

The Audit Findings for NHS Vale Royal CCG

Year ended 31 March 2019

17 May 2019



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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 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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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Footer needs updating

Robin J Baker, 17/05/2019

Headlines

This table summarises the key findings and other matters arising from the statutory audit of NHS Vale Royal CCG ('the CCG') and the preparation of the CCG's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the CCG's financial statements give a true and fair view of the financial position of the CCG and its income and expenditure for the year; andThe CCG's financial statements, and the parts of the Remuneration and Staff Report to be audited, have been properly prepared in accordance with International Financial Reporting Standards, as interpreted and adapted by the Department of Health and Social Care (DHSC) group accounting manual 2018/19 (GAM). <p>We are also required to report whether other information published together with the audited financial statements in the Annual Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and whether the income and expenditure included in the financial statements has been applied for the purposes intended by Parliament (the regularity opinion).</p>	<p>Our audit work was completed on site during April and May. Our findings are summarised on pages 4 to 13. There has been one adjustment to the financial statements that has had no impact on the CCG's retained surplus position; a number of disclosures were amended for greater clarity. Audit adjustments are detailed in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion [Appendix C] or material changes to the financial statements. Therefore subject to the satisfactory resolution of the outstanding matters set out on page 5, we have concluded that:</p> <ul style="list-style-type: none">the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.income and expenditure included in the financial statements have been applied for the purposes intended by Parliament. <p>Our anticipated audit report opinion will be unqualified.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report by exception if, in our opinion, the CCG has not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the CCG's value for money arrangements. We have concluded that NHS Vale Royal CCG has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Looking ahead there continues to be pressure on the financial position and the CCG will need to continue to work with partners and maintain an oversight of the savings and efficiency plans.</p> <p>We have nothing to report by exception.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">report to you if we have applied any of the additional powers and duties ascribed to us under the Act; andTo certify the closure of the audit.	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

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.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Governance & Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the CCG's business and is risk based, and in particular included:

- An evaluation of the CCG's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you on 22 January 2019.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance and Audit Committee meeting and Extraordinary Governing Body meeting on 23 May 2019, as detailed in Appendix C. These outstanding items include:

- receipt of management representation letter;
- review of the final set of financial statements,
- completion checks on AOB ad WGA returns, see page 5 for details.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Materiality calculations remain the same as reported in our audit plan.

	CCG Amount (£)	Qualitative factors considered
Materiality for the financial statements	£2.7M	<ul style="list-style-type: none"> • We set materiality for planning purposes at 1.8% of the previous year's gross expenditure. Gross expenditure was considered an appropriate benchmark because the purpose of the CCG is to commission Health Services. Good professional practise suggests a range of between 1% and 2% depending on the associated risks. We consider the CCG's activities to represent a low level of audit risk but there is sensitivity associated with the statutory performance duties.
Performance materiality	£2M	<ul style="list-style-type: none"> • We set a lower level of performance materiality at 75% of materiality. We consider it appropriate because the CCG has good record of preparing financial statements free from material error.
Trivial matters	£137k	<ul style="list-style-type: none"> • Triviality has been set at 5% of materiality.
Materiality for remuneration report and related party transactions	£20k or 10% of reported figures	<ul style="list-style-type: none"> • The remuneration report and the related party transactions disclosures are items that can attract public scrutiny, a lower threshold is considered appropriate.

