

## QAD reviews of 2013-14 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>
<b>A</b>	<b>Significant matters</b>
1.	<p>There were no significant findings this year. The one significant finding in the previous year was addressed satisfactorily in the current year audit.</p>
<b>B</b>	<b>Other matters</b>
1.	<p>Audit work on Property, plant and equipment (PPE)</p> <p>There were a number of matters identified with regard to one audit:</p> <ul style="list-style-type: none"> <li>• Errors above the set materiality level in notes to the financial statements that were not identified in respect of elimination of accumulated depreciation following revaluation and the treatment of revaluation prior to disposal of a land asset.</li> <li>• Insufficient evidence of evaluation of the competence and work of management’s expert in connection with the valuation of land prior to disposal.</li> <li>• Insufficient consideration of the classification between purchased, leased and donated.</li> <li>• Other errors below materiality that were not identified for consideration of cumulative impact.</li> </ul> <p>Some other isolated issues were identified on five audits regarding the adequacy of work on PPE or its documentation. These included consideration of existence in three cases, valuation in one case and adequacy of asset lives in another case.</p> <p><i>QAD recommendation:</i>  <i>Auditors have confirmed that these specific instances will be addressed in future audits. All auditors should note that issues continue to be identified regarding work in this area and therefore, should consider the adequacy of their approach to all aspects of work on PPE, including information disclosed in the notes to the financial statements and work done to cover all relevant assertions.</i></p>
2.	<p>Other areas of audit evidence</p> <p>Whilst not detracting significantly from the overall standard of the audits, other areas where the quality of audit evidence required improvement were:</p> <ul style="list-style-type: none"> <li>• Three instances where substantive analytical review needs to be strengthened through clear consideration of the reliability of data, setting of expectation and corroboration of variances above the set threshold.</li> <li>• One instance where stock was material but stock take attendance and observation was not performed.</li> <li>• One instance where the letter of representation did not include confirmation that identified errors were not adjusted on the grounds of materiality.</li> </ul> <p><i>QAD recommendation:</i>  <i>Auditors have confirmed that these instances will be addressed in future.</i>  <i>All auditors should note the requirements for substantive analytical review.</i></p>

**QAD reviews of 2013-14 audits of NHS Foundation Trusts**  
**Summary of Findings**

3.	<p>Documentation of audit work</p> <p>Isolated areas where documentation of audit work should have been more comprehensive were identified on all the files reviewed. None were considered to undermine the overall quality of the audits concerned, however, clear documentation demonstrates compliance with ISAs and that a sufficiently sceptical approach has been applied. Examples were:</p> <ul style="list-style-type: none"> <li>• Consideration of related parties and transactions at the planning stage, including ensuring that there was a complete list of all identified related parties, arose on six audits.</li> <li>• Consideration of threats and safeguards where non-audit services were provided arose on two audits.</li> <li>• There were three instances where the limited assurance work on quality indicators required better documentation, including checks for the numerical accuracy of the indicator calculations.</li> <li>• Isolated areas where detailed audit work required better documentation, such as work on other income and provisions.</li> </ul> <p><i>QAD recommendation:</i>  <i>The auditors of these trusts have confirmed that they will address these matters in performing future audits. All auditors should note the finding and consider the adequacy of documentation in their audits, particularly regarding related parties and transactions and where the auditor provides non-audit services.</i></p>
4.	<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. We identified some aspects for improvement in eight cases, the more important ones relating to one audit are highlighted in section B1 above. There were no particular themes or common areas. We noted one instance where the published report and accounts included a small change from the audited version and two further instances where the published document included audit reports that were different to the ones signed by the auditors.</p> <p><i>QAD recommendation:</i>  <i>Auditors should continue to work with trusts to ensure that high quality annual reports and accounts are produced. Whilst not the auditor's responsibility, Trusts should be encouraged to share the final proof before publication so that there are no inconsistencies with the audited version.</i></p>
5.	<p>Consistency of consolidation schedules with the accounts</p> <p>There was one instance where inconsistencies in note disclosures between the consolidation schedules ("FTCs") and the audited accounts were identified in the detailed audit work, but had not been raised with the Trust.</p> <p><i>QAD recommendation:</i>  <i>The auditor has confirmed that it will review and enhance its procedures for future audits to ensure that such inconsistencies are identified and reported to the Trust.</i></p>

**QAD reviews of 2013-14 audits of NHS Foundation Trusts**  
**Summary of Findings**

6.	<p>Code section 2.15 – restriction of disclosure of information</p> <p>As noted in the summaries for the last four years, the Code indicates that auditors should document their compliance with the restriction of disclosure of information in the audit file. Three cases (two at the same firm) were identified where this was not done, although the auditors had taken steps to ensure compliance.</p> <p><i>QAD recommendation:</i> <i>The auditors have confirmed that they will review their audit procedures to ensure that this is documented as a matter of routine in future. All auditors should note this requirement and ensure that their standard procedures include it as a required step.</i></p>
----	---