

NHS WEST NORFOLK CCG

Annual Audit Letter

Year ended 31 March 2019

EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

This Annual Audit Letter summarises the key issues arising from the work that we have carried out in respect of the year ended 31 March 2019.

It is addressed to the CCG but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

Responsibilities of auditors and the CCG

It is the responsibility of the CCG to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice (the Code). Under the Code, we are required to review and report on:

- The financial statements, regularity of income and expenditure and auditable parts of the remuneration and staff report;
- Whether the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

BDO LLP

3 July 2019

Audit conclusions

Audit area	Conclusion
Financial statements	Unqualified opinion
Regularity	Unqualified opinion
Remuneration and staff report	Unqualified opinion
Use of resources	Unqualified conclusion

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance provided during the audit.

AUDIT RISKS OVERVIEW

We identified the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant Management Judgement Involved	Error Identified	Control Findings to be reported
Management override of controls	Significant	Yes	Yes	No
Expenditure Recognition	Significant	Yes	No	No
Financial sustainability	Significant	Yes	No	No

FINANCIAL STATEMENTS

Audit conclusion

We issued an unqualified audit opinion on the financial statements. This means that we consider that the financial statements give a true and fair view of the financial position and its net expenditure for the year.

We issued an unqualified opinion on regularity. This means that we consider that expenditure and income had been applied to the purposes intended by Parliament and the financial transactions conform to the authorities that govern them.

We issued an unqualified opinion on the parts of the remuneration and staff report to be audited. This means that we consider that they had been properly prepared in accordance with the relevant guidance.

Final materiality

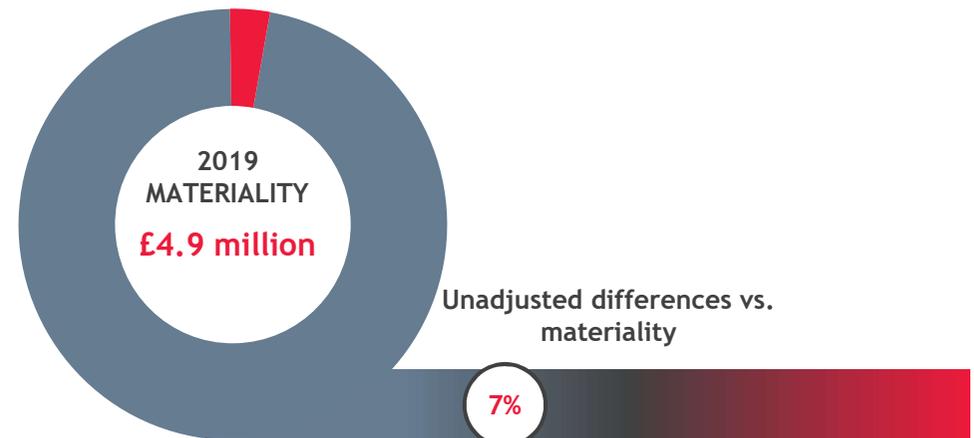
Materiality was calculated at £4.9 million based on a benchmark of 1.75% of gross expenditure.

Material misstatements

We did not identify any material misstatements.

Unadjusted audit differences

We identified audit adjustments that, if posted, would decrease the net operating expenditure for the year by £0.325 million.



FINANCIAL STATEMENTS

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and the direction of the efforts of the audit team.

Risk description	How the risk was addressed by our audit	Results
Management override of controls	<p>We carried out the following planned audit procedures:</p> <p>Reviewed and verified large and unusual journal entries made in the year and agreed the journals to supporting documentation; and</p> <p>Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias.</p>	<p>During the audit, we had access to more up to date information about prescription costs recognised by the CCG than was available to management when preparing the financial statements. When we compared this information the value of prescription costs reported in the financial statements, we identified that these costs were overstated by £0.325 million.</p> <p>Our audit work did not identify any other significant issues on areas we considered to be a specific risk of management override.</p>

FINANCIAL STATEMENTS

Risk description	How the risk was addressed by our audit	Results
Expenditure recognition	<p>We carried out the following planned audit procedures:</p> <p>Gained an understanding of the CCG's internal control environment for the significant expenditure streams, including how this operates to ensure that expenditure was recognised in the correct accounting period;</p> <p>Tested an increased sample of non-NHS expenditure to ensure it had been recorded in the correct period and it had been accounted for in accordance with the Group Accounting Manual; and</p> <p>Substantively tested a sample of NHS transactions to confirm accuracy existence and completeness of NHS expenditure.</p>	<p>Our review of the CCG's internal control environment for the significant expenditure streams did not identify any significant control weaknesses.</p> <p>Our testing of non-NHS expenditure did not identify any issues.</p> <p>Our review of outturn contract costs against Service Level Agreements for key NHS providers did not identify any issues.</p> <p>Mismatches with NHS counter-parties identified through the Department of Health and Social Care's reports did not identify any disputes or material mismatches individually and in aggregate. We have investigated mismatches above our investigation threshold and agreed that the CCG's position is reasonable based on evidence provided by the CCG.</p>

USE OF RESOURCES

Audit conclusion

We issued an unqualified use of resources conclusion.

This means that we are satisfied that the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We set out below the risks that had the greatest effect on our audit strategy.

Risk description	How the risk was addressed by our audit	Results
Sustainable finances	<p>We carried out the following planned audit procedures:</p> <p>Reviewed and assessed the progress made against the improvement plan and financial recovery plan, held interviews with relevant officers; and</p> <p>Reviewed the CCG's short and medium term financial planning process and the extent to which the CCG has achieved its savings target and the planning process for achieving the necessary savings in 2019/20.</p>	<p>The CCG met its statutory financial targets in 2018/19. Achievement of these targets was supported by planned receipt of £2 million of additional central funding for meeting its control total. Compliance with these financial targets demonstrate that the CCG has delivered its financial recovery plan.</p> <p>The CCG had a savings target for 2018/19 of £13 million and delivered £10.42 million (90%). The savings target for 2019/20 is £11.96 million and schemes covering 100% of this target had been identified at the date of our review. The CCG is forecasting to deliver an in-year surplus of £1.04 million. We reviewed the budget's key assumptions and consider them to be reasonable.</p> <p>The CCG has continued to address the weaknesses identified by the capability and capacity review undertaken in 2017/18. We reviewed progress against the action plan implemented to address these weaknesses and confirmed that all actions are now complete.</p> <p>The CCG has improved its governance arrangements. Terms of Reference for all committees have been reviewed and updated to ensure that they are fit for purpose.</p>

REPORTS ISSUED AND FEES

Fees summary

	2018/19	2017/18
	£	£
Audit fee		
CCG financial statements and use of resources	35,000	35,000
Group audit instructions	1,640	
Non-audit assurance services		
Fees for audit related services	-	-
Total fees	36,640	35,000

The CCG's financial statements are consolidated into those of NHS England. The audit fee increased in 2018/19 to reflect additional procedures we were required to perform by the group auditor of NHS England.

NHS England has mandated an assurance review of the increase in spending in mental health from 2017/18 to 2018/19 for all CCGs. The scope and fees for this work have not yet been finalised by NHS England. No amounts have been included in the fees summary for this proposed work.

Communication

Reports	Date	To whom
Audit Planning Report	30 January 2019	Audit Committee
Audit completion report	Draft to Committee 22 May 2019 Final version 24 May 2019	Audit Committee



FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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