

Annual Audit Letter 2014

NHS Vale of York Clinical Commissioning Group

July 2014



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Dear Governing Body Members

Annual Audit Letter 2014

I am delighted to present to you NHS Vale of York CCG's (the CCG's) first Annual Audit Letter. The purpose of this document is to summarise the outcome of the audit of the CCG's 2013/2014 annual accounts and our work on the value for money conclusion.

We carried out the audit in accordance with the Code of Audit Practice for NHS bodies as issued by the Audit Commission and delivered all expected outputs in line with the timetable established by the Department of Health and NHS England.

In its first year of operation the CCG has faced several challenges that are reflected in its annual report and accounts. Like many other CCGs across the country the CCG required more time than anticipated to develop its governance arrangements. We reflected these matters in the value for money part of our auditor's report. We were, however, pleased to issue an unqualified opinion on the annual accounts. Looking ahead, we are committed to working closely with the CCG to learn lessons from this first year.

We would like to express our thanks for the assistance of the CCG finance team, as well as management and the Audit Committee, during the audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6300.

Yours faithfully

Mark Kirkham
Director
Mazars LLP

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Our reports are prepared in the context of the Audit Commission’s ‘Statement of responsibilities of auditors and audited bodies’. Reports and letters prepared by appointed auditors and addressed to Governing Body members, Non-Executive Directors, Directors or managers are prepared for the sole use of the audited body and we take no responsibility to any Governing Body member, Non-Executive Director, Director or Manager in their individual capacity or to any third party.

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01 Key messages

Our 2013/14 audit of the CCG was made up of three elements:

- opinion on the financial statements;
- assessment of your arrangements for achieving value for money in your use of resources; and
- assurance for the National Audit Office on the consistency of your consolidation data to the audited accounts.

We summarise below the key conclusions for each element.

Audit of the financial statements

We issued an audit report including an unqualified opinion on the CCG's financial statements on 4 June 2014. The audit was completed on time and identified only a small number of errors.

Value for money

We performed our work in line with the Audit Commission's Code of Audit Practice for NHS bodies and the Commission's guidance for 2013/14. On 4 June 2014 we reported that the CCG did not have proper arrangements for securing economy, efficiency and effectiveness in its use of resources in the early part of the year for:

- financial planning and commissioning and procurement;
- producing relevant and reliable data and information to support decision making and manage performance;
- managing risks and maintaining a sound system of internal control; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

Assurance to the National Audit Office (NAO)

On 4 June 2014 we provided assurance to the NAO that your consolidation data was consistent with the audited financial statements.

Commentary of 2013/14

The first year of the CCG's operations has been challenging. Like many CCGs across the country, the CCG took longer than anticipated to put in place governance and accountability arrangements that provided assurance to management, the Audit Committee and the Governing Body that it had effective governance and internal controls in place. These challenges, and how they have affected your arrangements for securing the effective use of resources, are reflected in our value for money reporting.

Forward look to 2014/15

The context for the CCG's first year of operation included:

- significant changes to the NHS nationally;
- the developing nature of relationships with the CSU and the NHS England (NHSE) Local Area Team;
- the historic deficit;
- the emerging clarity over the roles and responsibilities between the CCG and NHSE; and
- the evolving role of GPs and the CCG's Governing Body.

We are committed to supporting the CCG move forward with greater clarity of purpose and stronger governance and accountability arrangements. Mazars currently audits a further ten CCGs and advises many other NHS bodies across the country. We will meet management to discuss lessons from the 2013/14 audit and will continue to share our knowledge of best practice.

02 Financial statements

Audit of the financial statements

We reported the detailed findings of the audit to the June 2014 Audit Committee in our Audit Completion Report.

We issued an audit report including an unqualified opinion on the CCG's financial statements on 4 June 2014. This enabled the CCG to submit its audited annual report and accounts to NHS England in line with the 6 June 2014 deadline.

