



The Audit Findings for Eastern Cheshire Clinical Commissioning Group

Year ended 31 March 2014

4 June 2014

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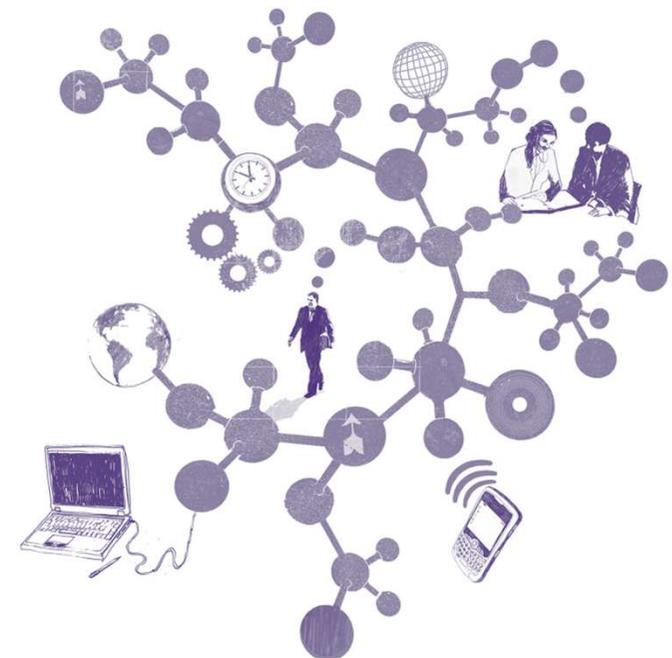
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key issues affecting the results of Eastern Cheshire Clinical Commissioning Group (the CCG) and the preparation of the CCG's financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260.

Under the Audit Commission's Code of Audit Practice (the Code) we are required to report whether, in our opinion, the CCG's financial statements present a true and fair view of the financial position. We are also required to reach a formal conclusion on whether the CCG has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned approach, which we communicated to you in our Audit Plan dated March 2014. As we noted in the Audit Plan, the CCG's principal challenges in this first year of existence were to establish the new commissioning framework ensuring that it had well developed commissioning and contract monitoring arrangements in place which addressed the local healthcare priorities within the financial targets.

At the time of drafting this report (27 May 2014) we have completed most of our planned audit work. There are still some tests that need to be completed. In particular:

- finalising our testing on some of the estimates, including verifying the liability for the continuing healthcare costs within the learning disability pooled budget; and agreeing the prescribing accrual

- review of the final version of the financial statements and amended disclosures
- obtaining and reviewing the management letter of representation
- review of revised versions of the Annual Report and testing of entries in the remuneration report; and
- updating our post-balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers on the 23 April 2014 at the commencement of our work. We received the first draft of the Annual Report on 8 May and are awaiting the final approved version.

As at 4 June 2014 we have now completed our final review.

Key audit and financial reporting issues

Financial statements opinion

As at 27 May, and subject to the completion of the outstanding work described above, we expect to issue an unqualified opinion on the CCG's financial statements. Our audit work to date has not identified any material errors or uncertainties in the financial statements. The Chief Finance Officer has agreed to amend the accounts for the disclosure changes identified during the audit which are primarily to improve the presentation of the accounts. Therefore we anticipate being able to issue an unqualified audit opinion by the Department of Health deadline of midday on 6 June 2014.

Further details are set out in section 2 of this report.

Regularity opinion

As well as an opinion on the accounts, we are required to issue a regularity opinion on whether expenditure has been incurred 'as intended by Parliament'. Failure to meet statutory financial targets automatically results in a qualified regularity opinion. As we reflected in the Audit Plan the local health economy faces a challenging financial position. The CCG agreed with NHS England that it would not be able to comply with planning guidance, however it was expected to live within its statutory target to remain within its expenditure limit for the year. The accounts show that the CCG delivered the anticipated £200k surplus and we have not identified any errors that indicate that this is not the case.

We are therefore pleased to report that, based on our review of the CCG's expenditure, we propose to give an unqualified regularity opinion.

