



Annual Audit Letter 2018-19

NHS Guildford and Waverley Clinical Commissioning Group

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A. Summary of reports issued	

This report is addressed to NHS Guildford and Waverley 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 2018-19 audit at NHS Guildford and Waverley Clinical Commissioning Group (the CCG). Although this letter is addressed to the Members of the Governing Body of the CCG, it is 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 provide recommendations to help the CCG improve performance where appropriate. We reported all issues in this letter to the CCG during the year and we 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 required to:</p> <ul style="list-style-type: none">— 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;— report by exception if the CCG has not complied with the requirements of NHS England in the preparation of its Governance Statement; and— 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.
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>

Introduction

Adding value

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 2018-19 was £41,587 (2017-18: £39,587) 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

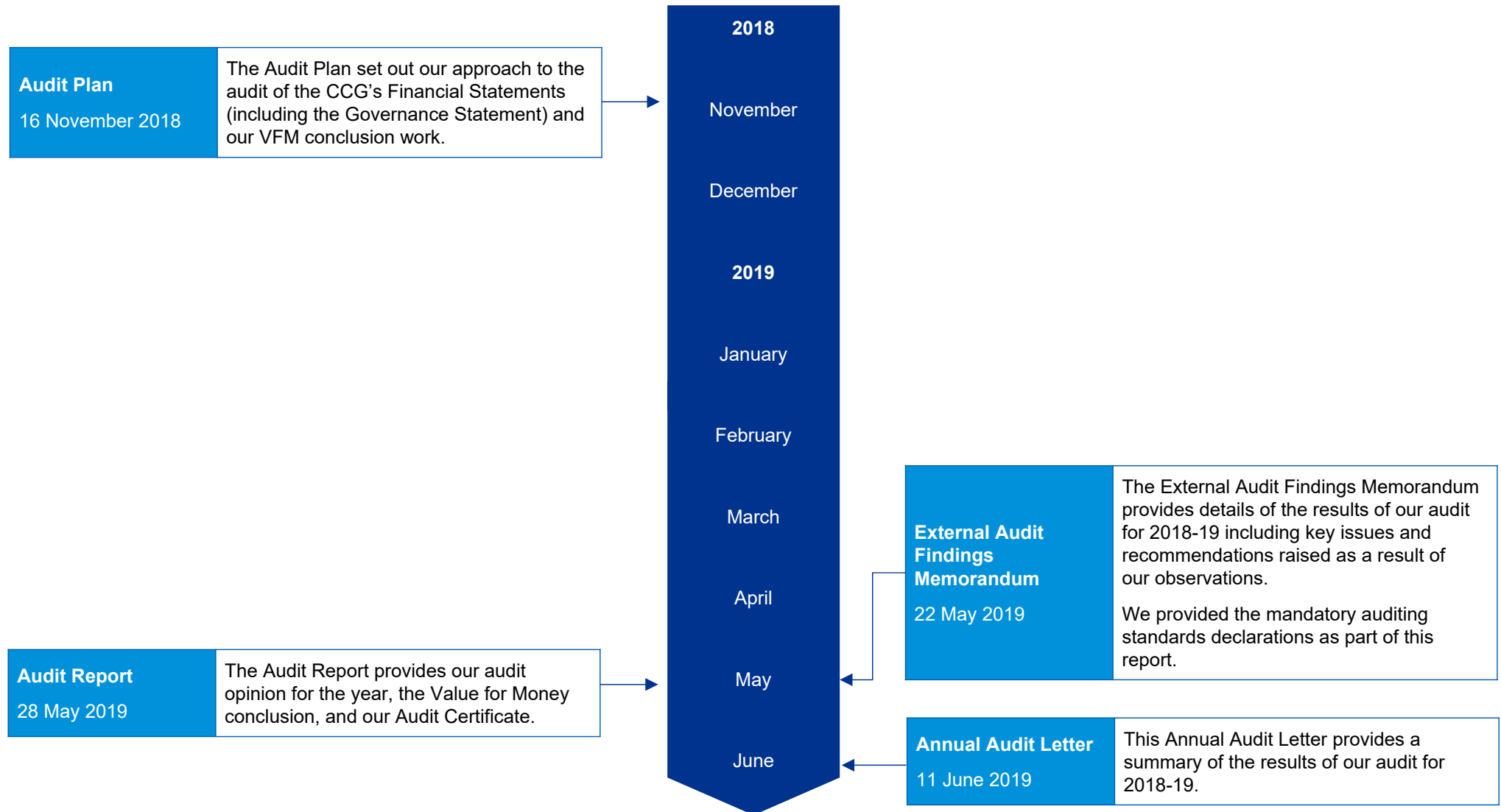
Financial statements audit opinion	<p>We issued an unqualified opinion on the CCG's accounts on 28 May 2019. This means that we believe the accounts give a true and fair view of the financial affairs of the CCG and of the income and expenditure recorded during the year. There were no significant adjustments or recommendations arising from our audit and as such we had no significant matters to report to Audit Committee (those charged with governance). This reflects the quality of the draft financial statements provided to us by management at the start of our audit.</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 £5.0 million.</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"> — Primary care co-commissioning: the CCG took delegated responsibility for primary care commissioning (PCC) from 1 April 2018. We reviewed controls at the CCG to monitor primary care expenditure and controls at service organisations to ensure that transactions are processed correctly. We did not identify any significant issues as a result of our work in this area. — Fraudulent expenditure recognition: in the public sector we consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). We therefore focused our testing on elements of expenditure that involve judgement and estimation, specifically reviewing the completeness and accuracy of accruals. We did not identify any significant issues as a result of our work in this area. — Management override of control: 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 did not identify instances of fraud through our testing of journal entries, accounting estimates and significant transaction outside the normal course of business.
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>The CCG reported a deficit of £13.2 million for the year ended 31 March 2019 thereby breaching its duty under the National Health Service Act 2006, as amended by paragraph 223I of Section 27 of the Health and Social Care Act 2012, to break even on its commissioning budget. As a result we are required to qualify the regularity opinion. We referred this matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014.</p>

Headlines

Governance statement	We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.
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 issued a qualified conclusion on the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019. The CCG reported a deficit of £13.2 million for the financial year. The CCG's cumulative deficit at 31 March 2019 totalled £28.4 million. The CCG has not yet succeeded in addressing its underlying deficit and is forecasting a further deficit of £3.1 million for 2019/20. Based on the findings of our work, except for the effects of the matter described above, we have concluded that the CCG has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.
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. Our work identified the following significant risk:</p> <ul style="list-style-type: none"> — Financial resilience: we reviewed arrangements for managing the financial position and identified a difference of £6.3m overspend compared to the budgeted deficit expected for 2018/19. The CCG delivered a final deficit of £13.2m in 2018/19, which meant the cumulative deficit position was £28.4m. The CCG expects to achieve a £3.1m deficit in 2019/20. There is ongoing monitoring of the budget and reporting to the Audit Committee of the financial position and quality, innovation, productivity and prevention (QIPP) delivery for the year. The CCG targeted £10.5m QIPP and achieved £6.6m in 2018/19.
Recommendations	We are pleased to report that there are no high risk recommendations arising from our 2018-19 audit work. The CCG has been successfully implemented agreed audit recommendations from 2017-18.
Public interest reporting	In auditing the accounts of a CCG, auditors 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. On 10 May 2019 we referred a matter to the Secretary of State under section 30b of the Act in relation to NHS Guildford and Waverley Clinical Commissioning Group breaching its revenue resource limit for the year ended 31 March 2019.

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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