Progress at 17 May

Audit work	Percentage complete	Commentary
Receipt and verification of management representation letter	n/a	The management representation letter is subject to approval by the Governance and Audit Committee and will need to be signed by the Accountable Officer.
Review of the final set of financial statements and signed Annual report	n/a	The Annual Report and Financial Statements are to be submitted to NHSE by the CCG as a single document including the signed Auditors Report. This will be final task of the audit.
Testing of high risk journals	50%	Analysis has been completed, high risk journals identified, supporting evidence obtained for most. A small number remain outstanding and the work is subject to final review.
Testing of contract variations	90%	Agreeing contract values is expected to be complete by close of business on 20 May, supporting evidence for a number contract variation payments and reconciliation to the original contract value is outstanding.
Fair pay multiple	40%	The draft remuneration report was made available for audit before completion of the financial statements when final figures were not available. We have been able to agree the narrative content.
Post year end expenditure	90%	A small number of post year end transactions were selected for testing that appropriate cut off between financial years had been achieved,
AOB	0%	The second mismatch reports were released to auditors on 16 May, completion is linked to the WGA work
WGA	n/a	NHS Vale Royal CCG is a non-sampled component within the DHSC group Audit. As such our WGA work is linked to the AOB and includes confirmation that the final statutory accounts, included within the annual report and accounts, are consistent with the template submission and the counterparty disclosures in the AOB. This is normally completed as a single exercise at the close of the audit.

Significant findings - Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

- Management has followed the NHS planning guidance and produced a budget for 2019/20 with an agreed control total that shows the CCG achieving a breakeven position.
- The planning horizon is to 31 March 2020, however NHS England has already published indicative funding allocations for the Vale Royal area for financial years up to and including 2023/24
- The CCG is working with the other Cheshire CCG's that will see ever closer working between them. From 1st April there is a single Executive for all four CCGs, and if current consultations are approved the four will merge with effect from 1 April 2020.

Auditor commentary

- Management has concluded that it remains appropriate to prepare the financial statements on a going concern basis. A key consideration was NHS England's publication of plans for continued funding of the services provided by the CCG.
- The assessment has been carried out by the Associate Director of Finance and reported to the Governance and Audit Committee prior to preparation of the draft financial statements.
- Management's processes for considering the applicability of the Going Concern basis are appropriate and proportionate to the CCG's circumstances
- Comment on key personnel involved and respective roles.

Work performed

- We have obtained managements budget for the year to 31 march 2020 and confirmed it has been based on NHS planning guidance and the CCG's stated commissioning intentions.
- We have verified the NHS England published allocations for each year to 2013/24.

Auditor commentary

- The Budget for the year to 31 March 2020 is supported by a balanced savings plan. This plan is challenging and recognises that there are risks to delivery of some of the proposed savings.
- Management has made appropriate disclosures about the applicability of the Going Concern basis in the financial statements.

Concluding comments

We will be including an unmodified statement on the applicability of the going concern basis in our audit report, see appendix C

Significant findings

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

Auditor commentary

We have previously rebutted the risk of fraud in revenue recognition for the CCG's main income streams because,

- revenue does not primarily involve cash transactions
- funding is principally an allocation from NHS England which is not accounted for in the Statement of Comprehensive Net Expenditure

The CCG has one other material income stream reported as Other Operating Revenue. We have addressed the risk of fraud in revenue recognition in this income stream by completing substantive tests on a sample of transactions and by identifying high risk journal entries and carrying out substantive tests on those entries- see management override.

Our audit work has not identified any issues in respect of revenue recognition.

Significant findings

Risks identified in our Audit Plan

Commentary

2

Management override of controls

Auditor commentary

As part of our audit work we have;

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness

As reported on page 5 at the time of drafting we had yet to complete the testing of Journal entries, however our other audit work has not identified any issues in respect of management override of controls. We will confirm the final position at the Governance and Audit Committee meeting on 23 May 2019.

3

Secondary healthcare expenditure – contract variations

As highlighted in our audit plan, a significant percentage of the CCG's expenditure is on contracts for healthcare with NHS providers and non-NHS providers, such as operations and hospital care. This expenditure is primarily derived through block contracts that are agreed up front for a predetermined cost or level of activity. Contract variations are agreed with suppliers throughout the year to recognise demand and price adjustments against the agreed contracts. Costs related to contract variations are recognised when the adjustment has been agreed with the provider, with accruals raised at the year-end for completed activity for which an invoice has not been issued.

