

Annual Audit Letter to:
**North Tyneside Clinical Commissioning
Group**

Audit 2013/14

June 2014



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June 2014

The Governing Body
NHS North Tyneside Clinical Commissioning Group
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Dear Governing Body Members

Annual Audit Letter 2013/14

I am delighted to present to you the NHS North Tyneside Clinical Commissioning Group's (the CCG's) first Annual Audit Letter. The purpose of this document is to summarise the outcome of the audit of the CCG's 2013/14 annual accounts and our work on the value for money conclusion.

I 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.

In its first year of operation the CCG has faced several challenges that are reflected in its annual report and accounts. Like most other CCGs across the country, North Tyneside CCG required more time than anticipated to develop its governance arrangements, in particular the assurances it was able to obtain from North of England Commissioning Support (NECS). I reflected these matters in the value for money part of my auditor's report. However, I was pleased to issue an unqualified opinion on the annual accounts. Looking ahead, I am committed to working closely with the CCG and NECS to learn lessons from this first year.

I would like to express my thanks for the assistance of the CCG and NECS, as well as management and the Audit Committee during the audit, in particular in this first year of the audit.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 0191 383 6314.

Yours faithfully

Cameron Waddell
Mazars LLP

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01

Key messages

This Annual Audit Letter summarises the findings from my 2013/14 audit of North Tyneside Clinical Commissioning Group



01 Key messages

My 2013/14 audit of the CCG was made up of three elements:

- audit of the financial statements;
- my assessment of your arrangements for achieving value for money in your use of resources; and
- my assurance to the National Audit Office on the consistency of your consolidation data to the audited accounts.

I summarise below the key conclusions for each element.

Audit of the financial statements

I issued an audit report including an unqualified opinion on the CCG's financial statements on 5 June 2014. The audit progressed smoothly, and identified only a small number of errors.

Value for money

I performed my work in line with the Audit Commission's Code of Audit Practice for NHS bodies and the Commission's guidance for 2013/14. On 5 June 2014 I reported that the CCG did not have the proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the first half of the financial year due to the absence of assurances in respect of the controls operated by North of England Commissioning Support (NECS) in delivering financial and commissioning support for the CCG.

Assurance to the National Audit Office (NAO)

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

Commentary on 2013/14

The first year of the CCG's operations has been challenging. Like most CCGs across the country, the first year of operation was a period of putting in place and embedding governance and accountability arrangements that provide assurance to management, the Audit Committee and the Governing Body. Also, like most CCGs across the country, the CCG's relationship, both contractual and informal, with NECS has developed during the year. These challenges and how they have impacted on the CCG's arrangements for securing the effective use of resources were important considerations as part of my value for money conclusion work.

Key messages

Forward look to 2014/15

The first year of operation was inevitably a challenging period for the CCG given the scale of changes to the NHS nationally, the developing nature of relationships with NECS and the NHS England (NHSE) Local Area Team, the emerging clarity over the roles and responsibilities between the CCG and NHSE and the evolving role of GPs and the CCG's governing body.

The CCG continues to face significant challenges and has appointed a Financial Recovery Consultant to help tackle the challenges it faces in future years. This is understandably a difficult position for the CCG given that it has already overcome a number of financial challenges to achieve financial balance in 2013/14. The CCG recognises that clinical commissioning is critical in transforming healthcare and realising efficiencies to achieve statutory financial performance in future years. We will continue to monitor progress over the coming months in this area.

I am committed to supporting the CCG move forward with clarity of purpose and strong governance and accountability arrangements. Mazars currently audits a further ten CCGs and advises many other NHS bodies across the country. I have met with the CCG and NECS to learn lessons from the 2013/14 audit and will continue to share my insights from other CCGs, across the NHS and relevant knowledge from the wider public and private sector.

02

Financial statements

The CCG produced good quality accounts. This supported an efficient audit and I issued an unqualified opinion before the deadline.



02 Financial statements

Audit of the financial statements

I reported the detailed findings of the audit to the 30 May 2014 Audit Committee and the 3 June 2014 Governing Body in my Audit Completion Report.

I issued an audit report including an unqualified opinion on the CCG's financial statements on 5 June 2014. This enabled the CCG to submit its audited annual report and accounts to NHS England (NHSE) in line with the 6 June 2014 deadline.

The audit progressed smoothly, and identified only a small number of errors, with no significant issues and no material errors. The draft financial statements were of a good quality as were the standard of supporting working papers.

Annual report

I reviewed the draft of the CCG's first annual report and worked with the CCG as it was finalised. There were a small number of required to the Remuneration Report and the Annual Governance Statement.

Weaknesses in internal control

My early work on the CCG's financial systems identified no *significant* deficiencies in internal control.

