NHS Ipswich and East Suffolk
Clinical Commissioning Group

Annual Audit Letter for the year ended
31 March 2019

June 2019
The contents of this report are subject to the terms and conditions of our appointment as set out in our engagement letter dated 9 February 2017 and signed 23 February 2017.

This report is made solely to the Governing Body, Audit Committee and management of NHS Ipswich and East Suffolk Clinical Commissioning Group (CCG) in accordance with our engagement letter. Our work has been undertaken so that we might state to the Governing Body, Audit Committee and management of the CCG those matters we are required to state to them in this 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 Governing Body, Audit Committee and management of the CCG for this report or for the opinions we have formed.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.
Section 1

Executive Summary
We are required to issue an Annual Audit Letter to NHS Ipswich and East Suffolk Clinical Commissioning Group (the CCG) following completion of our audit procedures for the year ended 31 March 2019.

The tables below set out the results and conclusions on the significant areas of the audit process.

<table>
<thead>
<tr>
<th>Area of Work</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opinion on the CCG’s:</td>
<td></td>
</tr>
<tr>
<td>► Financial statements</td>
<td>Unqualified – the financial statements give a true and fair view of the CCG as at 31 March 2019 and of its expenditure and income for the year then ended</td>
</tr>
<tr>
<td>► Regularity of income and expenditure</td>
<td>Unqualified – financial transactions were conducted within the CCG legal framework</td>
</tr>
<tr>
<td>► Parts of the remuneration and staff report to be audited</td>
<td>We had no matters to report</td>
</tr>
<tr>
<td>► Consistency of the Annual Report and other information published with the financial statements</td>
<td>Financial information in the Annual Report and published with the financial statements was consistent with the Annual Accounts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Area of Work</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reports by exception:</td>
<td></td>
</tr>
<tr>
<td>► Consistency of Governance Statement</td>
<td>The Governance Statement was consistent with our understanding of the CCG</td>
</tr>
<tr>
<td>► Referrals to the Secretary of State and NHS England</td>
<td>We had no matters to report or refer</td>
</tr>
<tr>
<td>► Public interest report</td>
<td>We had no matters to report in the public interest</td>
</tr>
<tr>
<td>► Value for money conclusion</td>
<td>We had no matters to report</td>
</tr>
</tbody>
</table>
Executive Summary (cont’d)

<table>
<thead>
<tr>
<th>Area of Work</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting to the CCG on its consolidation schedules</td>
<td>We concluded that the CCG’s consolidation schedules agreed, within a £300,000 tolerance, to your audited financial statements</td>
</tr>
<tr>
<td>Reporting to the National Audit Office (NAO) in line with group instructions</td>
<td>We reported to the NAO, as required by their group instructions, the identification of two ‘discretionary payments’, totalling £3 million, made by the CCG to another NHS body within the same System Transformation Programme area.</td>
</tr>
</tbody>
</table>

As a result of the above we have also:

<table>
<thead>
<tr>
<th>Area of Work</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued a report to those charged with governance of the CCG communicating significant findings resulting from our audit.</td>
<td>Our Audit Results Report was issued on 17 May 2019</td>
</tr>
<tr>
<td>Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office’s 2015 Code of Audit Practice.</td>
<td>Our certificate was issued on 24 May 2019</td>
</tr>
</tbody>
</table>

We would like to take this opportunity to thank the CCG staff for their assistance during the course of our work.

Debbie Hanson

Associate Partner
For and on behalf of Ernst & Young LLP
Section 2

Purpose
The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to Members of the Governing Body and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Clinical Commissioning Group (CCG).

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 20 May 2019 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the CCG.
Section 3
Responsibilities
Responsibilities

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued on 20 November 2018 and is conducted in accordance with the National Audit Office’s 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

Expressing an opinion:
- On the 2018/19 financial statements;
- On the regularity of expenditure and income;
- On the parts of the remuneration and staff report to be audited;
- On the consistency of other information published with the financial statements, including the annual report; and
- On whether the consolidation schedules are consistent with the CCG's financial statements for the relevant reporting period.

Reporting by exception:
- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the CCG;
- To the Secretary of State for Health and NHS England if we have concerns about the legality of transactions or decisions taken by the CCG;
- Forming a conclusion on the arrangements the CCG has in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Reporting on an exception basis any significant issues or outstanding matters arising from our work which are relevant to the NAO as group auditor.

Responsibilities of the CCG

The CCG is responsible for preparing and publishing its financial statements, annual report and governance statement.

The CCG is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
Section 4
Financial Statement Audit
Financial Statement Audit

Key Issues

The Annual Report and Accounts is an important tool for the CCG to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the CCG’s financial statements in line with the National Audit Office’s 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 24 May 2019.

Our detailed findings were reported to the 20 May 2019 Audit Committee and 21 May 2019 Governing Body meetings.

