



Annual Audit Letter 2019/20

NHS Rushcliffe Clinical Commissioning Group

September 2020

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This report is addressed to NHS Rushcliffe Clinical Commissioning Group (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 Rushcliffe 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 £35,663 (2018/19: £36,163) excluding VAT. This fee was in line with the fee agreed at the start of the year with the CCG's Audit Committee.

The £5,000 estimated fee in regard to our IFRS16 work has been reduced to £1,500 to reflect the amount of work done at the stage the work was ceased. The remainder of this work will be completed and billed next year.

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 audit opinion on the 2019/20 accounts. We included an 'emphasis of matter' paragraph in our opinion due to the merger of the CCG to create NHS Nottingham and Nottinghamshire CCG.</p> <p>As part of our audit of the financial statements we also read the content of the Annual Report (including the Remuneration Report) and reviewed the Annual Governance Statement (AGS). Our key findings were:</p> <ul style="list-style-type: none">• There are two unadjusted audit differences, relating to cost sharing journal between Nottinghamshire CCGs and an accrual for costs relating to Mansfield and Ashfield CCG. As we consider this non-trivial we have requested that this amendment is made, however it is not a material error.• As management have declined to make these adjustments we have requested an additional representation in regard to these transactions.• We have agreed presentational changes to the accounts with Finance, mainly related to compliance with the Group Accounting Manual (GAM).• We have reviewed the annual report and have no matters to raise with you.• We have reviewed the AGS and have no matters to raise with you.• We have no matters to raise with you in relation to the regularity of transactions.
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 £3m (2018/19: £3m).</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">— Fraudulent expenditure recognition. In the public sector, auditors also 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). This may arise due to the audited body manipulating expenditure to meet externally set targets. As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition and so the auditor has regard to this when planning and performing audit procedures.— Management override of control. Professional standards communicate the fraud risk from management override of controls as significant . Management is in a unique position to perpetrate fraud because of their 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. <p>Impact of Covid-19</p> <p>We have considered more broadly how our audit procedures should be revised given the extended deadline for submission. This means we updated our procedures, for example considering a longer period for post date events, extending the sample period we considered for our cut off procedures, specifically considering whether COVID related income and expenditure from the final weeks of the year were correctly included in the financial statements, and how the prescribing accrual may have been impacted by increased COVID related prescribing. We have not identified any issues that require adjustment or disclosure.</p>

Headlines (cont.)

