



Annual Audit Letter 2019/20

NHS Leeds Clinical Commissioning Group

29 June 2020

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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

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2019/20 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 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 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. We report by exception if the CCG has not complied with the requirements of NHS England in the preparation of its Governance Statement. We also 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.</p>
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>

Fees

Our fee for 2019/20 was £58,600 (2018/19: £57,500) excluding VAT. This fee was in line with the fee agreed at the start of the year with the CCG's Audit Committee.

We also charged non-audit fees of £14,000 in respect of Mental Health Investment Standard (2018/19). We will provide a fee estimate for this work for 2019/20 once we understand any requirements.

Acknowledgement

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

Headlines

This section summarises the key messages from our work during 2019/20.

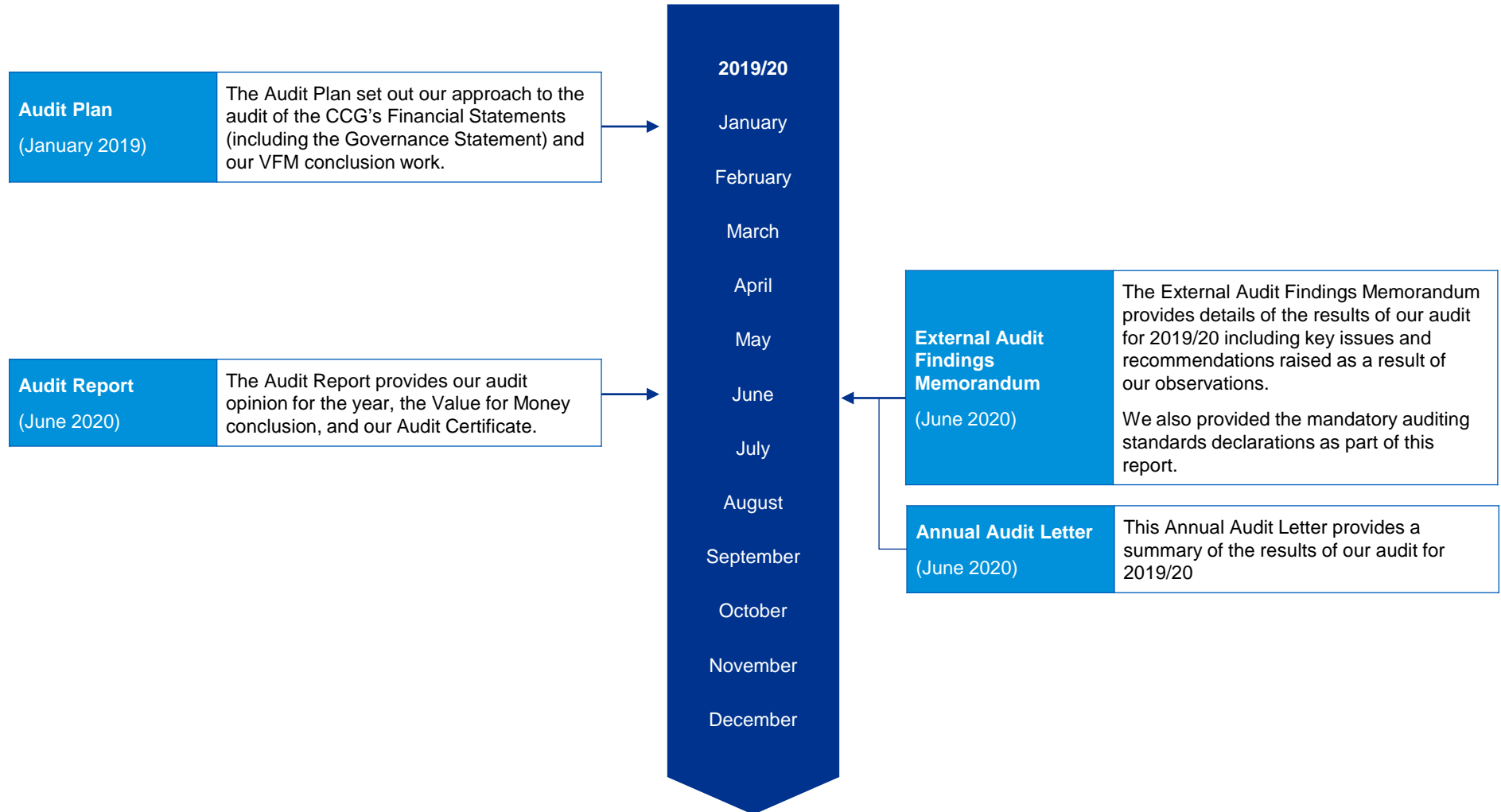
Financial Statements audit opinion	<p>We issued an unqualified opinion on the CCG's accounts on 24 June 2020. This means that we believe the accounts give a true and fair view of the financial affairs of the CCG and of the income and expenditure recorded during the year.</p> <p>No adjusted or unadjusted audit differences were identified during the course of the audit.</p> <p>There were no significant matters which we were required to report to 'those charged with governance'.</p>
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 £15m (2018/19: £15m).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2019/20:</p> <ul style="list-style-type: none"> — Expenditure recognition with non-NHS bodies – Our planning procedures identified a risk surrounding fraudulent expenditure recognition with non-NHS bodies, with particular focus on the completeness and accuracy of this expenditure. Our testing identified no expenditure recognised in the incorrect period or at an inaccurate value — Expenditure recognition with NHS bodies – Our planning procedures identified a risk surrounding fraudulent expenditure recognition with NHS bodies, with particular focus on the existence and accuracy of this expenditure. We reviewed the Agreement of Balances exercise, although one mismatch greater than £300k was identified, correspondence with the mismatched entity confirmed that this would be adjusted for the final submission. A review of budgeted and actual block contract spend identified differences of over £300k with 6 providers. Appropriate evidence and rationale for this overspend was provided by management — Management override of control – Although at the planning stage, we identified no specific risks regarding management override of control, professional standards communicate the fraud risk from management override of controls as significant. Our testing identified no indicators of management override of control
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	<p>We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement. No significant adjustments were required to the Governance Statement.</p>

Headlines (cont.)

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.
Value for Money (VFM) conclusion	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.
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 the following significant risks:</p> <ul style="list-style-type: none"> — QIPP development and implementation – Our testing sought to review the arrangements in place regarding the development of QIPP programmes and the ongoing implementation, specifically focussing on changes to the mechanisms of QIPP delivery of programmes that were not met in 2019/20 but were identified as a QIPP programme in 2020/21. Our testing identified that whilst the CCG did not meet it's 2019/20 QIPP target of £26.5m by £5.5m, appropriate QIPP development and implementation arrangements were in place. However, we did note that documentation surrounding changes to the QIPP mechanism could have been stronger. <p>We reviewed additional governance arrangements implemented by the CCG in response to the Covid-19 pandemic and found that appropriate measures were put in place to respond to any additional risks identified in light of the pandemic.</p>
Recommendations	<p>We are pleased to report that there are no high risk recommendations arising from our 2019/20 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	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 2019/20.

Appendix A

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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