NHS Buckinghamshire Clinical Commissioning Group

Audit results report

Year ended 31 March 2019
Dear Audit Committee Members

We have completed our audit of NHS Buckinghamshire CCG for the year ended 31 March 2019.

We confirm that we anticipate being in a position to issue an unqualified audit opinion on the financial statements in the form that appears in Section 3 of this report, before the statutory deadline on 29 May 2019. We also have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the, Audit Committee, other members of the Governing Body and senior management, and should not be used for any other purpose nor given to any other party without our prior written consent.

We would like to thank your staff for the assistance provided to us during the engagement.

We look forward to the opportunity of discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Janet Dawson
Partner
For and on behalf of Ernst & Young LLP
United Kingdom
The contents of this report are subject to the terms and conditions of our appointment as set out in our engagement letter dated 12 October 2018.

This report is made solely to the Audit Committee, Governing Body and management of NHS Buckinghamshire CCG in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit Committee, Governing Body 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 Audit Committee, Governing Body and management of the CCG for this report or for the opinions we have formed. It should not be provided to any third party without our prior written consent.
Executive Summary
Executive Summary

Scope update
In our audit planning report tabled at the 28 November 2018 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

- Changes in materiality
We updated our materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of operating expenditure we have updated our assessment as follows.

<table>
<thead>
<tr>
<th></th>
<th>Planning</th>
<th>Final</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning materiality:</td>
<td>£7,030k</td>
<td>£7,210k</td>
</tr>
<tr>
<td>Tolerable Error:</td>
<td>£5,270k</td>
<td>£5,270k</td>
</tr>
<tr>
<td>Threshold for misstatements:</td>
<td>£351k</td>
<td>£300k</td>
</tr>
</tbody>
</table>

Status of the audit
On the basis of our work performed, we anticipate issuing an unqualified auditor's report in respect of the CCGs' accounts.

Audit differences
There are no unadjusted or adjusted audit differences arising from the testing performed on our audit.
Executive Summary

**Value for money**

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified a significant risk in respect of securing financial resilience.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

**Areas of audit focus**

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial statements of NHS Buckinghamshire CCG. This report sets out our observations and conclusions in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee or Governing Body.

**Independence**

We have no independence issues that need to be reported.

Please refer to Section 9 for our update on Independence.

**Other reporting issues**

We are required to give an opinion on the consistency of the Annual Report and other information published with the financial statements and the parts of the remuneration report that are required to be audited. We are also required to review the Annual Governance Statement for completeness of disclosures, consistency with other information we are aware of from our work and whether it complies with relevant guidance. We have no matters to report as a result of this work.

We have completed the procedures requested of the National Audit Office with respect to the CCG’s Whole of Government Accounts submission. We concluded that the CCG's consolidation schedules agreed, within a £300k tolerance, to your audited financial statements.
Areas of Audit Focus
Areas of Audit Focus

Significant Risks

**Risk of management override of control**

**What is the risk?**

The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

**What did we do?**

Our approach focused on:

- enquiring of management about risks of fraud and the controls put in place to address those risks;
- understanding the oversight given by those charged with governance of management’s processes over fraud;
- considering the effectiveness of management’s controls designed to address the risk of fraud;
- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, e.g. senior managers entering journals (we would not normally expect this), journals posted at weekends, not netting to zero;
- reviewing accounting estimates for evidence of management bias in how they had been arrived at (e.g. understating assumptions about prescribing accruals); and
- evaluating the business rationale for significant unusual transactions, e.g. individual material items, anomalies in accounting treatment, transactions put through the ledger at unusual times.

NB the testing of revenue and expenditure recognition also helps us to reach assurance on areas potentially also affected by management override.

**What are our conclusions?**

Through formal enquiry and regular discussions with management, we have gained an understanding of the controls in place to address those risks. We have not identified any material weaknesses in these controls or evidence of material management override.

Through formal enquiry and attendance at Audit Committees we have gained an understanding of the oversight given by those charged with governance of management’s processes over fraud.

We have evaluated the effectiveness of the controls designed to address the risk of fraud as part of our walkthrough work in understanding the key financial systems of the CCG. While we did not undertake a controls testing approach to the audit we did not identify any issues in the design of effectiveness of these controls.

We have tested journal entries across a range of criteria in response to this risk. No issues were identified as a result of this testing.

We have reviewed the CCG’s accounting estimates, including CHC, Healthcare Accruals and Prescribing Accruals and did not identify any indications of management bias.

From our testing of journals, review of minutes from Audit Committee and Governing Body and enquiries with management and those charged with governance we did not identify any unusual transactions.
Areas of Audit Focus

Significant Risks (continued)

**Risk of fraud in revenue and expenditure recognition**

**What is the risk?**

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

For the CCG we have associated this risk to judgemental expenditure accruals, prepayments and income accruals. This is because the risk lies primarily in non-routine judgemental adjustments as opposed to year end trade payables or receivables, which occur through routine invoicing processes including an automatic match between the purchase order and the invoice.

The risk is heightened by incentive to receive Commissioner Sustainability Funding of up to £15.5m if the planned deficit is achieved. Any CCG that was overspending in 2017-18 will be expected to reduce its rate of expenditure by at least 1% of allocation as an absolute minimum. If the 2018-19 is not achieved, this could result in a more challenging target in 2019-20.

