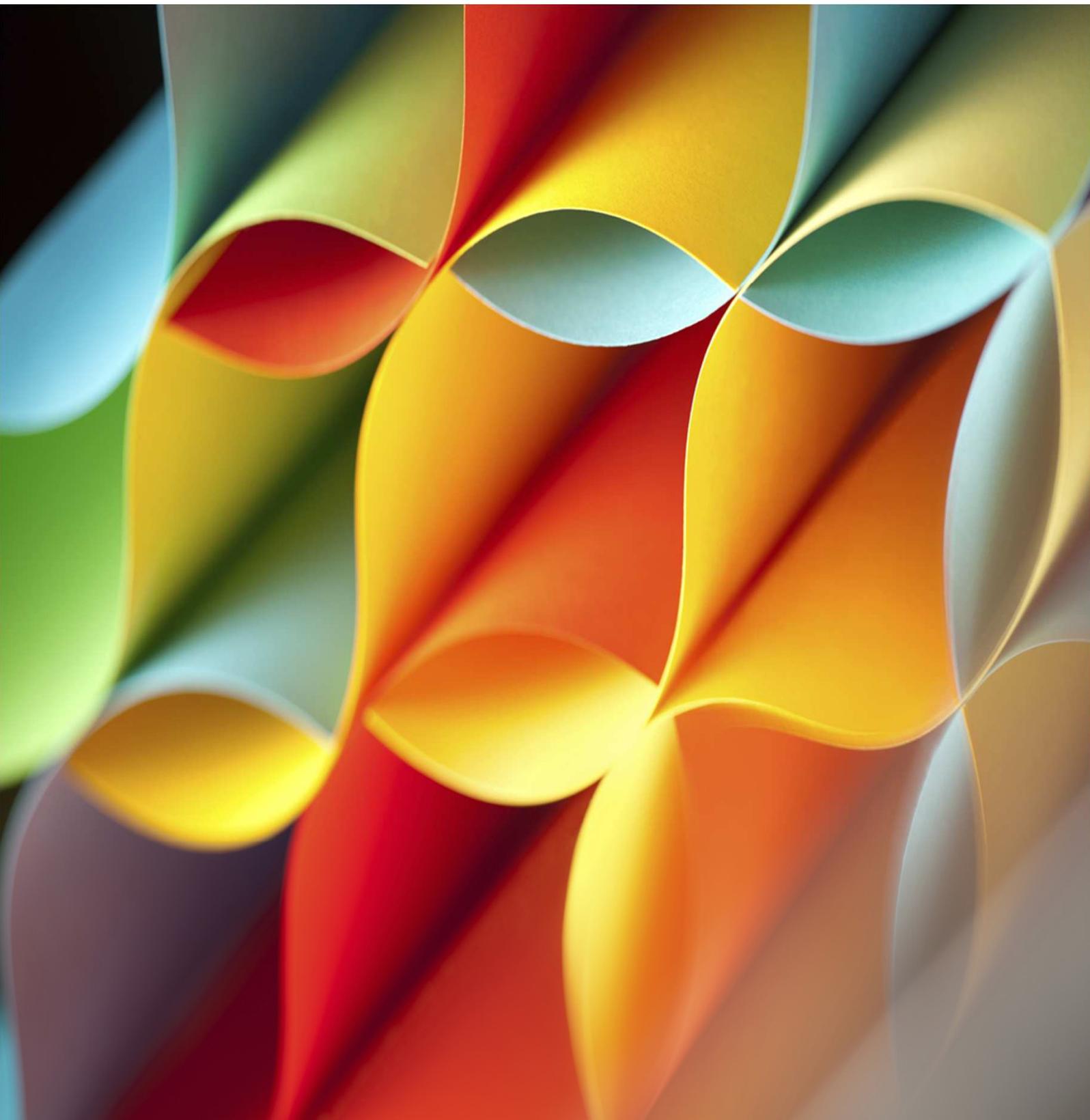


Management Letter to:  
**Northumberland, Tyne and Wear NHS  
Foundation Trust**

Audit 2014/15

June 2015



Mazars LLP  
Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

22 June 2015

The Governors  
Northumberland, Tyne and Wear NHS Foundation Trust  
St Nicholas Hospital  
Jubilee Road  
Gosforth  
Newcastle upon Tyne  
NE3 3XT

Dear Governors

**Management Letter 2014/2015**

I am delighted to present to you our Management Letter for the 2014/15 audit year. The purpose of this document is to summarise the positive outcomes from our audit of Northumberland, Tyne and Wear NHS Foundation Trust (the Trust).

