we will make this available on our website.

I will also write to your auditor informing them of this outcome. I recommend that you consider sharing this outcome with your Council of Governors.

Yours sincerely



Ian Ratcliffe
Assistant Director of Sector Financial Accounting

CC: Mr Jo Farrar
Ms Sian Bates
Ms Susan Simson

