



# Annual Audit Letter 2018-19

**NHS Leeds Clinical Commissioning Group**

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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 2018-19 audit at NHS Leeds Clinical Commissioning Group (the CCG). Although this letter is addressed to the Members of the Governing Body of the 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.

## 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:

<b>Financial Statements including the regularity opinion and Governance Statement</b>	<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"><li>— 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;</li><li>— report by exception if the CCG has not complied with the requirements of NHS England in the preparation of its Governance Statement; and</li><li>— 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.</li></ul>
<b>Value for Money arrangements</b>	<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 2018-19 was £57,500 (2017-18: £107,841) 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

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This section summarises the key messages from our work during 2018-19.

<p><b>Financial Statements audit opinion</b></p>	<p>We issued an unqualified opinion on the CCG's accounts on 23 May. 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</p> <p>We identified one unadjusted audit difference in relation to the year end prescribing accrual. Given the value of this was significantly below our materiality level, it did not have an impact on our audit opinion.</p> <p>There were no significant matters which we were required to report to 'those charged with governance'</p>
<p><b>Financial statements audit work undertaken</b></p>	<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 £15m (2017-18: £16.5).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2018-19:</p> <ul style="list-style-type: none"> <li>— Risk 1 – Fraudulent expenditure recognition;</li> <li>— Risk 2 – Introduction of a new ledger;</li> <li>— Risk 3 – Management override of controls</li> </ul> <p>Our audit work did not identify any issues that would have an impact on our audit opinion from these risks.</p>
<p><b>Regularity Opinion</b></p>	<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>

# Headlines (cont.)

<b>Governance Statement</b>	<p>We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.</p> <p>No significant adjustments were required to the Governance Statement.</p>
<b>Whole of Government Accounts</b>	<p>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</p>
<b>VFM conclusion</b>	<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 the following significant risks:</p> <ul style="list-style-type: none"> <li>— Risk 1 – Delivery of QIPP. Without the successful delivery of QIPP there was a risk the CCG would not meet its agreed financial position impacting its ability to operate effectively both in the current and future periods. We reviewed the governance arrangements surrounding QIPP delivery and found that these arrangements were operating effectively.</li> <li>— Risk 2 – Contracting arrangements. There was a risk, particularly as the CCG explores new models of delivery and contracting, that the CCG may enter into contracts without requisite due diligence which may negatively impact upon its financial position. We reviewed the governance arrangements surrounding previous and new contracting arrangements, while we found these arrangements to be operating effectively, we raised one medium priority recommendation surrounding this risk.</li> </ul> <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>

# Headlines (cont.)

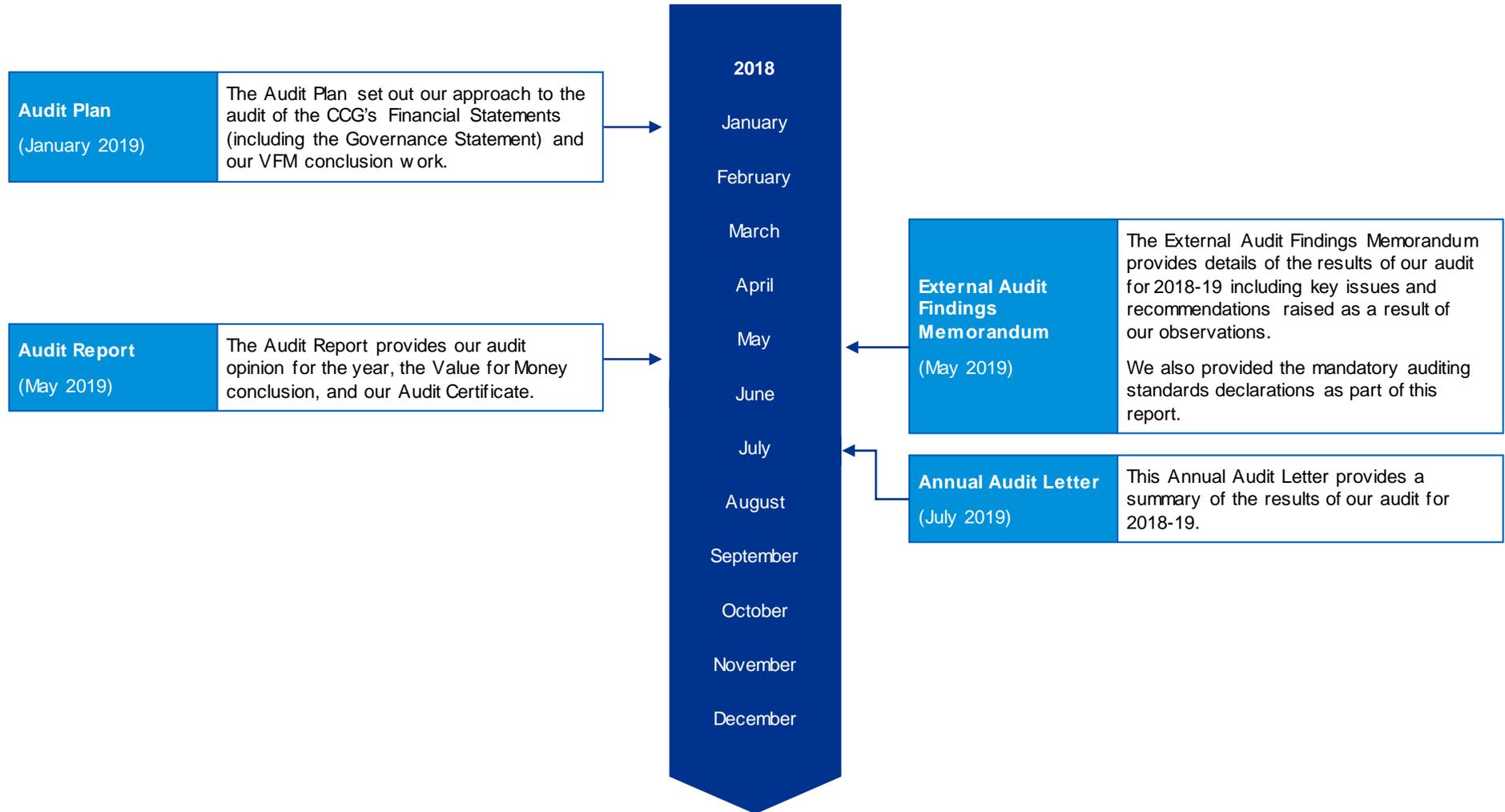
<b>Recommendations</b>	<p>We are pleased to report that there are no high risk recommendations arising from our 2018-19 audit work</p> <p>The CCG has been good at implementing agreed audit recommendations from prior years. We have identified no prior year recommendations that still require further action by management.</p>
<b>Public Interest Reporting</b>	<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 2018-19.</p>
<b>Fraud</b>	<p>Our work is complete and has not identified any matters which we wish to draw to your attention</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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