



Annual Audit Letter 2018-19

NHS Waltham Forest Clinical Commissioning Group

July 2019

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This report is addressed to NHS Waltham Forest 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 Waltham Forest 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:</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>

Fees

Our fee for 2018-19 was £42,950 (2017-18: £42,450) excluding VAT. This fee is £1,500 lower than that highlighted within our audit plan agreed by the Audit Committee due to the immaterial impact of new accounting standards.

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

This section summarises the key messages from our work during 2018-19.

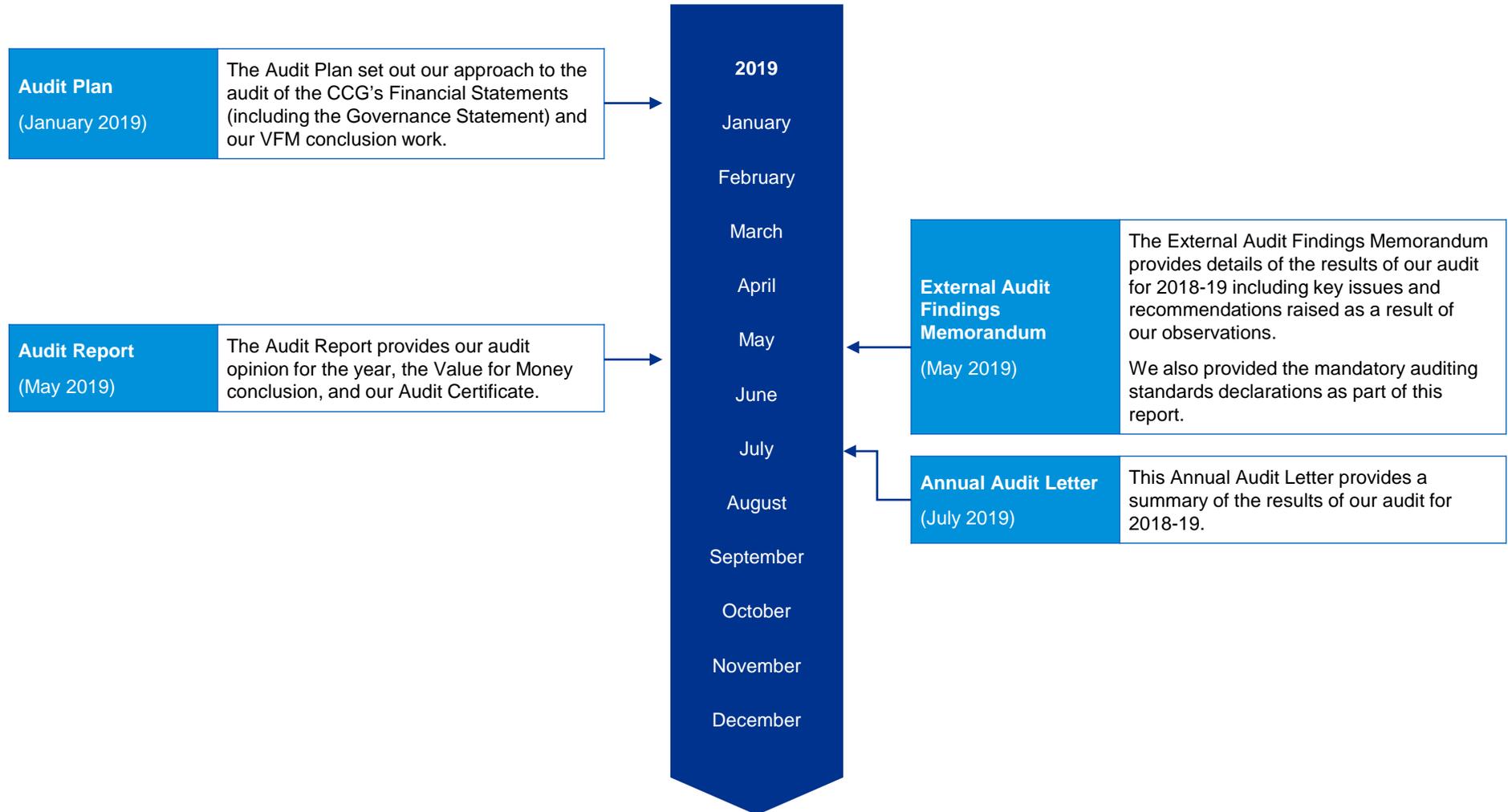
<p>Financial Statements audit opinion</p>	<p>We issued an unqualified opinion on the CCG's accounts on 29 May 2018. This means that we believe the accounts give a true and fair view of the financial affairs of the CCG and of the income and expenditure recorded during the year.</p> <p>No significant adjusted or unadjusted audit differences were 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>Financial statements audit work undertaken</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 £7.8m (2017-18: £7.1m).</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"> — Fraudulent expenditure recognition - 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. We reviewed high risk journals given the financial pressure on senior members of staff and found no instances of management bias. Our review of transactions posted around the year end did not find any transactions posted to the incorrect period. — Fraud risk from management override of controls - 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. Our procedures, including testing of journal entries and the review of accrual calculations, did not identify any instances of material fraud. <p>Professional standards also require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. As the CCG receives a revenue resource allocation from the Department of Health and Social Care, and has an immaterial amount of direct income, there is unlikely to be an incentive to fraudulently recognise revenue. We therefore rebut this presumption and do not consider the risk of inappropriate revenue recognition to be a significant risk of material misstatement in the CCG's financial statements.</p>
<p>Regularity Opinion</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.)

Governance Statement	<p>We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.</p> <p>No significant adjustments were required to the Governance Statement as a result of our audit.</p>
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 nothing to report.</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 one significant risk: Embedding Governance Arrangements of the North East London Commissioning Alliance: The NEL CCGs (NHS Tower Hamlets CCG, NHS Waltham Forest CCG, NHS Newham CCG, NHS City and Hackney CCG, NHS Barking & Dagenham CCG, NHS Havering CCG and NHS Redbridge CCG) have been operating with a single Accountable Officer since November 2017. The evolving governance arrangements need to ensure that decisions are made to serve the combined interests of all NEL CCGs but also fulfil each individual CCG's statutory obligations. We concluded that the CCG had appropriate representation and voting rights on the Joint Commissioning Committee (JCC) to ensure that the interests of the CCG were represented. We also found that there is appropriate representation at the relevant contract review groups to ensure performance of providers in financial sustainability is challenged and the CCG's resources are deployed appropriately.</p>
Recommendations	<p>We are pleased to report that there are no high risk recommendations arising from our 2018-19 audit work.</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. We did not issue a report in the public interest or refer any matters to the Secretary of State in 2018-19.</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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