



# Annual Audit Letter 2017-18

**NHS Bradford District Clinical Commissioning  
Group**

June 2018

# Contents

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A. Summary of our reports issued

This report is addressed to NHS Bradford District 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 Bradford District 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:

<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; and
- 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 £36,000 (2016-17: £63,750) excluding VAT. This fee was in line with the fee agreed at the start of the year with the CCG's Audit Committee.

We have not completed any non-audit work at the CCG during the year.

## 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 2017-18.

<p><b>Financial Statements audit opinion</b></p>	<p>We issued an unqualified opinion on the CCG's accounts on 25 May 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.</p> <p>There were no significant adjusted or unadjusted audit differences identified as part of the audit.</p> <p>There were no significant matters which we were required to report to 'those charged with governance'.</p> <p>The working papers requested were presented to us to the required standard and in line with the agreed timetable. Prompt explanations were received when necessary to supplement the working papers.</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 £9.5 million (2016-17: £9.5 million).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2017-18:</p> <ul style="list-style-type: none"> <li>— <b>Fraud risk from revenue recognition</b> - We recognise that the incentives in the NHS differ significantly to those in the private sector which have driven the requirement to make a rebuttable presumption that this is a significant risk. These incentives in the NHS include the requirement to meet regulatory and financial covenants, rather than broader financial reporting or share based management concerns. As the CCG receives a revenue resource allocation from the Department of Health, and has very little direct income, there is unlikely to be an incentive to fraudulently recognise revenue. We have therefore rebutted this presumed risk, as such there has been no impact on our audit work.</li> <li>— <b>Fraud risk from management override of controls</b> - Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit. Our procedures included testing of journal entries, accounting estimates and significant transactions outside the normal course of business. No instances of fraud were identified.</li> </ul>
<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> <ul style="list-style-type: none"> <li>— No significant adjustments were required to the Governance Statement.</li> </ul>
<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>Value for Money (VFM) conclusion</b>	<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>
<b>VFM conclusion risk areas</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 did not identify any significant risks, however we did highlight the following area of audit focus:</p> <ul style="list-style-type: none"> <li>— <b>Financial Targets/Delivery of QIPP</b> - The CCG had agreed with NHS England to deliver a control total in-year surplus of £3k and a QIPP target of £13.4m, however during the year there was a shortfall against planned QIPP and overspends compared to the control total. The CCG achieved its control total in 2017/18 and whilst the planned QIPP was not delivered (£7.7m of savings delivered), the CCG was able to address the shortfall using its reserves. As such we have not considered this to be a significant risk. We reviewed the arrangements in place to deliver recurrent cost improvements. We reviewed how the shortfall in the planned QIPP in the current year was being managed by the CCG and considered the arrangements to deliver savings programs going forward - helping to secure financial balance in the short and medium term. The CCG QIPP system has been audited by both internal audit and PWC during the year. Management are now working on responding to the recommendations made to improve the processes. We have made no further recommendations in relation to the delivery of QIPP, but it is important that actions are taken to improve the delivery of QIPP in future periods.</li> </ul>
<b>Recommendations</b>	<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 not identified any 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 2017-18.</p>

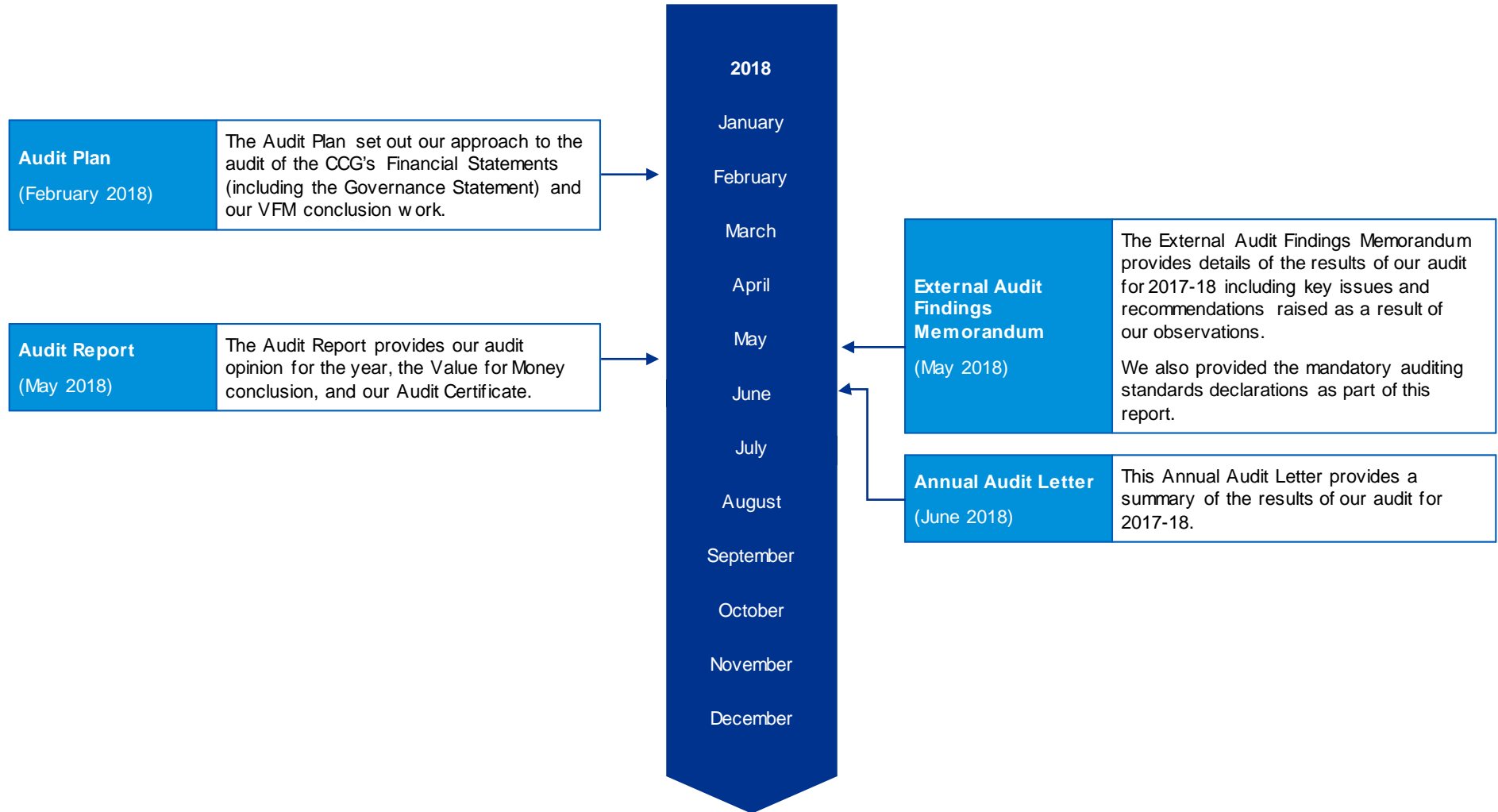




# Appendices

## 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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