Value for money (VfM)

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Code to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

As has already been noted the local health economy faces a difficult financial position, something that has now been formally recognised by NHS England with its involvement in the challenged health economy programme. The CCG is taking active steps to seek to address the situation. It has worked with its partners to develop the Caring Together programme and has secured support from NHS England for significant consultancy input on the transformation programme. Whilst the CCG is taking positive action to address the situation the recently submitted five year forecast indicates that the CCG is likely to struggle to live within its resources in 2014/15.

The CCG is aware that should it fail to live within its resources in 2014/15 that it will be in breach of one of its constitutional requirements. It is also aware that the likely deficit will lead to a referral by us to the Secretary of State, under s.19 of the Audit Commission Act 1998. Once the CCG formally confirms the 2014/15 budget position, we will undertake a brief piece of work to confirm the extent of the likely deficit and then, if relevant, proceed to issue a referral in accordance with the requirements of the legislation.

The CCG has delivered its agreed £200k surplus in 2013/14 and has taken action with its partners to start to address the underlying issues with the health economy. Despite this positive progress the likely deficit in 2014/15 is something that we are required to formally note in our VfM conclusion for 2013/14.

Further detail of our work on Value for Money is set out in section 3 of this report.

Agreement of Balances and Whole of Government Accounts (WGA)

We are still finalising our work on the NHS agreement of balances (AoB) process although we have not identified any significant variances from our work to date. We are required to report on any variances in our assurance letter to the National Audit Office (NAO) for Whole of Government Accounts purposes. We will update you on this work prior to the issue of our opinion.

Updated – variances all corrected

Controls

Roles and responsibilities

The CCG's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the CCG.

Findings

Our audit has not identified any significant internal control issues. However as part of our audit management has brought to our attention a number of issues relating to the partnership agreement with Cheshire East Council for the delivery of learning disability services.

Further details are provided within section 2 of this report and the action plan in Appendix A.

The way forward

Matters arising from the financial statements audit and review of the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Chief Finance Officer.

We ask the Governing Body to note the contents of the report. We will provide an update to the Audit Committee at its meeting on the 4 June 2014.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
May 2014

Section 2: Audit findings

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Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. Auditors may rebut this presumption depending on the circumstances of the audit.</p>	<p>We have rebutted this presumption for Eastern Cheshire CCG because:</p> <ul style="list-style-type: none"> revenue does not primarily involve cash transactions revenue is principally an allocation from NHS England <p>We therefore do not consider this to be a significant risk for Eastern Cheshire CCG.</p> <p>As part of our audit work we have completed;</p> <ul style="list-style-type: none"> testing of material revenue streams e.g. Revenue Resource Limit Funding the review of any unusual significant transactions 	<p>Our audit work has not identified any issues in respect of revenue recognition. The revenue resource limit of £222,271k agrees to the figure disclosed in the note to the accounts.</p> <p>Our work has not identified any issues from our testing of material revenue and expenditure streams</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>As part of our audit work we have completed;</p> <ul style="list-style-type: none"> a review of entity level controls the examination and testing of accounting estimates, judgements and decisions made by management sample testing of journal entries the review of any unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Secondary Care Commissioning	Contract costs not accounted for properly	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess the whether those controls are designed effectively • Substantive testing of secondary healthcare costs including sample testing of payments to contracts 	<p>Our audit work has not identified any significant issues in relation to the risk identified</p> <p>We examined the year end agreement of balances exercise undertaken by NHS England. We took assurance that there were no reported significant differences with year end contracts agreed with providers.</p> <p>We have been able to agree the £89 million contract value with East Cheshire Trust. At this stage we understand the CCG has not reached a clear understanding of how it will implement the revised tariff payment arrangements for maternity services. We understand that the resolution of this matter will not alter the CCG's reported financial position.</p> <p>We noted that one small contract for £700k with Salford Royal NHS FT had no formal signed agreement. We understand that this was due an on-going dispute about the allocation of costs across the former PCT area.</p> <p>The service auditor's report in respect of controls operated by SBS does not require us to draw any issues to your attention.</p>
Secondary Care Commissioning	Activity variation adjustments to expenditures not correct	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess the whether those controls are designed effectively • Examined and sample tested month 12 intra NHS agreement of balances • Tested any variations in activity to verify consistency against contracts 	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Secondary Care Commissioning</p>	<p>Invoiced non -contract costs not accounted for properly</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess the whether those controls are designed effectively • Examined and sample tested month 12 intra NHS agreement of balances, including year end balances with providers • Sample tested invoiced non - contract costs 	<p>Our audit work has not identified any significant issues in relation to the risk identified</p> <p>Our testing of a sample of invoiced non – contract costs did not identify any errors in reported values.</p>