Auditor commentary

Our audit work included

- gaining an understanding of the financial reporting processes used for the purchase of secondary healthcare and evaluate the design of the associated controls.
- agreeing all contracts with a with a baseline value above materiality to signed annual contracts
- agreeing, on a sample basis, invoices for variations to secondary healthcare contracts to supporting evidence
- using the DHSC mismatch report, we will investigate unmatched expenditure and payable balances with NHS bodies over the NAO £0.3m threshold, corroborating the unmatched balances used by the CCG to supporting evidence; And
- agreeing on a sample basis, payable and accrual balances relating to secondary healthcare to supporting evidence

As reported on page 5 at the time of drafting we had yet to finalise the reconciliation of a small number of final contract values to the original contract value and invoiced variances, however our other audit work has not identified any issues in respect of secondary healthcare expenditure – contract variations. We will confirm the final position at the Governance and Audit Committee meeting on 23 May 2019.

Significant findings

Risks identified in our Audit Plan

Commentary

4

Commissioner Sustainability Funding

The risk around recognition of CSF income itself is most prevalent for the final quarter of the year where monies are typically approved and received after the production of the draft accounts.

Auditor commentary

We planned to:

- review the consistency of reporting in the final quarter, and
- seek explanations for any unexpected variations verify against corroborating evidence.

We found that the monthly financial performance reports accurately forecast outturn position throughout the year and that month 10 and 11 reporting were consistent with those forecasts. The final position as reported in the financial statements is also consistent with in year forecasting with no unusual variances.

5

Remuneration report Disclosures




The information disclosed in the remuneration is particularly sensitive to public scrutiny.

Auditor commentary




We have confirmed the completeness of the disclosures against source documentation and reviewed the presentation. We found:

- Additional narrative disclosures were required to show the full salary of those members of the Governing Body that have a shared role within NHS Vale Royal CCG, and
- Additional narrative disclosures were required to explain why Pensions related benefits were disclosed for those members of the Governing Body seconded in from other organisations.
- For one member of the Governing Body, an error in the supporting working paper caused a negative increase in total pension related benefits to be deducted from total salary when it was correctly shown as nil. This resulted in the total salary being stated as in the band £10k-£15k, the correct band is £35k to £40k. The error was corrected.
- For another Member of the Governing Body, an error in the supporting working paper miscalculated the figure for all pensions related benefits but this error had no impact on the banding of pension related benefits or total remuneration.
- In the draft version the comparative salary table and the staff numbers disclosures were not identified as subject to audit; the off-payroll engagements information was incorrectly identified as being subject to audit.
- As reported on page 5 at the time of drafting we had yet to receive the final figures for the fair pay disclosure, we will confirm the final position at the Governance and Audit Committee on 23 May.

Significant findings - accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer, and is measured at the amount of the transaction price allocated to that performance obligation. Where income is received for a specific performance obligation that is to be satisfied in the following year, that income is deferred. Payment terms are standard reflecting cross government principles of 30 days The value of the benefit received when the clinical commissioning group accesses funds from the Government's apprenticeship service are recognised as income in accordance with IAS 20, Accounting for Government Grants. 	<ul style="list-style-type: none"> The accounting policy is appropriate under the DHSC's Group Accounting Manual There is very limited of judgement involved in the application of this accounting policy. Judgement is only exercised in the determination of the levels of accrued income which historically, has been significantly below any measure of materiality The accounting policy is disclosure is appropriate. The accounting policy is one typically applied by CCGs. 	
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements identified by management is the prescribing accrual because there is a six week delay in receiving information from the Prescription Pricing Department. The CCG bases the accrual on information from January and February. 	<p>Appropriateness of policy under relevant accounting framework</p> <p>The accounting policy is appropriate under the DHSC's Group Accounting Manual</p> <ul style="list-style-type: none"> There is limited judgement involved in the application of the accounting policy, it is confined to the basis of the extrapolation from January and February data and the consistency of historical patterns. The estimate has been less than the measure of materiality The accounting policy disclosure is appropriate. The approach to this estimate is one typically applied by CCGs. 	
Other critical policies	<ul style="list-style-type: none"> The CCG has adopted the standard accounting policies as set out in the GAM. 	<p>The CCG has been consistent in following the GAM when selecting accounting policies. Nothing in the CCGs arrangements or activities indicates that variation from the GAM would be necessary or appropriate.</p>	

