

# The Audit Findings for NHS Vale Royal Clinical Commissioning Group

**Year ended 31 March 2014**

29 May 2014 – Updated for presentation to the Governing Body

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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 Vale Royal 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 the Governance and Audit Committee in our Audit Plan dated 25 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 (29 May 2014) we have completed almost all of our planned audit work. There is still a small amount of work that needs to be completed. In particular:

- review of the final version of the financial statements;
- obtaining and reviewing the management letter of representation; and

- updating our post balance sheet events review, to the date of signing the opinion.

We are also aware that NHS England have issued a number of recent updates to the statutory guidance. We are continuing to liaise with management to help ensure the CCG's submissions reflect these updates.

We received a draft annual report, financial statements and accompanying working papers on the 23 April at the commencement of our work, in accordance with the national deadline.

## Key audit and financial reporting issues

### Financial statements opinion

As at 29 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 has not identified any material errors or uncertainties in the financial statements. The Chief Finance Officer has amended the accounts for the disclosure changes identified during the audit. These 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.

The CCG's draft annual report and accounts were produced to a good standard. The Finance Team worked hard to ensure that the supporting evidence was available to audit on a timely basis.

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 give 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.

We are pleased to report that, based on our review of the CCG's expenditure we expect to issue 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 to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We are pleased to confirm that, based on our review of the CCG's arrangements to secure economy, efficiency and effectiveness in its use of resources, there are no formal matters to report. We therefore intend to issue a standard VfM conclusion.

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)**

The agreement of balances exercise undertaken by NHS England has identified a number of differences between the amounts recorded in the CCG's accounts and the figures recorded in the accounts of some providers.

At this stage the net position shown by the CCG's accounts includes the £0.6m expenditure that providers say should not be included. Management are currently seeking to resolve the differences with the providers.

Whilst the differences are not material to the CCG's financial statements, we are required to report them in our assurance letter to the National Audit Office (NAO) for Whole of Government Accounts purposes. The NAO has stated that where significant variances exist they may conduct further detailed investigation.

### **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 work to date has not identified any significant control weaknesses which we wish to highlight for your attention. Further details are provided within section 2 of this report.

### **Remuneration Report**

We are also required to ensure the Remuneration Report is prepared in accordance with the Annual Reporting Guidance issued by NHS England.

The CCG received clarification on 23 May 2014 from the Department of Health in 'FAQ 3: End of Year Issues' that the information on all pension related benefits should be included as a separate column in the table of salary and pension disclosures. The disclosures are in addition to the table considered by the Membership Assembly on the 14 May 2014. The CCG has amended the table in accordance with the guidance and we are pleased to confirm that we expect to issue an unqualified opinion.

### **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 Officer and Chief Finance Officer. We presented an earlier draft of this report to the Membership Assembly on 14 May 2014 and the Governance and Audit Committee on 22 May 2014. We will provide an update to the Governing Body 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**  
**29 May 2014**