Accounting policies, Estimates & Judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the CCG's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>Main funding source Parliamentary Funding (from the Department of Health) within an approved cash limit. This is credited to the General Fund and recognised in the financial period in which the cash is received.</p> <p>Other funding Miscellaneous revenue is income relating directly to the operating activities of the CCG. This is largely fees and charges for services provided on a full cost basis to external customers. It is recognised when the performance occurs and is measured at the fair value of the consideration received. Where delivery of service is in the following financial year that income is deferred.</p>	<p>We are satisfied from our testing of revenue recognition policies that:</p> <ul style="list-style-type: none"> the policies are appropriate under the relevant accounting framework the CCG has adequate controls in place and applied reasonable judgements to ensure revenue is appropriately recorded the policies are adequately disclosed in the financial statements. 	
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> provisions accruals 	<p>We are satisfied from our testing and enquiry on significant judgements and estimates that:</p> <ul style="list-style-type: none"> these are appropriate under the relevant accounting framework the CCG has adequately disclosed these within the accounting policies notes 	

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

Accounting policies, Estimates & Judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the CCG's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates (continued)	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> • provisions • accruals 	<p>Provisions</p> <p>Our testing of significant provisions has confirmed that the amounts recognised are based on best estimates of likely expenditure required to settle the obligation.</p> <p>Accruals</p> <p>Our testing of significant estimates included within trade and other payables has found that the CCG has based these on reasonable assumptions for expenditure incurred.</p>	●
Other accounting policies	<ul style="list-style-type: none"> • The CCG has adopted the standard accounting policies for the NHS as set out in the manual for accounts. 	<ul style="list-style-type: none"> • We have reviewed the CCG's policies against the requirements of the Manual for Accounts and do not have any comments to make • Policies not applicable to the CCG have been deleted 	●

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	n/a	Accounting Policies and various notes	Amended to appropriately tailor to the CCG by removing surplus notes/ nil balances and added other required disclosures on legacy balances and provisions
2 Disclosure	n/a	Note 1.1 Going concern	Inclusion of a detailed accounting policy note setting out the considerations for preparing the accounts on the going concern basis
3 Disclosure	n/a	Note 4 Employee benefits	Amended to correct some of the analysis of employee benefits within Note 4.1 and to include revised staff sickness figures in Note 4.3
4 Disclosure	n/a	Note 5 Operating expenses	Amended analysis within the note including: <ul style="list-style-type: none"> employee benefits for governing body members of £225k now shown separately within the note corrections to the analysis of external and internal audit fees (external fees from £53k to £73k, internal fees of £36k now shown within services from other NHS trusts)
5 Disclosure	n/a	Note 18 Intra-government and other balances	Reanalysis of the balances with public corporations and trading funds to now show this within Local Authorities
6 Disclosure	n/a	Note 19 Related parties	Additional disclosures now included to show significant payments to other NHS organisations
7 Disclosure	n/a	Note 22 Financial Performance Targets	Details of the CCG's financial performance were amended to include gross income and expenditure performance figures in line with revised guidance
8 Disclosure	n/a	Remuneration Report	Amended entries to include additional pension disclosures

Internal controls

- The purpose of an audit is to express an opinion on the financial statements.
- Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.
- These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.		<ul style="list-style-type: none"> • The CCG has included a creditor of £703k in respect of an invoice received from Cheshire East Council towards the costs of care packages referred for continuing healthcare costs during 2013/14. These care packages are currently funded from the learning disability pooled budget • We understand the CCG has received legal advice that it is not obliged to pay this invoice at this stage until there is further clarity on what is included within the pooled budget agreement. The advice stated that the current Partnership Agreement with the Council for the provision of learning disability services is based on the old PCT agreement and is not considered fit for purpose • We understand that the CCG are currently addressing this area and are considering its future arrangements for the provision of learning disability services in liaison with the Council 	<ul style="list-style-type: none"> • Consider the legal advice received to further investigate the CCG's liability within the current pooled budget arrangement for any learning disability packages referred for continuing healthcare assessment • Ensure any future partnership agreement for the provision of learning disability services clearly reflects the respective responsibilities of the Council , CCG and other partners