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code 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 Governance and 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"> We are not aware of any related parties or related party transactions which have not been disclosed.
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the CCG, which is appended.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send a confirmation requests to the Royal Bank of Scotland and NatWest bank. This permission was granted and the requests were sent. The requests were returned with positive confirmation.
⑥ Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements. We identified one error in those parts of the remuneration report which are subject to audit, this was corrected by management, see following page.
⑦ Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
① Regularity opinion	<ul style="list-style-type: none"> We are required to give a regularity opinion on whether 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 (the regularity opinion). We have not identified any issues and propose to issue an unqualified regularity opinion.
② Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to Appendix C
③ Auditable elements of Remuneration and Staff Report	<ul style="list-style-type: none"> We are required to give an opinion on whether the parts of the Remuneration and Staff Report subject to audit have been prepared properly in accordance with the requirements of the Act, directed by the Secretary of State with the consent of the Treasury. We have audited the elements of the Remuneration and Staff report, as required by the Code. As set out on page 9, we found that for one member of the Governing Body the total salary figure had been understated. An error in the supporting working paper caused a negative increase in total pension related benefits to be deducted from total salary when it was correctly shown as nil. Management corrected the error. For another member of the Governing Body a similar error miscalculated the total of all pension benefits but not by an amount that changed the reported bandings. A number of narrative disclosures were added to explain the effect of shared appointments and secondments. At this stage we propose to issue an unqualified opinion.
④ Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not comply with guidance issued by NHS England or is misleading or inconsistent with the information of which we are aware from our audit The information in the annual report is materially inconsistent with the information in the audited financial statements or apparently materially incorrect based on, or materially inconsistent with, our knowledge of the CCG acquired in the course of performing our audit, or otherwise misleading. If we have applied any of our statutory powers or duties We have nothing to report on these matters.

Other responsibilities under the Code

Issue	Commentary
5 Review of accounts consolidation schedules and specified procedures on behalf of the group auditor	<ul style="list-style-type: none">• We are required to give a separate audit opinion on the CCG accounts consolidation schedules and to carry out specified procedures (on behalf of the NAO) on these schedules under group audit instructions. In the group audit instructions the CCG was selected as a non-sampled component.• There are no unadjusted inconsistencies between the financial statements and the accounts consolidation schedules which we are required to report in our opinion on the consolidation schedules.• We have completed the specified procedures required under the group instructions will submit our assurance statement on receipt of the signed Annual Report and Financial Statements.
6 Certification of the closure of the audit	We intend to certify the closure of the 2018/19 audit of NHS Vale Royal CCG in the audit opinion, as detailed in Appendix C.