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## 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><b>Improper revenue recognition</b></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>The CCG's main source of funding is its allocation from NHS England. This is known as its Revenue Resource Limit (RRL). An independent confirmation of the RRL has been obtained centrally from NHS England on behalf of all CCG auditors, and has been provided to us by the Audit Commission. Other operating income in the CCG's accounts is unlikely to be significant. The risk of revenue recognition fraud is therefore extremely low and can be rebutted.</p> <p>As part of our audit work we have completed;</p> <ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies;</li> <li>• testing of material revenue streams; and</li> <li>• review of unusual significant transactions.</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition. The revenue resource limit obtained of £118,353,000 agrees to the figure disclosed in note 19 to the accounts.</p> <p>As anticipated other operating income is below our assessment of materiality.</p>
2.	<p><b>Management override of controls</b></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"> <li>• review of entity controls;</li> <li>• review of accounting estimates, judgements and decisions made by management;</li> <li>• testing of journals entries; and</li> <li>• review of accounting estimates, judgements and decisions made by management.</li> </ul>	<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
<p><b>Secondary Care Commissioning</b></p>	<p>Contract costs not accounted for properly.</p> <p>Activity variation adjustments to expenditures not correct.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Documentation and identification of the process and key controls in the CCG's secondary healthcare commissioning cycle.</li> <li>• Walked through a sample item to confirm our understanding.</li> <li>• Sample testing to ensure expenditure and accruals are in accordance with the contract and the provider statements.</li> <li>• Review agreement of balances and ensure year end position reflect the agreements.</li> <li>• Review variations to contracts at year end have been appropriately authorised.</li> <li>• Consideration of the service auditor's report in respect of relevant controls operated by SBS.</li> </ul>	<p>Our report our audit work has not identified any significant issues in relation to the risks identified.</p> <p>The agreement of balances exercise undertaken by NHS England currently identifies a difference of £0.6m. At this stage the net position shown by the accounts includes the £0.6m expenditure that providers say it should not. The largest balance is £0.4m relating to the University Hospital of North Staffordshire. Management are currently seeking to resolve the differences with the providers.</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>
<p><b>Secondary Care Commissioning</b></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"> <li>• Documentation and identification of the process and key controls in the CCG's secondary healthcare commissioning cycle.</li> <li>• Walked through a sample item to confirm our understanding.</li> <li>• Carry out substantive testing of invoices to ensure activity has occurred, value is correct and accounted for in the correct accounting period.</li> </ul>	<p>Our report our audit work has not identified any significant issues in relation to the risks identified.</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
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>The CCG has adopted the standard revenue recognition policies for the NHS as set out in the manual for accounts.</li> <li>The policies for revenue recognition are set out in section 1.7 of the CCG's accounting policies.</li> </ul>	<ul style="list-style-type: none"> <li>The CCG's revenue recognition policies are in accordance with the requirements of the Annual Reporting Guidance.</li> </ul>	
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>Key estimates and judgements include                             <ul style="list-style-type: none"> <li>Prescribing expenditure.</li> <li>Provisions in particular for continuing health care.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The CCG's policies and judgements are reasonable and appropriately disclosed.</li> <li>The reconciliation of the Prescribing expenditure value shown by the Prescription Pricing Authority (PPA) statement to the general ledger balance and the cash report indicated that the accrual is understated by £80k. Although the difference in the accrual is not a material amount we worked with the finance team who provided us with an updated reconciliation which clearly linked the ledger balance to the PPA statement. Management have amended the disclosure in note 1.6.2 to the accounts.</li> <li>NHS England has recommended that the accounting policies should disclose that NHS England is accounting for certain continuing healthcare liabilities on behalf of the CCG. The disclosure in section 1 of the accounting policies in the CCG's accounts has been amended to provide details of the disclosure.</li> </ul>	
<b>Other accounting policies</b>	<ul style="list-style-type: none"> <li>The CCG has adopted the standard accounting policies for the NHS as set out in the manual for accounts.</li> </ul>	<ul style="list-style-type: none"> <li>We have reviewed the CCG's policies against the requirements of the Manual for Accounts and do not have any comments to make.</li> <li>Policies not applicable to the CCG have been deleted e.g. donated assets and foreign exchange.</li> </ul>	

**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

## Misclassifications & 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 Note 1.6.2	The prescribing estimate was amended from £1.338m to £1.418m to correct an error in the accrual.
2 Disclosure	n/a	Accounting Policies Note 1.8.2	Deleted reference to the Local Government Pension Scheme.
3 Disclosure	n/a	Accounting Policies Note 1.19	Addition of accounting policy on contingent liabilities and disclosure that there are no contingent liabilities.
4 Disclosure	n/a	Accounting Policies Note 1.27	Addition of accounting policy on retrospective continuing health care claims.
5 Disclosure	n/a	Note 4 Pension Costs	Note 4.5.1 addition of a paragraph providing information on the last published actuarial valuation undertaken for the NHS Pension scheme.
6 Disclosure	67	Note 5 Operating expenses	The analysis of audit fees was amended from 67k to 73k. (Calculated as the original fee of £66k plus VAT of 20% less the Audit Commission rebate of £6k).

## Misclassifications & 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
7 Disclosure	n/a	Note 12 Cash and cash equivalents	Note 12 of the accounts includes a statement which states "Patients' money held by the clinical commissioning group, not included above". The note was amended to read that no patient monies are held.
8 Disclosure	n/a	Note 19 Financial Performance Targets	Details of the CCG's financial performance were amended to include the 'target', actual surplus and duty achieved. A disclosure on revenue resources for specified matters was deleted as it was not applicable to the CCG.
9 Disclosure	n/a	Annual Governance statement	The wording in the Governance Statement was amended to state that the CCG was not required to comply with the UK Corporate Governance Code. However, the CCG has reported on its Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code that it considers to be relevant to the CCG.
10 Disclosure	n/a	Note 15 Intra government balances	The note was amended to include an analysis of payments to HMRC and NHS Pensions in the total for 'Other Central Government Bodies'.