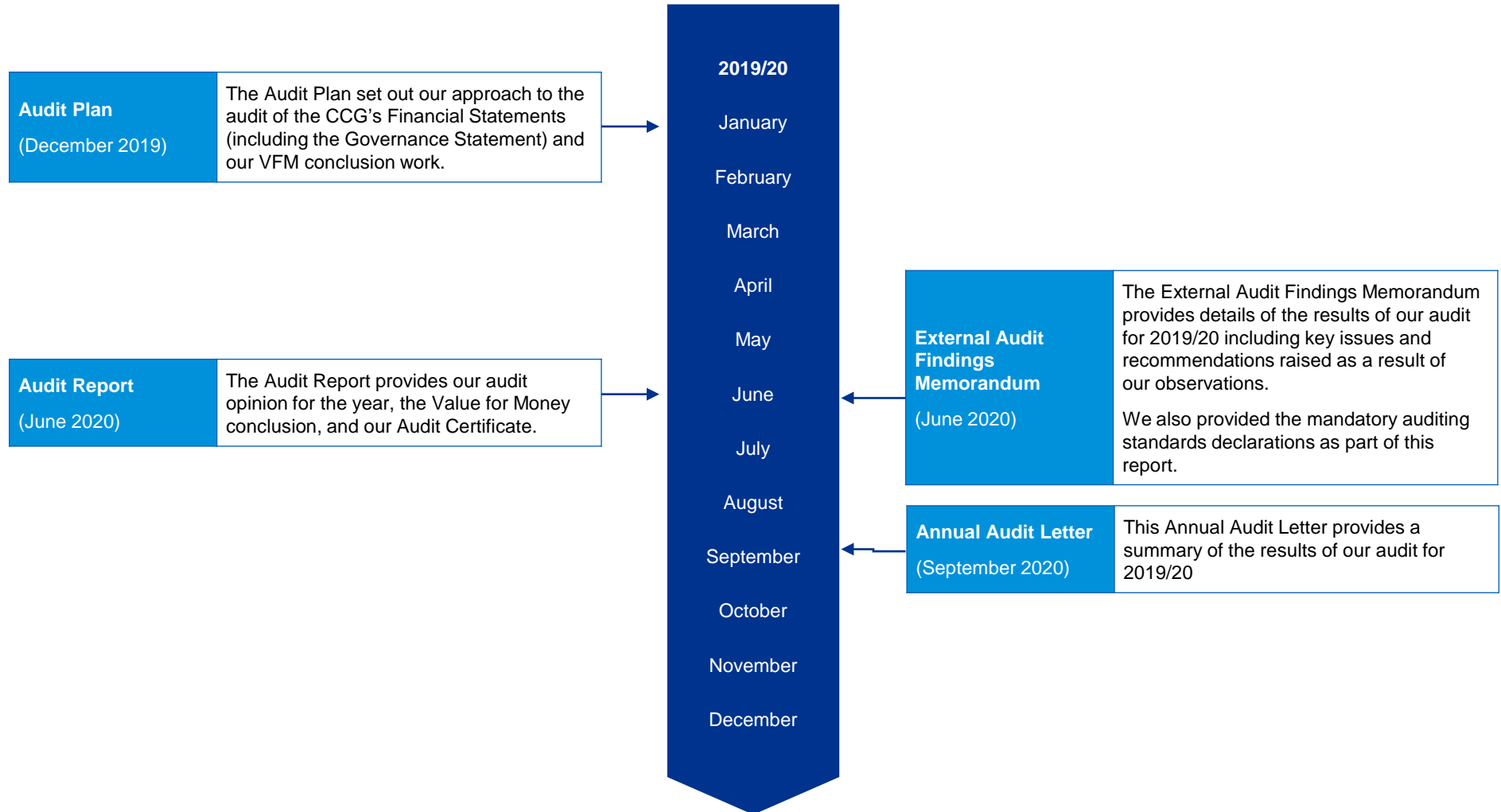
Regularity Opinion	<p>We are required to form a view on the regularity of the CCG's income and expenditure i.e. that the expenditure and income included in the CCG's financial statements has been applied to the purposes intended by Parliament and the financial transactions in the financial statements 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.</p> <ul style="list-style-type: none"> — No significant adjustments were required to the Governance Statement.
Whole of Government Accounts	<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>
Value for Money (VFM) conclusion	<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 concluded that the CCG has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. We have noted that the break even duty was met in the year.</p> <p>We have reviewed the arrangements in place to oversee the delivery of the QIPP schemes for the CCG and reviewed financial reporting to the Governing Body during the period. During the year, in preparation for the merger, the CCG moved to a more integrated working relationship with the five other Nottinghamshire CCGs – we have reviewed this process and have no concerns to note in regard to the new arrangements.</p>
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"> — Achievement of Savings Targets. The CCG delivered an underspend against its RRL of £176.083m in the year achieving total net operating expenditure of £176.080m. As a joint position, the Nottinghamshire CCGs had a QIPP target for the year of £78.2m of which £71m (90.8%) was achieved.. — Closer Working Arrangements-During the year. The CCG undertook a re-structure in order to work closer with the six Nottingham and Nottinghamshire CCGs. As part of these new arrangements the CCGs moved towards a joint governing body to oversee common business, with a formal merger agreed for the 1st of April 2020. <p>Covid-19</p> <p>We have conducted additional procedures to assess the impact of Covid-19 on the CCG's ability to deliver economy, efficiency and effectiveness and do not consider an additional risk necessary. By way of reminder our value for money responsibilities are focused on understanding the arrangements you have put in place up to the 31 March and to consider the disclosures you have made within your annual governance statement. We have no matters to report.</p>

Headlines (cont.)

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 recommendation that still require further action by management.</p>
Public Interest Reporting	<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. There were no matters in the public interest that we needed to report or any matters to refer to the Secretary of State in 2019/20.</p>

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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