



KPMG LLP
Infrastructure, Government & Healthcare
One Snowhill, Queensway
Birmingham
B4 6GH
United Kingdom

Tel +44 (0) 121 232 3000
Fax +44 (0) 121 232 3578
DX 709850 Birmingham 26

Private & confidential

The Board of Trustees
Sherwood Forest Hospitals NHS FT
Kingsmill Hospital
Mansfield Road
Nottinghamshire
NG17 4JL

Our ref SFT FHOT/1314

Contact Georgina Dickson
0121 232 3309

5 August 2014

Dear Sirs

ISA 260 report – Sherwood Forest Hospitals NHS Foundation Trust General Charitable Fund 2013/14

Independence confirmation from external audit

The purpose of this letter is to communicate all significant facts and matters that bear on KPMG LLP's independence and the objectivity and to inform you of the requirements of ISA 260 (UK and Ireland) *Communication of Audit Matters to Those Charged with Governance*.

Integrity, objectivity and independence

APB Ethical Standard 1 *Integrity, Objectivity and Independence* requires us to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Audit Partner and the audit team

We have considered the fees paid to us by the Charity for professional services provided by us during the reporting period. The fee for 2013/14 was £6,000 (excluding VAT). There have been no other fees charged during this period.

We have communicated and agreed the fee with those people charged with your governance through our engagement letter. We are satisfied that these procedures support our independence and objectivity.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through:



- Instilling professional values;
- Communications;
- Internal accountability;
- Risk management; and
- Independent reviews.

Please inform me if you would like to discuss any of these aspects of our procedures in more detail. There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Board of Trustees.

Confirmation of audit independence

We confirm that as of 31 March 2014, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Partner and audit staff is not impaired.

Audit matters

We are required to comply with ISA (UK and Ireland) 260 *Communication of Audit Matters to Those Charged with Governance* when carrying out the audit of the accounts. ISA 260 requires that we consider the following audit matters and formally communicate them to those charged with governance:

- Relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement partner and audit staff;
- The general approach and overall scope of the audit, including any expected limitations thereon, or any additional requirements;
- The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Charity's financial statements;
- The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements;
- Audit adjustments, whether or not amended by the entity that have, or could have, a material effect on the Charity's financial statements;
- Material uncertainties related to event and conditions that may cast significant doubt on the Charity's ability to continue as a going concern;
- Disagreements with management about matters that, individually or in aggregate, could be significant to the Charity's financial statements or the auditor's report. These communications include consideration of whether the matter has, or has not, been resolved and the significance of the matter;
- Expected modifications to the auditor's report;



- Other matters warranting attention by those charged with governance, such as material weaknesses in internal control, questions regarding management integrity, and fraud involving management; and
- Any other matters agreed upon in the terms of the audit engagement.

We continue to discharge these responsibilities through our attendance at audit committees and commentary and, in the case of uncorrected misstatements, through our request for management representations. Our formal request for management representation is attached at Appendix 3.

Findings

We wish to bring the following matter to the Trustees' attention. There were no material adjustments arising from our audit of the Charity's financial statements for 2013/14. However a presentational change was required which has been amended in the final set of accounts.

- An amount of £6,500 had been included in voluntary income however related to the reversal of expenditure in the prior year. Following the audit the amount was deducted from income, and included in expenditure on charitable activities to more readily reflect accounting standards.

We have also followed up progress in implementing last year's recommendation in Appendix 1. This related to the need for the Trust to encourage donors to include Gift Aid, as only a small proportion of donations had included Gift Aid. Our testing of donations for 2013/14 indicates that this remains the case.

Consolidated accounts

The Department of Health arranged exemption on the application of IAS 27 in relation to NHS Charities which means that NHS bodies were not required to consolidate NHS charities accounts into their financial statements in 2010/11, 2011/12 and 2012/13. However, NHS bodies were required to consolidate charitable funds from 2013/14, in accordance with IAS 27 (Consolidated and separated financial statements), unless the Charity was clearly immaterial to the accounts of the NHS body, and in which case, a paper should be prepared by management to outline the rationale for not consolidating. The Trust's management prepared a paper setting out its rationale for not consolidating its Charity for the Charitable Funds Committee, which was ratified at Board on 30th January 2014, which we reviewed and are satisfied, is reasonable.

Audit opinion

We plan to issue an unqualified audit opinion and we have included a draft as Appendix 2. We will issue this once we have received your signed accounts, management representation letter and signed Statement of Trustees Responsibilities.

Yours faithfully

Andrew Bostock
Statutory Auditor
KPMG LLP



Appendix 1 – Follow up of prior year recommendations

	Recommendation	Management response	Progress at July 2014
1	<p>Maximisation of Donations through gift aid</p> <p>We have noted as part of our sample testing that only a small proportion of donations made have been made with gift aid.</p> <p>This can improve donations by at least 20% and would significantly improve the level of funds available.</p> <p>We would therefore recommend that the trust look to maximise the addition of gift aid to donations through reminders to staff that take donations.</p>	<p>Agreed. A reminder will be issued to the voluntary services team and the wards.</p>	<p>Not implemented. Our testing of donations in 2013/14 indicates that only a small proportion of donations have been made with gift aid.</p> <p>The Head of Financial Services has discussed the importance of forwarding copies of all donation forms with the Customer Services Manager in Voluntary Services. Finance are then able to review the gift aid elements of the form.</p>



Appendix 2 – proposed audit opinion

Independent auditor's report to the Sherwood Forest Hospitals NHS Foundation Trust General Charitable Fund

We have audited the financial statements of Sherwood Forest Hospitals NHS Foundation Trust General Charitable Fund for the year ended 31 March 2014 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees as a body, in accordance with section 145 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 17 the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 145 of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2014 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011.



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.

Andrew Bostock for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

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