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> The related party disclosure note has been amended to clarify and improve the information provided. We are not aware of any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
4.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the CCG.
5.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
6.	Going Concern	<ul style="list-style-type: none"> We have considered management's assessment that it is appropriate to prepare the accounts on the basis that the CCG is a going concern. Despite the challenges within the local health economy we are satisfied that management's consideration and assessment is reasonable.

Section 3: Value for Money

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Value for Money

Value for money conclusion

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Code to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

In recognition that CCGs are new organisations, the Audit Commission has not specified reporting criteria for the VfM conclusion at CCGs for 2013/14. We will give our VfM conclusion on the basis of:

- reviewing the CCG's annual governance statement
- reviewing the results of the work of relevant regulatory bodies or inspectorates (including NHS England reviews), to consider whether there is any impact on our responsibilities
- undertaking other local risk based work as required, or any work mandated by the Audit Commission, including a review of the arrangements for the Better Care Fund.

In order to identify whether any local work is required, we have undertaken a risk assessment against the following key themes identified in the Audit Commission's guidance:

- leadership
- commissioning
- financial planning and management
- data quality
- external relationships.

Key findings

2013/14 financial position

- The CCG has established an appropriate governance workplan and operating framework to enable it to understand and deliver its statutory requirements
- The CCG agreed with NHS England to use all of its revenue allocation to cover its expenditure and managed its finances within a tight financial environment to deliver a small surplus of £204k
- The CCG set a QIPP target of £5.9 million which included savings targets of £1 million to be delivered through prescribing and £558k through demand management. These initiatives proved difficult to deliver and the CCG reported a final 74% achievement of its overall QIPP target to its March Governing Body meeting. It has now agreed a number of actions to improve the governance arrangements for the delivery of QIPP savings, including:
 - clearly identifying accountable individuals for each scheme as well as a fully worked up programme and timescales
 - ensuring there is improved collaboration in the development of plan schemes
 - setting up a Finance Committee to provide more rigorous scrutiny of QIPP schemes and progress and improved reporting to the Governing Body
- As part of our VfM work we have also considered the work undertaken by the CCG in partnership with others to agree and develop the Cheshire East Better Care Fund (BCF) Plan. We are able to conclude that the CCG to date has achieved the timescale and assurance requirements set by NHS England. Further work is now required to develop governance arrangements and finance metrics to monitor and ensure delivery of planned outcomes

Value for Money

Key findings (cont)

Medium-term finances

- The local health economy faces a difficult financial position, something that has now been formally recognised by NHS England with its involvement in the challenged health economy programme. The CCG is taking active steps to seek to address the situation. It has worked with its partners to develop the Caring Together programme and has secured support from NHS England for significant consultancy input on the transformation programme. Whilst the CCG is taking positive action to address the situation the recently submitted five year forecast indicates that the CCG is likely to struggle to live within its resources in 2014/15.
- The CCG submitted its five year financial plan and agreed with NHS England a planned deficit budget of £2 million for 2014/15. The CCG plans to achieve financial balance from 2016/17 onwards. The deficit position planned reflects the inclusion of costs for its Caring Together transformation programme of £2.3 million. The plans also include ambitious QIPP savings targets of £3.5 million and £2.6 million over the next two years.

The CCG is aware that should it fail to live within its resources in 2014/15 that it will be in breach of one of its constitutional requirements. It is also aware that the likely deficit will lead to a referral by us to the Secretary of State, under s.19 of the Audit Commission Act 1998. Once the CCG formally confirms the 2014/15 budget position, we will undertake a brief piece of work to confirm the extent of the likely deficit and then, if relevant, proceed to issue a referral in accordance with the requirements of the legislation.

