



Annual Audit Letter 2017-18

**NHS Leeds South & East Clinical Commissioning
Group**

June 2018

Contents

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This report is addressed to NHS Leeds CCG (the CCG) and has been prepared for the sole use of the CCG. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.





Introduction

Introduction

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2017-18 audit at NHS Leeds South & East Clinical Commissioning Group (the CCG). Although this letter is addressed to the Members of the Governing Body of Leeds CCG, it is also intended to communicate these issues to external stakeholders, such as members of the public. It is the responsibility of the CCG to publish this letter on the CCG's website.

In the letter we highlight areas of good performance and also provide recommendations to help the CCG improve performance where appropriate. We have reported all the issues in this letter to the CCG during the year and we have provided a list of our reports in Appendix A.

Scope of our audit

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. Our main responsibility is to carry out an audit that meets the requirements of the National Audit Office's Code of Audit Practice (the Code) which requires us to report on:

Financial Statements including the regularity opinion and Governance Statement	<p>We provide an opinion on the CCG's financial statements. That is whether we believe the financial statements give a true and fair view of the financial affairs of the CCG and of the income and expenditure recorded during the year.</p> <p>We are also required to:</p> <ul style="list-style-type: none">— form a view on the regularity of the CCG's income and expenditure i.e. that the expenditure and income included in the CCG's financial statements has been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them;— report by exception if the CCG has not complied with the requirements of NHS England in the preparation of its Governance Statement; and— examine and report on the consistency of the schedules or returns prepared by the CCG for consolidation into the Whole of Government Accounts (WGA) with our other work.
Value for Money arrangements	<p>We conclude on the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the CCG's use of resources.</p>

Introduction (cont.)

Adding value from the External Audit service

We have added value to the CCG from our service throughout the year through our:

- attendance at meetings with members of the Governing Body and Audit Committee to present our audit findings, broaden our knowledge of the CCG and provide insight into sector developments and examples of best practice;
- proactive and pragmatic approach to issues arising in the production of the financial statements to ensure that our opinion is delivered on time;
- incorporation of data analytics into our programme of work to, for example, identify high risk journals for testing; strong and effective working relationship with Internal Audit to maximise assurance to the Audit Committee, avoid duplication and provide value for money.

Fees

Our fee for 2017-18 was £35,947 (2016-17: £56,250) excluding VAT. This fee was in line with the fee agreed at the start of the year with the CCG's Audit Committee.

Acknowledgement

We would like to take this opportunity to thank the officers of the CCG for their continued support throughout the year.



Headlines

Headlines

This section summarises the key messages from our work during 2017-18.

Financial Statements audit opinion	We issued an unqualified opinion on the CCG's accounts on 25/05/2018. This means that we believe the accounts give a true and fair view of the financial affairs of the CCG and of the income and expenditure recorded during the year.
Financial statements audit work undertaken	<p>We are required to apply the concept of materiality in planning and performing our audit. We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. Our materiality for the audit was £6m (2016-17: £6m).</p> <p>We identified the following risk of material misstatement in the financial statements as part of our External Audit Plan 2017-18:</p> <ul style="list-style-type: none"> — Cost allocation – We have reviewed cost sharing arrangements in place and ensured costs are distributed fairly across the three Leeds CCGs. We did not identify any issues.
Regularity Opinion	<p>We are required to form a view on the regularity of the CCG's income and expenditure i.e. that the expenditure and income included in the CCG's financial statements has been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them.</p> <p>We reviewed the CCG's expenditure and income and in our opinion, in all material respects, it has been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.</p>
Governance Statement	We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.
Whole of Government Accounts	We issued an unqualified Auditor Statement on the Consolidation Schedules prepared by the CCG for consolidation into the Whole of Government Accounts with no exceptions.

Headlines (cont.)