Value for Money

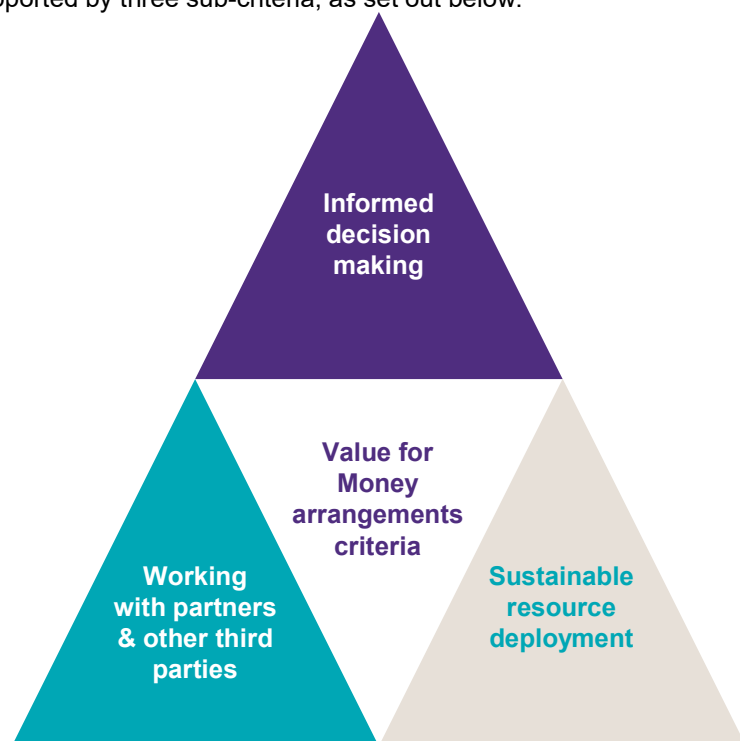
Background to our VFM approach

We are required to satisfy ourselves that the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception where we are not satisfied. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the CCG. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2019 and identified significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risks to you in our Audit Plan dated January 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out work only in respect of the significant risks we identified from our initial and ongoing risk assessment..

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the CCG's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the CCG's arrangements. In arriving at our conclusion, our main considerations were:

- The arrangements the CCG put in place to monitor and control expenditure against budget were effective; arrangements for interpreting the effects of pressures identified during in-year and forecasting the outcome were robust.
- These arrangements included appropriate risk management.
- The Financial plan 2019/20 has been prepared with a good understanding of the issues that will affect delivery and have been risk rated if not fully mitigated.
- We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on page 16.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the CCG had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Recommendations for improvement

We discussed findings arising from our work with management and have not made any recommendations for improvement.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p>Sustainable resource deployment</p> <ul style="list-style-type: none"> The arrangements the CCG has put in place to monitor its financial position and performance against budget, to mitigate financial risks, and budget preparation, are not sufficient to ensure financial balance. 	<ul style="list-style-type: none"> Review of Governing Body Committee Minutes <ul style="list-style-type: none"> This review included the Project Review Group and the Finance and Turnaround Committee. We found that the membership was appropriate to the purposes of the committees and had sufficient capability and authority within the organisation to be able to take effective decisions Review of in-year financial reporting <ul style="list-style-type: none"> This review looked across the all the financial reporting forums. We found that the Governing Body Committees focused on actions at a detailed level and that the Governance and Audit Committee monitored assurances and ensured alignment with the assurance framework. The Governing Body was therefore able to focus on strategic level risks and actions. We found that in-year forecasting was accurate. Review of budget preparation <ul style="list-style-type: none"> The CCGs budget preparation is driven by the priorities and guidance issued by NHS England. However the CCG demonstrated good understanding of the dynamics of the assumptions set by NHS England and how they would translate to local circumstances. An example is the CCGs ability to accurately forecast the full year effect of changes to the GP contract. The CCG began the year with control total of deficit £2m. Commissioner sustainability funding was available to bring the CCG into balance if it achieved this total. Despite the impact of changes to the GP contract and continued pressure within acute provider settings, the CCG has delivered on this target. The CCG has agreed a breakeven control total for 2019/20. This assumes QIPP savings of £11m or 7% of allocation which is higher than 2018/19 and will be a challenge to deliver. Other developments <ul style="list-style-type: none"> Officers of the CCG have played a significant part in the Working Across Cheshire project. This has meant managing additional responsibilities. 	<p>Auditor view</p> <ul style="list-style-type: none"> The CCG has exercised effective financial control during the year. It has shown a good understanding of the cost pressures and the steps necessary to control them. As a result of robust monitoring and forecasting arrangements the forecast outturn position has changed very little during the year demonstrating. The accuracy of the in-year reporting and forecasting gives credibility to next years forecast position. However within the overall savings target of £11m some £1.4m had already been identified as having risks attached, and a further £7.6m had yet to be confirmed at the time the budget was agreed. The CCG will face continued pressure to meet its budget while at the same time the pace and complexity of the Working Across Cheshire project will increase.