However, we concluded the CCG did not have adequate assurance that some of the controls in place at NECS were operating effectively during the financial year as the Report on Internal Controls (type II) did not cover the period 1 April 2013 to 30 September 2013, and was qualified for the period 1 October 2013 to 31 March 2014 in a number of areas.

To help mitigate the lack of adequate assurance, the CCG implemented several controls during the year which reduced the impact of the internal control issues identified. In addition, assurance on controls in operation at the CCG was also provided by internal audit reviews undertaken during the year.

The CCG is committed to strengthening its internal control environment as the organisation develops.

Financial statements

Assurance to the National Audit Office

Although the CCG is a stand-alone entity, along with the other 210 CCGs in England it forms 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.

I am pleased to state that I reported to the NAO that the CCG's consolidation information was consistent with the audited accounts.

The way forward

I will work closely with both the CCG and NECS to learn lessons from the audit and how the audit process can be streamlined for 2014/15.

03

Securing economy, efficiency and effectiveness (the 3 Es – VfM conclusion)

Our work showed that the CCG generally maintained proper arrangements for securing the 3 Es in its use of resources during 2013/14. However we did identify issues in assurances received from NECS



03 Securing economy, efficiency and effectiveness – Value for Money conclusion

Value for money

For 2013/14 I was required to satisfy myself that the CCG had proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The work my team undertook included:

- discussion with management, review of the CCGs policies and procedures and attending Audit Committee meetings to form an understanding of the arrangements put in place by the CCG in the year to secure value for money;
- reviewing the statement made by the Accountable Officer as part of the Annual Governance Statement (AGS), which includes details of the arrangements put into place to secure economy, efficiency and effectiveness; and
- considering the report on NECS' controls and systems provided to me by NHS England (Service Auditor Report).

Annual Governance Statement

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

Other regulatory bodies

I review the reports issued by other regulatory bodies to identify if there are any issues that would lead us to consider the CCG did not have proper arrangements for securing economy, efficiency and effectiveness. Our review did not identify any such issues.

NECS Service Auditor Report

The AGS included reference to the CCG's lack of assurance on the operation of controls at NECS for the first six months of the financial year in relation to the financial and commissioning transactions that NECS performed for the CCG. This lack of assurance was also highlighted by the Audit Committee itself which tracked this issue throughout the year.

I worked with the CCG to understand how it gained appropriate assurance over the adequacy of its internal control environment given this gap in assurance and made reference to this in our audit completion report. I issued a modified value for money conclusion due to this lack of assurance for the first six months of the CCG's existence.

Securing economy, efficiency and effectiveness

2014/15 VfM conclusion

For 2014/15 the Audit Commission is changing the scope of the value for money review for CCGs. In addition to requiring me to look at the arrangements the CCG has for securing value for money, I will also be required to consider two specified criteria:

- the CCG has proper arrangements in place for securing financial resilience; and
- the CCG has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

I will shortly commence discussions with the CCG as to my approach to considering these criteria. I expect the Audit Commission to issue guidance for auditors in October 2014.

04

Effective use of the CCG's audit resources

I have worked with
Internal Audit and NECS
to avoid duplication
where possible and
deliver an efficient audit



04 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. I therefore developed with the CCG's Internal Auditors an agreement for liaison and co-operation to reduce the risks that this could occur and continue to discuss issues of interest to both on a regular basis throughout the year.

Liaison with NECS

I have worked closely with the NECS and the CCGs in the North East to carry out work as efficiently as possible, recognising the time-pressures and challenges faced. I will revisit our approach for 2014/15 to see if any further efficiencies can be made.

On-going independent support during the year

During the audit year I have continued to support the CCG in other ways, including:

- attendance at Audit Committees - at these meetings, I 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 events for staff, such as our NHS Accounts workshops.

05

Fees and
closing
remarks



Fees and closing remarks

I can confirm the final audit fee for 2013/14 was £77,000 plus VAT. The 2013/14 fee was subject to an exceptional increase of 10 per cent for 2013/14 only, to cover expected additional first year audit costs. The Audit Commission funded this 10 per cent increase and the CCG received a rebate in March 2014. I can also confirm that I did not undertake any non-audit work for the year.

I have discussed and agreed this letter with the Chief Finance Officer. I will present it to the Governing Body on 22 July 2014. Further detailed findings, conclusions and recommendations in the areas covered by my audit are included in the reports issued to the CCG during the year.

Report	Date issued
2013/14 Audit Fee Letter	May 2013
External Audit/Internal Audit Protocol for Liaison	May 2013
Audit Strategy Memorandum	March 2014
Audit Completion Report, including follow up letter	June 2014
Audit Opinion on the Financial Statements	June 2014

The CCG has taken a positive and constructive approach to our audit and I wish to thank the Governing Body, Audit Committee, and CCG for its support and co-operation during our audit, particularly in this first year.

Cameron Waddell
Director
June 2014

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