

QAD reviews of 2011-12 audits of NHS Foundation Trusts
Summary of Findings

	<p>For the purposes of these reviews, Monitor (and the Quality Assurance Department (“QAD”) of the Institute of Chartered Accountants in England and Wales) divides matters arising into “Significant” and “Other”. The Audit Code for NHS foundation trusts (“the Code”) defines a significant matter as one where there is material non-compliance with the Code.</p>
A	Significant matters
1.	There were no significant findings in the current year.
B	Other matters
1.	<p>Financial statements – presentation and disclosure</p> <p>The overall standard of presentation and disclosure of the financial statements for the sample was good and no disclosure issues were identified which would affect the overall true and fair view. However, some instances were identified where the accuracy of some disclosures could be improved. Examples were the disclosure of financial assets incorrectly including accrued income and capital expenditure in the cashflow statement not including the reduction in the capital creditor.</p> <p><i>Auditors should continue to work with trusts to ensure that high quality financial statements are produced.</i></p> <p>Whilst not part of the auditor’s responsibility, three cases were identified where there were typing errors or omitted pages in the version of the annual report and accounts published by the trust after completion of the audit.</p> <p><i>Monitor may wish to remind trusts that the published version of the annual report and accounts must not be changed after completion of the audit and that they should take great care in formatting the published document to ensure that no alterations occur.</i></p>
2.	<p>Documentation of key audit judgements</p> <p>There were two instances where key audit judgements had been made which had not been adequately documented in the audit file. Whilst the auditor in each case was able to explain the rationale for the decisions they had made, the audit file needed to include a comprehensive explanation to support this, including information obtained in earlier years.</p> <p><i>The auditors of these trusts have confirmed that they will address this in performing future audits.</i></p>
3.	<p>Documentation of audit work in other areas</p> <p>There were six cases where the documentation of audit work in a few, isolated areas should have been more comprehensive, although none were considered to undermine the overall quality of the audits concerned. In three cases, more extensive documentation of the consideration of subsequent events was required and in two cases, better documentation covering the design and implementation of controls and consideration of estimates at the planning stage. There was one instance where some documentation was not included in the audit file, which was electronic with no supporting paper files.</p> <p><i>The auditors of these trusts have confirmed that they will address this in performing future audits.</i></p>

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4.	<p>Audit evidence/scope of work</p> <p>Whilst the scope of work performed and the audit evidence obtained was considered to be sufficient to support the audit opinion in all cases, there were some specific instances where the quality of evidence should be enhanced further. For example:</p> <ul style="list-style-type: none"> • Payroll substantive analytical review – corroboration of employee numbers as well as employment costs used in the analytical review in one case and in another, supplementing analytical review with tests of detail or tests of control to enhance the overall evidence obtained. • Better focus on income testing to cover completeness of income, particularly non-NHS income and deferral of income (2 cases). • Cash flow statement to be audited in full without relying on a balancing figure of “other movements” which could potentially consist of a number of material items which net off to an immaterial figure. <p><i>The auditors of these trusts have confirmed that they will address these matters in future audits.</i></p>
5.	<p>Remuneration report – information subject to audit</p> <p>The disclosure of senior employees’ remuneration and pension entitlements in the remuneration report are subject to audit. In some cases, the remuneration report did not indicate which parts were subject to audit, nor did the audit report refer to the audited parts of the remuneration report. The remuneration report should indicate which parts are subject to audit and the audit report should include a suitable reference to the audited parts to be consistent with general guidance issued by the Auditing Practices Board on audit reports.</p> <p><i>The auditors of these trusts have agreed to address this in future audits.</i></p>
6.	<p>Code section 2.15 – restriction of disclosure of information</p> <p>As noted in the summaries for 2011 and 2010, the Code indicates that auditors should document their compliance with the restriction of disclosure of information in the audit file. One case was identified where this was not documented in the file, although the auditor had taken steps to ensure compliance.</p> <p><i>The auditor has confirmed that it will review its audit procedures to ensure that this is documented as a matter of routine in the future. All auditors should note this requirement and ensure that their standard procedures include it as a required step.</i></p>
7.	<p>Limited assurance reporting on quality report and indicators</p> <p>(a) Auditors’ work in this area is performed in accordance with International Standard on Assurance Engagements (ISAE) 3000. In some cases, the terms of engagement for this work, which is subject to different reporting requirements from the financial audit, were not set out in either the main engagement letter or a separate letter as suggested by ISAE 3000.</p> <p>(b) In two cases, the work performed in this area should have been more clearly documented to explain fully the nature and scope of the work carried out.</p> <p><i>The auditors of these trusts have agreed to address these points in future audits.</i></p>