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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the CCG. No non-audit services were identified which were charged from the beginning of the financial year to 23 May 2019

	Fees £	Threats identified	Safeguards
Audit related			
None	Nil	n/a	n/a
Non-audit related			
None	Nil	n/a	n/a

Mental Health Investment Standard Compliance Statement

NHS England have mandated assurance work for compliance with the Mental Health Investment Standard. We anticipate that this work will be completed by the end of September and that the estimated fees will be £10,000. A formal engagement letter has not yet been agreed.

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Statement of Comprehensive Net Expenditure £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Management noticed an unexpected variations in the expenditure lines , Education Training and Conferences, and Supplies and services – clinical this was attributable to the use of an inappropriate subjective code.	DR Purchase of Healthcare from non-NHS bodies £548	Nil	Nil
	CR Education training and conferences £548		
Overall impact	£0	£0	£0

Audit Adjustments

Misclassification and disclosure changes

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

Disclosure amended	Detail	Auditor recommendations	Adjusted?
Note 1.7	Accounting policy amended to reflect the fact that the CCG reports a single operating segment.		✓
Note 3	Amended to confirm that the CCG recognises revenue over time rather than at a point in time		✓
Note 14	Additional narrative added to confirm financial assets and liabilities are all short term instruments the fair value of which is the transaction price.		✓
Note 16	Additional narrative added to explain the nature of arrangements covered by s75 agreements		✓
Note 17	DHSC identified as parent entity		✓

The financial statements are prepared from an Excel tool and converted to PDF format. This conversation caused a number of formatting anomalies which have been corrected in the final version.

Audit Adjustments

Impact of unadjusted misstatements

There are no unadjusted misstatements within the primary financial statements or supporting notes.

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements within either the primary financial statements or the notes to the primary financial statements identified during the prior year audit which had not been made within the final set of 2017/18 financial statements.

Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit Fees

	Proposed fee	Final fee
CCG Audit 2018/19	34,000	34,000
Total audit fees (excluding VAT)	£34,000	£34,000

- The fees reconcile to the financial statements.

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

Independent auditor's report to the members of the Governing Body of NHS Vale Royal CCG

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NHS Vale Royal CCG (the 'CCG') for the year ended 31 March 2019, which 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2018-19.

In our opinion, the financial statements:
give a true and fair view of the financial position of the CCG as at 31 March 2019 and of its expenditure and income for the year then ended; and
have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2018-19; and
have been prepared in accordance with the requirements of the Health and Social Care Act 2012.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the CCG in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Accountable Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Accountable Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the CCG's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Accountable Officer is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Governance Statement does not comply with the guidance issued by the NHS Commissioning Board or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2018-19 and the requirements of the Health and Social Care Act 2012 ; and
- based on the work undertaken in the course of the audit of the financial statements and our knowledge of the CCG gained through our work in relation to the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Audit opinion

Qualified opinion on regularity required by the Code of Audit Practice

In our opinion, except for the effects of the matters described in the basis for qualified opinion on regularity section of our report, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we refer a matter to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the CCG,
- or an officer of the CCG, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we make a written recommendation to the CCG under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters .

Responsibilities of the Accountable Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Accountable Officer's responsibilities set out on page(s) ## to ##, the Accountable Officer, is responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions, for being satisfied that they give a true and fair view, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the CCG's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the CCG without the transfer of its services to another public sector entity.

The Accountable Officer is responsible for ensuring the regularity of expenditure and income in the financial statements.

