

Annual audit letter to:
**NHS Newcastle North and East Clinical
Commissioning Group**

Audit 2013/14

June 2014



Mazars LLP
Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

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Governing Body Members
NHS Newcastle North and East Clinical Commissioning Group
Riverside House
Goldcrest Way
Newburn Riverside Business Park
Newcastle upon Tyne
NE15 8NY

Dear Governing Body members

Annual Audit Letter Letter 2013/2014

I am pleased to present to you our Annual Letter for the 2013/14 audit year. The purpose of this document is to summarise the outcome of our latest audit of Newcastle North and East Clinical Commissioning group (the CCG).

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.

We would like to express my thanks for the assistance of the CCG and CSU finance teams, 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 0797 9164467.

Yours faithfully



Gareth Davies
Mazars LLP

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Our reports are prepared in the context of the Audit Commission's Code of Audit Practice. The reports and letters we prepare as external auditors are addressed to Governing Body Members, Directors or Managers. They are prepared for the sole use of the CCG and we take no responsibility to any Governing Body Member, Director or Manager in their individual capacity or to any third party.

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01

Key messages

This Annual Audit Letter summarises the findings from our 2013/14 audit of Newcastle North and East Clinical Commissioning group (the CCG)



Key messages

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

- our audit of the financial statements (including review of the Annual Governance Statement and Annual Report); and
- our assessment of arrangements for achieving value for money in your use of resources.

In addition, we undertake work to provide assurance to the National Audit Office of the consistency of your consolidation data (the information submitted to NHS England and which is used in the Whole of Government accounts) to the CCG's audited financial statements.

The key conclusions for each element are summarised below.

Audit opinion and financial statements

We issued an audit report including an unqualified opinion on the CCG's financial statements on 5 June 2014. Our audit progressed smoothly, and identified only a small number of non-material errors, all of which were corrected by management.

Value for money

We undertook work in line with the Audit Commission's guidance for CCGs, and reported one issue on 5 June 2014.

Assurance to the National Audit Office (NAO)

On 5 June 2014 we provided assurance to the NAO that the CCG's consolidation data was consistent with the audited financial statements.

02

Financial statements

The CCG produced good quality accounts. We issued an unqualified opinion before the deadline.



Financial statements

We issued an audit report including an unqualified opinion on the financial statements on 5 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, supported by working papers. The audit identified no significant issues and no material errors were identified.

We reported the detailed findings of the audit to the May 2014 Audit Committee and the 3 June Governing Body, in our Audit Completion Report.

We will work closely with the CCG and CSU to learn lessons from the audit and achieve a more efficient audit process for 2014/15.

Weaknesses in internal control

Our early work on the CCG's financial systems identified that the CCG was very reliant on the CSU for all financial systems. The main control by the CCG is a monthly review of reports and information provided by the CSU, which operated throughout the year. As outlined below, the CCG did not have assurance for the full financial year in respect of controls operated by the CSU. The CCG is continuing to review its own procedures, and to work with the CSU to ensure that appropriate assurance over the operation of controls is available in 2014/15.

Assurance to the National Audit Office

Although each CCG is a stand alone entity, they form 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 state that we reported to the NAO that CCG's consolidation information was consistent with the audited accounts.

03

Securing economy, efficiency and effectiveness (the 3 Es)

We reported one issue in the CCG's arrangements during 2013/14.



Securing economy, efficiency and effectiveness

To inform our work in this area we drew upon:

- our audit work on the CCG's Annual Governance Statement (AGS) as part of the audit of the financial statements;
- the results of the work of regulatory bodies, including NHS England; and
- our locally determined risk-based work on the CCG's developing arrangements in its first year of operation.

We reported on one matter in our conclusion.

Annual Governance Statement

We review the CCG's Annual Governance Statement to identify if there are any issues disclosed by the CCG that would lead us to consider that the CCG did not have proper arrangements for securing economy, efficiency and effectiveness.

The AGS included reference to the CCG's lack of assurance on the operation of controls at the CSU for the first six months of the financial year in relation to the financial and commissioning transactions that the CSU performed for the CCG. The CCG was aware for some time of the likely level of assurance available, and the matter was discussed by the Audit Committee during 2013/14. As a result of the CCG not having compensating controls in place for the first half of the year, we reported on this matter in our value for money conclusion.

Other regulatory bodies

We review the monitoring 'dashboards' produced by the Local Area Team, to identify if there are any issues that would lead us to consider that the CCG did not have proper arrangements for securing economy, efficiency and effectiveness. Our review did not identify any such issues.

Arrangements in the CCG's first year

The CCG, like others around the country, had a lot to do in its first year of operation. As well as formalising appropriate management and governance structures, it had to develop both working relationships and commissioning contracts with local service providers.

The CCG works closely with two other CCGs (Newcastle West and Gateshead), forming the Newcastle Gateshead Alliance. It took advice to ensure its joint working arrangements were in line with NHS requirements.

Also like most CCGs across the country, the CCG's relationship, both contractual and informal, with the CSU has developed during the year. These developing arrangements are reflected in the CCG's Annual Governance Statement and in our value for money conclusion.

The CCG met its statutory financial obligations, and did not exceed its resource limits. It achieved a surplus of £0.5m in the year. This was below the planned 1% (£1.7m), reflecting pressures and uncertainties in planning during the first year of operation. There were no issues to report.

04

Effective use of the CCG's audit resources

We have worked with Internal Audit to avoid duplication where possible and deliver an efficient audit.



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, an agreement for liaison and cooperation to reduce the risks that this could occur. We did not place any specific reliance on Internal Audit work this year. The Audit Committee approved the liaison agreement between internal and external audit in June 2013 for the 2013/14 audit year.

Ongoing 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 seminars and events for CCG staff, such as our NHS Accounts workshops, together with more focused one to one sessions where appropriate.

05

Fees and
closing
remarks



Fees and closing remarks

Our audit fees for the year are in line with those estimated in our Fee Letter dated July 2013, being £66,000 (plus VAT). The fee included a one-off additional 10% (£6,000), in recognition that 2013/14 was the first year. This element of the fee was refunded by the Audit Commission. We did not undertake any non-audit services for the CCG in 2013/14.

We will present this letter to the Audit Committee on 16 July 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	July 2013
Audit Strategy Memorandum	March 2014
External Audit/Internal Audit Liaison Agreement	May 2013
Financial statements audit arrangements and working paper requirements	May 2014
Audit Completion Report, including follow up letters	May and 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 staff for their support and co-operation during our audit in the past year.



Gareth Davies
Partner
June 2014

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

Gareth Davies

Partner

T: 0207 0634310

M: 07979 164467

E: gareth.davies@mazars.co.uk

The Rivergreen Centre

Aykley Heads

Durham

DH1 5TS

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