The audit progressed smoothly, and identified only a small number of errors. The draft financial statements were of a good quality as was the standard of supporting working papers. The audit identified no significant issues and no material errors were identified. Matters to note include:

- we reviewed the draft of the CCG's first annual report. There were several amendments to the Remuneration Report and the Annual Governance Statement;
- late guidance from NHSE resulted in a material provision for **continuing healthcare costs** of £2.354m being disclosed in the financial statements; and
- we aim to work closely with management to discuss lessons from the audit and achieve a more efficient audit process for 2014/15.

Assurance to the National Audit Office

Although the CCG is a stand alone entity, along with the other 210 CCGs in England it forms part of the NHS England group. NHS England consolidates all 211 CCG accounts to prepare its own accounts. The NAO as the auditor of NHS England, instructs the auditors of CCGs to carry out specified procedures to inform an assurance statement that reports whether the consolidation information submitted by the CCG to NHS England is consistent with the audited accounts of the CCG.

We are pleased to record that we confirmed that your consolidation information was consistent with the audited accounts.

03 Securing economy, efficiency and effectiveness – value for money conclusion

Value for money

For 2013/14 we were required to satisfy ourselves that the CCG had proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The work we undertook included:

- discussion with management, review of the CCGs policies and procedures and attending Audit Committee meetings to form an understanding of the arrangements put in place in the year to secure value for money;
- reviewing the statement made by the Accountable Officer as part of the Annual Governance Statement (AGS), which includes details of the arrangements put into place to secure economy, efficiency and effectiveness;
- reviewing reports issued by other regulatory bodies; and
- risk based work around the generic risks associated with the CCG in its first year of operation.

Annual governance statement

We review the CCG's AGS to identify issues relevant to your arrangements for securing economy, efficiency and effectiveness.

The AGS included reference to the CCGs lack of assurance in the early part of the year on financial planning, commissioning, procurement, data quality, risk management and workforce management. As a result of the CCG not having compensating controls in place for the early part of the year we reported that the CCG did not have proper arrangements for the full year for securing economy, efficiency and effectiveness in its use of resources.

Other regulatory bodies

Our review of progress against authorisation conditions published by NHS England confirmed that arrangements were developing throughout the year.

2014/15 VfM conclusion

For 2014/15 the Audit Commission is changing the scope of the value for money review for CCGs. As well as considering whether proper overall arrangements are in place, we will also be required to consider two specified criteria:

- arrangements in place for securing financial resilience; and
- arrangements for challenging how it secures economy, efficiency and effectiveness.

We will discuss our approach to considering these criteria with management and expect the Audit Commission to issue guidance for auditors in October 2014.

04 Effective use of the CCG'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 CCG's Internal Auditors (North Yorkshire Internal Audit Services), an agreement for liaison and co-operation to reduce the risks that this could occur and continue to meet with them regularly throughout the year.

On-going independent support during the year

During the audit year we have continued to support the CCG 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, CCGs, and the wider environment; and
- hosting events for staff, such as our NHS Accounts workshops.

05 Fees

We can confirm the final audit fee for 2013/14 was £88,000 plus VAT. The 2013/14 fee was subject to an exceptional increase of 10 per cent for 2013/14 only, to cover expected additional first-year audit costs. The Audit Commission funded this 10 per cent increase and the CCG received a rebate in March 2014. We can also confirm that we did not undertake any non-audit work for the year.

We have discussed this letter with the Chief Finance Officer and intend to present it to the Audit Committee in September 2014, and will provide copies to all Governing Body members. Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the CCG during the year.

| Report | Date issued |
|--|--------------------|
| 2013/14 Audit Fee Letter | May 2013 |
| External Audit/Internal Audit Liaison Agreement | October 2013 |
| Audit Strategy Memorandum | December 2013 |
| Financial statements audit arrangements and working paper requirements | January 2014 |
| Director Declarations | February 2014 |
| NHS Local Audit Act flyer | February 2014 |
| CCG accounts – a guide for members | April 2014 |
| Audit Completion Report, including follow up letters | June 2014 |
| Audit Opinion on the Financial Statements | June 2014 |

The CCG has taken a positive and constructive approach to our audit and we wish to thank the Governing Body, Audit Committee and officers for their support and co-operation during our audit.

Mark Kirkham

Director

July 2014

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

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