



Grant Thornton

Item 4.6b

Julian Farmer
Chair of Audit Committee
Liverpool Heart and Chest Hospital NHS Foundation Trust
Thomas Drive
Liverpool
L14 3PE

5 October 2018

Dear Julian

Financial Reporting Council Announcement re investigation into Grant Thornton

Thank you for your telephone call and message on 4 October 2018, regarding the recent Financial Reporting Council (FRC) announcement on the outcome of its investigation into ethical issues surrounding Grant Thornton's audit work for the University of Salford and Nichols plc.

By way of background to the issue, the FRC identified threats to the independence and objectivity of our audit work for these clients between 2010 and 2013. A retired Grant Thornton partner was reappointed as a consultant to the firm, while taking on key management roles at both the University of Salford and Nichols plc. Each of these appointments occurred during the same time that the organisations were both high profile audit clients of our firm and the appropriate disclosures were not made at the time.

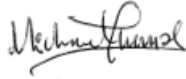
While there were no financial losses incurred by either client during this period and both clients were made aware at the time of the former partner's relationship with the firm, we have accepted that our policies and procedures were inadequate, and contributed to the ethical breaches. In the circumstances, the firm has reached agreement with the FRC to resolve the investigation, which includes a substantial fine, 'severe reprimand' for the firm and a charge to cover the costs of the FRC's investigation. The three partners who had overall responsibility for the audits, all of whom have since left the firm, along with the retired partner who undertook the positions on the audit committees, have also accepted sanctions from the FRC.

Whilst the focus of the investigation was not on our technical competence in carrying out either of these audit assignments, the matter of ethical conduct and independence is equally of critical importance in ensuring the quality of our work and it is regrettable that we fell short of the standards expected of us on this occasion.

I would like to take this opportunity to reassure you that the firm has co-operated fully with the FRC throughout the investigation and has since made significant investments in our people and processes. We remain committed to continuous improvement in this regard and we are confident that such a situation should not arise again.

We hope that this historic incident does not raise any concerns in relation to the work we are currently undertake with Liverpool Heart and Chest Hospital NHS Foundation Trust and look forward to continuing our relationship with you during the remainder of the current contract. . However, should you, Neil, Jane or Clare wish to discuss any specific aspects of our work or overall approach to ethics, I would be more than happy to do so. I could also arrange a separate meeting for one of the firm's Partners to come and visit the Trust if this would be helpful.

Yours faithfully

A handwritten signature in black ink, appearing to read "Michael Thomas". The signature is fluid and cursive, with a prominent loop at the end.

Michael Thomas

Engagement Lead, Director