The Governance and Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the CCG's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

We are also responsible for giving an opinion on the regularity of expenditure and income in the financial statements in accordance with the Code of Audit Practice.

Report on other legal and regulatory requirements – Conclusion on the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources Matter on which we are required to report by exception - CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion we have not been able to satisfy ourselves that the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We have nothing to report in respect of the above matter.

Responsibilities of the Accountable Officer

As explained in the Governance Statement, the Accountable Officer is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the CCG's resources.

Auditor's responsibilities for the review of the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 21(1)(c) and Schedule 13 paragraph 10(a) of the Local Audit and Accountability Act 2014 to be satisfied that the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects, the CCG had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the CCG put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019, and to report by exception where we are not satisfied.

Audit opinion

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the CCG has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements of NHS Vale Royal CCG in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Governing Body of the CCG, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Governing Body of the CCG those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the CCG and the members of the Governing Body of the CCG, as a body, for our audit work, for this report, or for the opinions we have formed.

Signature

Robin Baker, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Royal Liver Building, Liverpool
Date

Management Letter of Representation

Grant Thornton UK LLP
Royal Liver Building
Liverpool L3 1PS

23 May 2019

Dear Sirs

NHS Vale Royal CCG Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of NHS Vale Royal CCG for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the Department of Health and Social Care Group Accounting Manual 2018-19.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1. As CCG Governing Body members, we have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated [enter engagement letter date], for the preparation of the financial statements in accordance with the Department of Health and Social Care Group Accounting Manual 2018-19 (GAM) and International Financial Reporting Standards which give a true and fair view in accordance therewith.
2. We have fulfilled our responsibilities for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions in the financial statements conform to the authorities which govern them.
3. We have complied with the requirements of all statutory directions affecting the CCG and these matters have been appropriately reflected and disclosed in the financial statements.
4. The CCG has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of the Care Quality Commission or other regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
5. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
6. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
7. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with International Financial Reporting Standards and the GAM, and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
8. Except as disclosed in the financial statements:

- a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the CCG has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
9. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the GAM.
 10. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the GAM requires adjustment or disclosure have been adjusted or disclosed.
 11. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
 12. In calculating the amount of expenditure to be recognised in the financial statements from other NHS organisations we have applied judgement, where appropriate, to reflect the appropriate amount of expenditure expected to be incurred by the CCG in accordance with the International Financial Reporting Standards and the GAM.
 13. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the GAM.
 14. We acknowledge our responsibility to participate in the Department of Health and Social Care's agreement of balances exercise and have followed the requisite guidance and directions to do so. We are satisfied that the balances calculated for the CCG ensure the financial statements and consolidation schedules are free from material misstatement, including the impact of any disagreements.
 15. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
 16. We confirm that the financial statements have been properly considered and approved by an appropriate body in accordance with the CCG constitution.

Information Provided

17. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the CCG from whom you determined it necessary to obtain audit evidence.
18. We have communicated to you all deficiencies in internal control of which management is aware.

Cont...

Management Letter of Representation

19. All transactions have been recorded in the accounting records and are reflected in the financial statements.
20. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
21. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the CCG and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
22. We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the CCG's financial statements communicated by employees, former employees, regulators or others.
23. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
24. We have disclosed to you the identity of all of the CCG's related parties and all the related party relationships and transactions of which we are aware.
25. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Report

The disclosures within the Annual Report fairly reflect our understanding of the CCG's financial and operating performance over the period covered by the financial statements.

Governance Statement

We are satisfied that the Governance Statement fairly reflects the CCG's risk assurance framework and we confirm that we are not aware of any significant risks that are not disclosed within the Governance Statement.