## 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.

As you will be aware the CCG does not use the Cheshire and Merseyside Commissioning Support Unit (CSU) to produce its accounts or to commission services. As such we have not identified any controls operated by the CSU as being key to the figures recorded in your accounts. The CCG does however use the CSU for HR services, Business Intelligence and Technology Support. We have recently received the service auditor's report and are currently in the process of reviewing its content. Our initial view is that it does not identify any significant control weaknesses that we need to bring to your attention. We will provide a verbal update to the Governing Body.

As part of our planned programme of work, our information system specialist team undertook a high level review of the general IT control environment at the CCG. This was undertaken as part of the review of the internal controls system. We are pleased to report that no significant issue arose from our work. We identified a small number of areas where the CCG's existing IT arrangements can be developed.

# 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.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Governance and Audit Committee and 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.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>Management has adopted a reasonable approach to identifying and disclosing transactions with related parties in the CCG's accounts.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation will be requested from the CCG.</li> </ul>
5.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
6.	<b>Going Concern</b>	<ul style="list-style-type: none"> <li>We have considered management's assessment that it is appropriate to prepare the accounts on the basis the CCG is a going concern. Our work has identified no significant issues in relation to going concern.</li> </ul>

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## 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

The main matters to note from our VfM conclusion work are:

- The CCG achieved a surplus of £3.078m which is higher than the agreed target of £1.2m. We understand that the main reason for the higher than anticipated surplus is due to significant changes in the resources available, mainly in the area of specialist commissioning. The uncertainty led the CCG to delay the implementation of a number of commissioning intentions and other investments which has resulted in the increased surplus.
- The CCG has submitted its 5 year financial plan which assumes that the 2013/14 underspend can be carried forward into 2014/15 to support the financial plans for 2014/15 and 2015/16. The indication is, that without the ability to carry forward the surplus, the CCG would face considerable financial pressure.
- The overall contracting position (Provider Service Agreements) for Vale Royal CCG is an overspend of £1.35m which is largely due to over performance by Mid-Cheshire Hospitals NHS Trust. The level of general and acute elective admissions significantly exceeded the plan. The CCG's Programme Board has worked with the Trust to develop an action plan to address this risk. It is important that the CCG continues to work closely with the Trust to manage activity and referrals.
- The CCG has worked with Mid-Cheshire Hospitals NHS Trust to investigate the mortality rates that are worse than expected using the national mortality measures. The CCG has commissioned AQUA to provide an independent validation of the work being undertaken to investigate the mortality rates. It is important the CCG continues to work closely with the Trust and other providers to address these issues.

# Value for Money

- The CCG's Strategic Plan is supported by a set of core values and strategic goals. The strategic goals were linked into workstreams and the CCG identified 5 clear commissioning areas to enable them to deliver against the strategic goals. The actions and priority outcomes for each workstream are stated in the Strategic Plan. The CCG recognises that performance on the priority areas has been variable during this first year. Looking ahead we will work with you to better understand the progress you have made in setting priorities and measuring your performance in delivering against the priorities set.
- The CCG has played a key role in the pioneer programme for Connecting care across Cheshire with its partners and the main providers. The pooling of funds across health and social care is expected to come into effect in 2015/16 and will be utilised to create a significant opportunity to transform the way that services are commissioned. Ensuring sufficient management capacity is maintained as the Better Care Fund is implemented will continue to be an important issue for the CCG.

## **Overall VfM conclusion**

On the basis of our work, and having regard to the guidance published by the Audit Commission, we have concluded that there are no matters which we are required to report. We therefore intend to issue a standard VFM conclusion.

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## 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 and confirm there were no fees for the provision of non audit services.

## Fees

	£
CCG audit	66,000
<b>Total audit fees (excluding VAT)</b>	<b>66,000</b>

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.

## Fees for other services

Service	Fees £
None	Nil

## 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.

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## 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](http://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.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance (Updated April 2014)	✓	✓
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		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

# Appendix A: Audit opinion

**We anticipate we will provide the CCG with an unmodified audit report.**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NHS VALE ROYAL CLINICAL COMMISSIONING GROUP**

We have audited the financial statements of Vale Royal 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 41 to 42;
- the table of pension benefits of senior managers and related narrative notes on page 43; and
- the table of pay multiples and related narrative notes on page 43.

This report is made solely to the members of Vale Royal 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 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 Vale Royal 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 including a review of the arrangements for the Better Care Fund.

As a result, we have concluded that there are no matters to report.

#### **Certificate**

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

Robin Baker  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Royal Liver Building  
Liverpool  
L3 1PS

June 2014



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