We carried out our audit work in accordance with Monitor's Audit Code for Foundation Trusts and delivered all expected outputs in line with the timetable established by Monitor.

I would like to express my thanks for the assistance of the Trust's finance team, as well as Management and the Audit Committee, during this first year of our re-appointment.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6314.

Yours faithfully

Cameron Waddell  
Mazars LLP

# Contents

- 01 Key messages
- 02 Financial statements
- 03 Securing economy, efficiency and effectiveness
- 04 Effective use of the Trust's audit resources
- 05 Fees and closing remarks

*Our reports are prepared in the context of Monitor's Audit Code for NHS Foundation Trusts. The reports and letters we prepare as external auditors are addressed to Governors, Non-Executive Directors, Directors or managers. They are prepared for the sole use of the Foundation Trust and we take no responsibility to any Governor, Non-Executive Director, Director or Manager in their individual capacity or to any third party.*

*Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.*

# 01

## Key messages

This Management Letter summarises the findings from our 2014/15 audit of Northumberland, Tyne and Wear NHS Foundation Trust (the Trust).



# Key messages

Our 2014/15 audit of the Trust was made up of three elements:

- our audit of the financial statements (including review of the Annual Governance Statement and Annual Report);
- our assessment of arrangements for achieving value for money in your use of resources; and
- our review of the Quality Report, including testing of two indicators.

In addition, we report to the National Audit Office in respect of your consolidation data (the information submitted to Monitor and which is used in the Whole of Government accounts).

The key conclusions for each element are summarised below.

## **Audit opinion and financial statements**

We issued an audit report including an unqualified opinion on the Trust's financial statements on 27 May 2015. Our audit progressed smoothly, and the finance team were very cooperative. Our audit identified some errors in the draft financial statements, however, they were all corrected by management.

## **Value for money**

We undertook work in line with Monitor's Audit Code for Foundation Trusts, and issued an unqualified certificate on 27 May 2015.

## **Limited assurance opinion on the Quality Report**

We issued a limited assurance opinion on the Quality Report on 27 May 2015 and concluded:

- the Quality Report was prepared in line with Monitor's guidance;
- the Quality Report was not inconsistent with information specified by Monitor; and
- the two indicators in the Quality Report subject to our limited assurance work were reasonably stated.

## **Assurance to the National Audit Office (NAO)**

We reported to the NAO in line with their requirements and by their deadline.

# 02

## Financial statements

The Trust's finance team were very cooperative during our work, which allowed us to issue an unqualified opinion before the deadline.



# Financial statements

We issued an audit report including an unqualified opinion on the financial statements on 27 May 2015. This enabled the Trust to submit its audited annual report and accounts to Monitor before the 29 May 2015 deadline.

Our audit identified only a small number of errors in the draft financial statements prepared by the Trust, the majority of these being in the disclosure notes in the financial statements. The Trust's finance team were very cooperative in replying to any queries we raised. We reported the detailed findings of our audit to the 20 May 2015 Audit Committee in our Audit Completion Report, and subsequent follow up letters.

## **Weaknesses in internal control**

Our audit did not identify any weaknesses in internal control.

## **Assurance to the National Audit Office**

Although the Trust is a stand alone entity, along with the other Foundation Trusts in England it's accounts are consolidated to form a group account. The NAO as the auditor of the group account, instructs the auditors of Foundation Trusts to carry out specified procedures. We reported to the NAO in line with their requirements and by their deadline.

# 03

## Securing economy, efficiency and effectiveness (the 3 Es)

Our work shows that the Trust maintained proper arrangements for securing the 3 Es in its use of resources during 2014/15.



# Securing economy, efficiency and effectiveness

To inform our work in this area we drew upon:

- our audit work on the Trust's Annual Governance Statement as part of the audit of the financial statements;
- the results of the work of regulatory bodies, including Monitor and the Care Quality Commission; and
- our review of the Trust's Quality Report, including testing on certain indicators.

Our work in these areas allowed us to satisfy ourselves that the Trust maintained proper arrangements for securing the 3 Es in its use of resources during 2014/15.

## Annual Governance Statement

We review the Trust's Annual Governance Statement to identify if there are any issues disclosed by the Trust that would lead us to consider that the Trust did not have proper arrangements for securing economy, efficiency and effectiveness. Our review did not identify any such issues.