Overall Vfm conclusion

The CCG has delivered its agreed £200k surplus in 2013/14 and has taken action with its partners to start to address the underlying issues with the health economy. Despite this positive progress the likely deficit in 2014/15 is something that we are required to formally note in our Vfm conclusion for 2013/14 and means that we will issue a non-standard vfm conclusion

On the basis of our work, and having regard to the guidance published by the Audit Commission, we have concluded that there is the following matter to report:

- the CCG is currently forecasting a deficit of £2 million for the 2014/15 financial year.

Section 4: Fees, non audit services and independence

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Fees, non audit services and independence

We confirm below our final fees charged for the audit.

Fees

	£
CCG audit	66,000
Total audit fees (excluding VAT)	66,000

Fees for other services

Service	Fees £
None	Nil

On the 25 March 2014 the Audit Commission approved a rebate in the planned fee of £6,000.

The audit fee of £73k in the accounts is calculated as the original fee of £66k plus VAT of 20% less the Audit Commission rebate of £6k.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the CCG's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the CCG's key risks when reaching our conclusions under the Code.

It is the responsibility of the CCG to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the CCG is fulfilling these responsibilities.

	Audit Plan	Audit Findings
Our communication plan		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected unmodified auditor's report and vfm report with an emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendations	Priority	Management response	Implementation date & responsibility
Learning Disability Pooled Budget				
1	Consider legal advice received to further investigate the CCG's liability within the current pooled budget arrangement for any learning disability packages referred for continuing healthcare assessment	Medium	Eastern Cheshire CCG, South Cheshire CCG and Cheshire East Council have had an initial meeting and agreed a process that would deliver a recommendation for the respective statutory bodies to consider on the future arrangements of the LD Pool. This would be informed by ensuring that all relevant documentation is considered as part of the process i.e. legal advice.	Alex Mitchell 31 July 2014
2	Ensure any future partnership agreement for the provision of learning disability services clearly reflects the respective responsibilities of the Council, CCG and other partners	Medium		

Appendix B: Audit opinion

We anticipate we will provide the CCG with an unmodified audit report and an emphasis of matter on the value for money conclusion

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NHS EASTERN CHESHIRE CLINICAL COMMISSIONING GROUP (CCG)

We have audited the financial statements of NHS Eastern Cheshire CCG for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

We have also audited the information in the Remuneration Report that is subject to audit, being:

- the table of salaries and allowances of senior managers and related narrative notes on page 37
- the table of pension benefits of senior managers and related narrative notes on page 38
- the table of pay multiples and related narrative notes on page 35

This report is made solely to the members of Eastern Cheshire CCG in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2014. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Clinical Commissioning Group (CCG)'s directors and the CCG as a body, for our audit work, for this report, or for opinions we have formed.

Respective responsibilities of the Accountable Officer and auditors

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the CCG's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the CCG; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report which comprises the Forward, Strategic Report and Members Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

In addition, we are required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

In our opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Eastern Cheshire CCG as at 31 March 2014 and of its net operating costs for the year then ended; and
- have been prepared properly in accordance with the accounting policies directed by the NHS Commissioning Board with the approval of the Secretary of State.

Opinion on other matters

In our opinion:

- the part of the Remuneration Report subject to audit has been prepared properly in accordance with the requirements directed by the NHS Commissioning Board with the approval of the Secretary of State; and
- the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the governance statement does not reflect compliance with NHS England’s Guidance;
- we refer the matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because we have reason to believe that the CCG, or an officer of the CCG, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the CCG’s arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance issued by the Audit Commission in October 2013. We have considered the results of the following:

- our review of the governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent that the results of this work impact on our responsibilities at the CCG; and
- locally determined risk-based work on the arrangements for the Better Care Fund

On the basis of our work, we have concluded that there is the following matter to report:

14/15 projected deficit:

The CCG is currently forecasting a deficit of £2 million for the 2014/15 financial year.

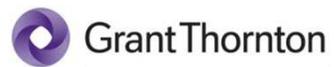
Certificate

We certify that we have completed the audit of the accounts of Eastern Cheshire in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Robin Baker
Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building
Liverpool
L3 1PS

4 June 2014



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