



NHS HASTINGS AND ROTHER CCG

Annual Audit Letter

Year ended 31 March 2019

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EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

This Annual Audit Letter summarises the key issues arising from the work that we have carried out in respect of the year ended 31 March 2019.

It is addressed to the CCG but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

Responsibilities of auditors and the CCG

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.

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice (the Code). Under the Code, we are required to review and report on:

- The financial statements, regularity of income and expenditure and auditable parts of the remuneration and staff report;
- Whether the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

BDO LLP

18 June 2019

Audit conclusions

Audit area	Conclusion
Financial statements	Unqualified opinion
Regularity	Unqualified opinion
Remuneration and staff report	Properly prepared opinion
Use of resources	Qualified conclusion regarding sustainable finances

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the audit.

FINANCIAL STATEMENTS

Audit conclusion

We issued an unqualified audit opinion on the financial statements, regularity of income and expenditure and the remuneration and staff report.

This means that we consider that:

- The financial statements give a true and fair view of the financial position and its net expenditure for the year;
- Expenditure and income had been applied to the purposes intended by Parliament and the financial transactions conform to the authorities that govern them; and
- The parts of the remuneration and staff report to be audited have been properly prepared.

Final materiality

Materiality was calculated at £5.7 million based on a benchmark of 1.75% of gross expenditure.

Material misstatements

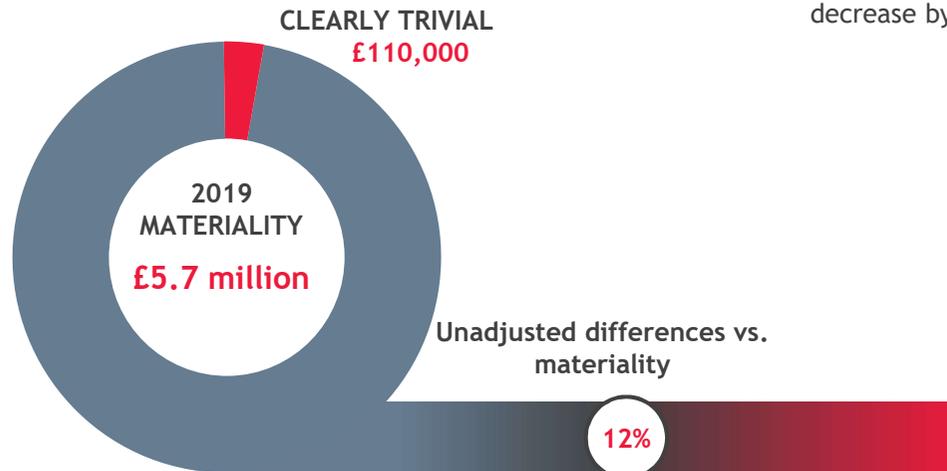
We did not identify any material misstatements.

Unadjusted audit differences

We identified audit adjustments that, if posted, would decrease the net operating expenditure for the year by £605,000.

There are also brought forward errors from the prior year where £76,000 charged to 2018/19 should have been included as expenditure in 2017/18.

The underlying net operating expenditure for 2018/19, taking into account reported errors and the impact of prior year amounts, would decrease by £681,000.



FINANCIAL STATEMENTS

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and the direction of the efforts of the audit team.

Risk description	How the risk was addressed by our audit	Results
Management override of controls	<p>We carried out the following planned audit procedures:</p> <p>Reviewed and verified large and unusual journal entries made in the year and agreed the journals to supporting documentation;</p> <p>Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and</p> <p>Reviewed unadjusted audit differences for indications of bias or deliberate misstatement, or where appeared to be solely to deliver agreed control total to receive the additional Commissioner Sustainability Funding.</p>	Our audit work has not identified any significant issues on areas we considered to be a specific risk of management override.

FINANCIAL STATEMENTS

Risk description	How the risk was addressed by our audit	Results
NHS contract expenditure	<p>We carried out the following planned audit procedures:</p> <p>Reviewed outturn contract costs against SLAs for key NHS providers and reconciliation of outturn activity with management estimate of forecast final outturn contract expenditure;</p> <p>Reviewed the process for resolving discrepancies between the CCG and NHS providers through the agreement of balances process and the rationale behind management's estimate of amounts payable where there are contract disputes; and</p> <p>Substantively tested a sample of NHS transactions to confirm accuracy, existence and completeness of NHS expenditure.</p>	<p>In 2018/19, fixed contract agreements were made in advance with the key NHS providers, including East Sussex Healthcare NHS Trust, and we were able to agree expenditure to these agreements.</p> <p>For other NHS providers we were able to obtain satisfactory evidence to support the expenditure recorded in the accounts.</p> <p>Our testing of accrued costs and review of the DHSC mismatch report found the following issues:</p> <ul style="list-style-type: none">▪ The CCG had included £235,000 costs against South East Coast Ambulance Service NHS Foundation Trust in error;▪ Imperial College Healthcare NHS Trust had issued a late credit note of £370,000 that had been omitted by the CCG. <p>Our work did not identify any other issues with NHS contract expenditure this year.</p>

USE OF RESOURCES

Audit conclusion

We issued a qualified ‘except for’ use of resources conclusion, referring to the weaknesses in proper arrangements for financial sustainability.

This means that we consider that:

- Significant weaknesses in arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

We set out below the risks that had the greatest effect on our audit strategy.

Risk description	How the risk was addressed by our audit	Results
Sustainable finances	<p>We carried out the following planned audit procedures:</p> <p>Reviewed the assumptions used in the 2019/20 and medium term financial plans to deliver services within the available resources and assessed the reasonableness of the assumptions applied to cost pressures, growth and anticipated levels of funding;</p> <p>Reviewed the delivery of budgeted savings schemes and QIPP programmes in 2018/19 to assess the effectiveness of these; and</p> <p>Reviewed the arrangements underpinning the QIPP schemes currently identified for 2019/20 and in the five year planning model.</p>	<p>The CCG achieved its control target of £12 million deficit and the receipt of the Commissioner Sustainability Funding (CSF) allowed it report a small surplus.</p> <p>However, across the CCG and its partner CCG (NHS Eastbourne, Hailsham and Seaford CCG) there were budget overspends of £8.8 million with East Sussex Healthcare NHS Trust, £2.2 million with other acute providers and additional overspends in a number of other areas. The control total was achieved primarily due to the release of £8.6m over-accruals made in 2017/18 and also due to underspends of £3.5 million for Continuing Healthcare and £2.1 million for prescribing.</p> <p>In 2019/20, the control total budget is a deficit of £8.6 million that will be supported by CSF to allow it be breakeven.</p> <p>The CCG is making satisfactory progress in respect of devising plans to bring it back into financial balance over the medium term. However, it continue to face challenges in findings the substantial savings needed to do this and reduce its reliance on CSF.</p>

REPORTS ISSUED AND FEES

Fees summary

	2018/19	2017/18
	£	£
Audit fee		
CCG financial statements and use of resources	36,000	36,000
Non-audit assurance services		
Fees for audit related services	-	1,000
Total fees	36,000	37,000

NHS England has mandated an assurance review of the increase in spending in mental health from 2017/18 to 2018/19 for all CCGs. The scope and fees for this work have not yet been finalised by NHS England. No amounts have been included in the fees summary for this proposed work.

2017/18 audit fees also included £1,000 for the submission of a Section 30 referral letter owing to breaches in the period.

Communication

Reports	Date	To whom
Audit Planning Report	9 January 2019	Audit Committee
Audit completion report	Draft to Committee 22 May 2019 Final version 28 May 2019	Audit Committee



FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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