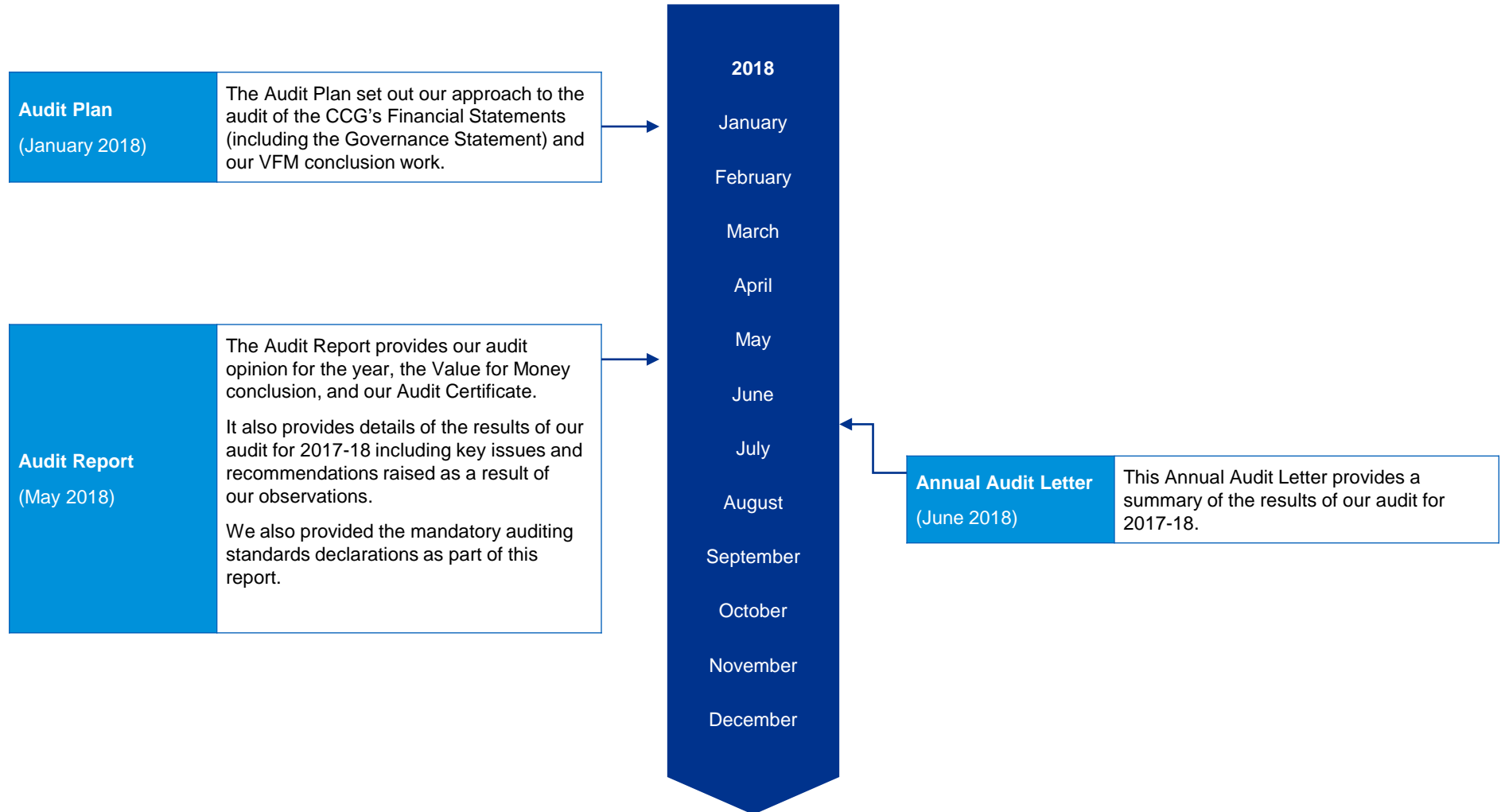
Value for Money (VFM) conclusion	<p>We are required to report to you if we are not satisfied that the CCG has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Based on the findings of our work, we have nothing to report.</p>
VFM conclusion risk areas	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>Our work identified 2 significant risks:</p> <p>1. Delivery of financial targets and the QIPP plans.</p> <p>Our audit response was to;</p> <ul style="list-style-type: none"> - Review the CCG's 2017/18 financial plans and monitoring reports and discuss with management to understand the challenges facing the CCG; - Review the minutes of the CCG's Governing Body and consider the appropriateness of the governance and reporting arrangements in place; and - Review the arrangements in place to deliver the 2017/18 QIPP targets. <p>Our work identified the CCG did not deliver its QIPP savings target of £12.480m. Only £8.654m (69.3% achieved) was achieved.</p> <p>2. Transitional Collaborative Arrangements</p> <p>Our audit response was to;</p> <p>Review the transitional joint working and governance arrangements and assess whether:</p> <ul style="list-style-type: none"> - Financial procedures and controls are robust; - Financial management and financial planning arrangements remained effective; and - Financial systems continue to be well managed and adequately resourced.
Recommendations	<p>We are pleased to report that there are no high risk recommendations arising from our 2017-18 audit work</p> <p>The CCG has been good at implementing agreed audit recommendations from prior years. We have identified no prior year recommendations that still require further action by management.</p>
Public Interest Reporting	<p>We have a responsibility to consider whether there is a need to issue a public interest report or whether there are any issues which require referral to the Secretary of State. We did not issue a report in the public interest or refer any matters to the Secretary of State in 2017-18.</p>



Appendices

Appendix B

Summary of our reports issued





The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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