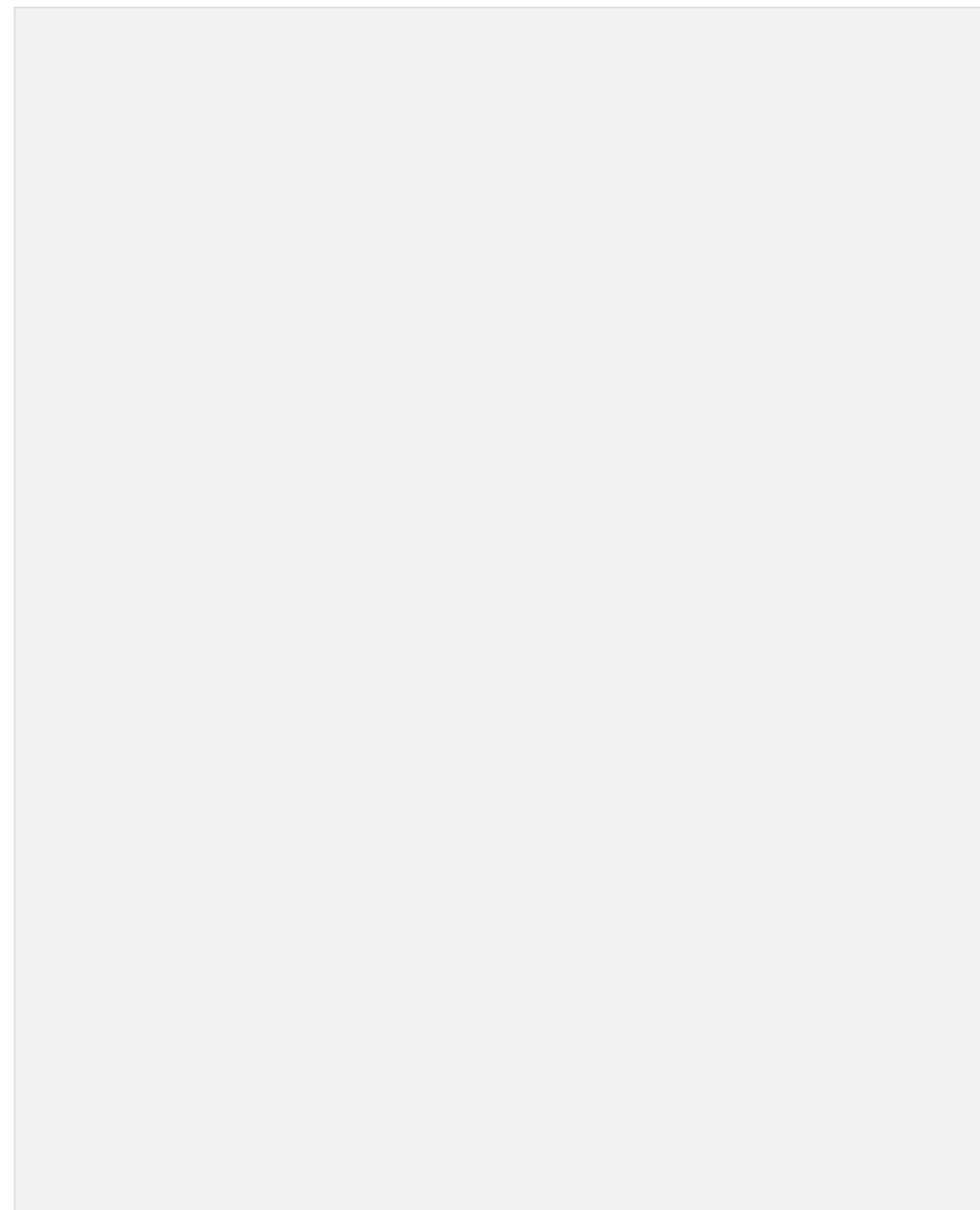
Approval

The approval of this letter of representation was minuted by the CCG's Governance and Audit Committee at its meeting on 23 May 2019.

Yours faithfully

Name.....
Position.....
Date.....

Name.....
Position.....
Date.....
Signed on behalf of the Governing Body





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