## Other regulatory bodies

We review the reports issued by the Care Quality Commission and information produced by Monitor about the Trust to identify if there are any issues that would lead us to consider that the Trust did not have proper arrangements for securing economy, efficiency and effectiveness, including those reports that highlight where the Trust's services do not meet required standards. Our review did not identify any issues in these reports that led us to consider the Trust had not maintained proper arrangements for securing economy, efficiency and effectiveness.

## Review of the Trust's Quality Report

Our work on the Trust's Quality Report included review of the report against a list of documents and information, specified by Monitor, to ensure that the report is consistent with those documents, and that the report contains all of the information Monitor states that it should. We also test a sample of the performance indicators in the report that report the Trust's performance in the year, to ensure that they are reasonably stated and not misleading.

We issued a limited assurance opinion on the content of the Quality Report and testing of the two mandated indicators on 27 May 2015. This concluded that:

- the Quality Report was prepared in line with Monitor's guidance;
- the Quality Report was not inconsistent with the information specified by Monitor; and
- the two mandated indicators were reasonably stated.

We reported our findings from our review and testing of the performance indicators to the Trust in our 'Report to Governors'.

# 04

## Effective use of the Trust's audit resources

We have continued to work with Internal Audit to avoid duplication where possible and deliver an efficient audit.



# Effective use of the Trust's audit resources

## Internal and external audit liaison

Although external auditors and internal auditors have different roles and responsibilities, there are areas of overlap in the controls and risks they consider, with the potential for duplication and wasted resources. We therefore developed with the Trust's Internal Auditors, an agreement for liaison and cooperation to reduce the risks that this could occur. Our main area of reliance this year on Internal Audit work was in respect of the testing of a sample of the Trust's own Internal controls as part of our audit of the financial statements, and sample testing of performance indicators in the Quality Report. The Audit Committee approved the liaison agreement between internal and external audit in September 2014 for the 2014/15 audit year.

## Ongoing independent support during the year

During the audit year we have continued to support the Trust in other ways, including:

- attendance at Audit Committees. At these meetings, we inform the Committee about progress on the audit, report our key findings, and update it about developments in the NHS, foundation trusts, and the wider environment; and
- hosting seminars and events for trust staff, such as our popular NHS Accounts workshops, together with more focused one to one sessions where appropriate.

# 05

## Fees and closing remarks

All of our work has been delivered in line with the fees agreed with the Trust.



# Fees and closing remarks

Our audit fee for the year was in line with those estimated in our engagement packs and fee letters in June 2014, and our subsequent update letter in January 2015 (to reflect additional work as a result of changes in the reporting framework) being £40,000 (plus VAT). We did not provide any non-audit services to the Trust in 2014/15.

We have discussed and agreed this letter with the Director of Finance. We will present it to the Audit Committee and provide copies to all Board members. Detailed findings and conclusions in the areas covered by our audit are included in the reports issued to the Trust during the year.

Report	Date issued
2014/15 Audit Fee Letter	June 2014
Audit Strategy Memorandum	September 2014
External Audit/Internal Audit Liaison Agreement	September 2014
Progress reports to Audit Committee (verbal)	Audit Committee meetings
Financial statements audit arrangements and working paper requirements	March 2015
Quality Report – project brief	March 2015
Audit Completion Report, including follow up letters	May 2015
External assurance on the Trust's Quality Report	May 2015
Audit Opinion on the Financial Statements	May 2015
Limited Assurance Report on the Quality Report	May 2015

The Trust has taken a positive and constructive approach to our audit and we wish to thank the Board, Audit Committee, and Trust for its support and co-operation during our audit in the past year.

The Trust is in a crucial period as financial strain grows on the wider NHS. The Trust has met the challenge well so far, and is well placed as it continues on its journey to become ever more efficient whilst providing high standards of care, however the challenge will continue to increase year on year.

**Cameron Waddell**  
**Director**  
**June 2015**

Should you require any further information,  
please do not hesitate to contact:

Cameron Waddell  
Director

T: 0191 383 6314

M: 07813 752053

E: [cameron.waddell@mazars.co.uk](mailto:cameron.waddell@mazars.co.uk)

The Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

The contents of this presentation are confidential and not for onward distribution. Disclosure to third parties cannot be made without the prior written consent of Mazars LLP.

Mazars LLP is the UK firm of Mazars, the international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England with registered number OC308299.

© Mazars LLP 2015