The key issues identified as part of our audit were as follows:

<table>
<thead>
<tr>
<th>Significant Risk</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Misstatements due to fraud and error</td>
<td>We obtained a full list of the journals posted to the CCG’s general ledger during the year, and analysed these journals using criteria we set to identify unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation. We did not identify any inappropriate journals.</td>
</tr>
<tr>
<td></td>
<td>We considered that the accounting estimates most susceptible to bias were year-end accruals of non-pay expenditure and contract variations and disputes. We have tested these as part of our audit work as noted below.</td>
</tr>
<tr>
<td></td>
<td>We have not identified any material weaknesses in controls or evidence of material management override.</td>
</tr>
<tr>
<td></td>
<td>We have not identified any instances of inappropriate judgements being applied.</td>
</tr>
<tr>
<td></td>
<td>We identified two ‘discretionary payments’, totalling £3 million, made by the CCG to another NHS body within the same System Transformation Programme area. We did not conclude that these payments were indicative of fraud or error but are required to report them to the NAO within the Whole of Government Accounts submission.</td>
</tr>
<tr>
<td>Manipulation of management estimates and judgements</td>
<td>Our testing focussed on the CCG’s main expenditure streams, particularly year-end accruals of non-pay expenditure and contract variations and disputes. We also carried out cut-off testing where we examined a sample of receipts and payments before and after year end to ensure that where the transactions related to 2018/19 that they were properly recorded in the accounts.</td>
</tr>
<tr>
<td></td>
<td>Our assessment of provisions identified that the CCG made a non-current provision of £0.778 million which, in our judgement, did not meet the criteria of IAS 37 – Provisions, Contingent liabilities and Contingent Assets.</td>
</tr>
<tr>
<td></td>
<td>We also reviewed the agreement of intra-NHS balances and investigated significant differences and disputes.</td>
</tr>
<tr>
<td></td>
<td>Our testing, as outlined above, has not revealed any material misstatements with respect to revenue and expenditure recognition.</td>
</tr>
<tr>
<td></td>
<td>Overall our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the CCG’s financial position.</td>
</tr>
</tbody>
</table>

We identified two ‘discretionary payments’, totalling £3 million, made by the CCG to another NHS body within the same System Transformation Programme area. We did not conclude that these payments were indicative of fraud or error but are required to report them to the NAO within the Whole of Government Accounts submission.
Our application of materiality
When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

<table>
<thead>
<tr>
<th>Item</th>
<th>Thresholds applied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning materiality</td>
<td>We determined planning materiality to be £11 million (2017/18: £5.5 million), which is 2% of revenue expenditure reported in the accounts of £554.9 million. This represents an increase from the prior year reflecting our assessment of the financial position of the CCG. We consider revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the CCG.</td>
</tr>
<tr>
<td>Reporting threshold</td>
<td>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £300,000 (2017/18: £275,000)</td>
</tr>
</tbody>
</table>

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.
Section 5
Value for Money
Value for Money

We are required to consider whether the CCG has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

► Take informed decisions;
► Deploy resources in a sustainable manner; and
► Work with partners and other third parties.

We did not identify any significant risks in relation to these criteria.

We therefore had no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.
Section 6
Other Reporting Issues
Other Reporting Issues

NHS England Group Instructions
We are only required to report to the NAO on an exception basis if there were significant issues or outstanding matters arising from our work. There were no such issues.

Governance Statement
We are required to consider the completeness of disclosures in the CCG’s governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.
We completed this work and did not identify any areas of concern.

Referral to Secretary of State
We must report to the Secretary of State any matter where we believe a decision has led to, or would lead to, unlawful expenditure, or some action has been, or would be, unlawful and likely to cause a loss or deficiency. We had no exceptions to report.

Report in the Public Interest
We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the CCG or brought to the attention of the public.
We did not identify any issues which required us to issue a report in the public interest.

Control Themes and Observations
As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.
We have adopted a fully substantive approach and have therefore not tested the operation of controls.
Section 7

Data Analytics
Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the CCG’s audit included testing journal entries to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all of the CCG’s financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.
The graphic outlined below summarises the CCG’s journal population for 2018/19. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.
Journal Entry Testing

**What is the risk?**

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

**What judgements are we focused on?**

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

**What did we do?**

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override. We then performed tests on the journals identified to determine if they were appropriate and reasonable.

**What are our conclusions?**

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.
Appendix A

Audit Fees
Audit Fees

Our fee for 2018/19 is in line with the audit fee agreed and reported in our 17 May 2019 Audit Results Report.

<table>
<thead>
<tr>
<th>Description</th>
<th>Final Fee 2018/19</th>
<th>Planned Fee 2018/19</th>
<th>Final Fee 2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Audit Fee – Code work</td>
<td>54,690</td>
<td>54,690</td>
<td>54,690</td>
</tr>
</tbody>
</table>

We confirm we have not undertaken any non-audit work.
We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017.