**What did we do?**

Our approach focused on:
- reviewing and testing revenue and expenditure recognition policies, to see if they would of themselves lead to over- or understatement of amounts;
- reviewing and discussing with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- developing a testing strategy to test material revenue and expenditure streams. We looked at all material streams individually and completed sample testing tailored for the individual streams (e.g. where higher risk, more testing performed);
- reviewing and testing revenue cut-off at the period end date to ensure that transactions were entered in the relevant year (e.g. items were not deferred into the following year to improve the financial position; and
- reviewing Department of Health agreement of balances data and investigating significant differences (outside DH tolerances). This potentially identifies misstatements by checking against the other party’s statements: there is little advantage to the other party by collusion, as it would mean worsening their financial position.

NB the testing of revenue and expenditure recognition also helps us to reach assurance on areas potentially also affected by management override.

**What are our conclusions?**

Our review of the CCG’s accounting policies confirmed that that these are appropriate and in line with the Department of Health and Social Care guidance.

We have reviewed the CCG’s accounting estimates, including CHC, Healthcare Accruals and Prescribing Accruals and did not identify any indications of bias in relation to revenue or expenditure recognition.

We have substantively tested all material income and expenditure streams. Additional testing performed in higher risk areas including accruals and prepayments. No issues were identified as a result of this testing.

We have tested transactions posted one month before and after year end to ensure that appropriate cut-off procedures have been performed. No issues were identified as a result of this testing.

We have obtained the agreement of balances data and investigated all differences over the Department of Health and Social Cares tolerance of £300k. We were able to corroborate the CCG’s position for all mismatches over the £300k threshold.
## Areas of Audit Focus

<table>
<thead>
<tr>
<th>Financial statement area</th>
<th>Issue</th>
<th>What did we do?</th>
</tr>
</thead>
</table>
| **Consolidation of Opening Balances** | Area of focus includes the procedures taken by management to ensure accuracy and appropriateness of input of opening balances onto the new ledger. | We inquired of management about process and controls put in place in creation of the new GL  
We reviewed opening balances compared to prior year audited financials, confirming that any balances between NHS Aylesbury CCG and NHS Chiltern CCG were eliminated appropriately.  
We reviewed comparative information in the annual report and other areas to ensure consistency with 2018 audited financial statements.  
We have no matters to report in relation to the consolidation of opening balances. |
INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF THE GOVERNING BODY OF NHS BUCKINGHAMSHIRE CLINICAL COMMISSIONING GROUP

Opinion

We have audited the financial statements of NHS Buckinghamshire Clinical Commissioning Group for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. 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 1 to [x]. 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 2018/19 HM Treasury’s Financial Reporting Manual (the 2018/19 FReM) as contained in the Department of Health and Social Care Group Accounting Manual 2018/19 and the Accounts Direction issued by the NHS Commissioning Board with the approval of the Secretary of State as relevant to the National Health Service in England (the Accounts Direction).

In our opinion, the financial statements:

give a true and fair view of the financial position of NHS Buckinghamshire Clinical Commissioning Group as at 31 March 2019 and of its net operating costs for the year then ended; and

have been properly prepared in accordance with the Health and Social Care Act 2012 and the Accounts Directions issued thereunder.

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 below. We are independent of the clinical commissioning group 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 the Comptroller and Auditor General’s (C&AG) AGN01, 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 disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Clinical Commissioning Group’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.
Audit Report

Audit report - continued

Our opinion on the financial statements

Other information

The other information comprises the information included in the annual report [set out on pages], other than the financial statements and our auditor’s report thereon. The Accountable Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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.

Opinion on other matters prescribed by the Health and Social Care Act 2012

In our opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Health and Social Care Act 2012 and the Accounts Directions issued thereunder.

Matters on which we are required to report by exception

We are required to report to you if:

in our opinion the governance statement does not comply with the guidance issued by the NHS Commissioning Board; 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 issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or

we make a written recommendation to the CCG under section 24 of the Local Audit and Accountability Act 2014; or

we are not satisfied 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 these respects.

Responsibilities of the Accountable Officer

As explained more fully in the Statement of Accountable Officer’s Responsibilities set out on page [x], the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and is also responsible for ensuring the regularity of expenditure and income.
Audit Report

Audit report - continued

Our opinion on the financial statements

In preparing the financial statements, the Accountable Officer is responsible for assessing the Clinical Commissioning Group'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 the Accountable Officer either intends to cease operations, or have no realistic alternative but to do so.

As explained in the Annual Governance Statement the Accountable officer is responsible for the arrangements to secure economy, efficiency and effectiveness in the use of the CCG's resources. We are required under Section 21(1)(c) 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. Section 21(5)(b) of the Local Audit and Accountability Act 2014 requires that our report must not contain our opinion if we are satisfied that proper arrangements are in place.

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 https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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 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.

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 form a view on whether, in all significant respects, the CCG had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 21(1)(c) 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. Section 21(5)(b) of the Local Audit and Accountability Act 2014 requires that our report must not contain our opinion if we are satisfied that proper arrangements are in place.

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.
# Audit Report

## Audit report - continued

### Our opinion on the financial statements

<table>
<thead>
<tr>
<th>Report on Other Legal and Regulatory Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regularity opinion</strong></td>
</tr>
<tr>
<td>We are responsible for giving an opinion on the regularity of expenditure and income in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Local Audit and Accountability Act 2014 (the &quot;Code of Audit Practice&quot;).</td>
</tr>
<tr>
<td>We are required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.</td>
</tr>
<tr>
<td>In our opinion, in all material respects the expenditure and income reflected in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.</td>
</tr>
</tbody>
</table>

**Certificate**

We certify that we have completed the audit of the accounts of NHS Buckinghamshire Clinical Commissioning Group 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 NHS Buckinghamshire Clinical Commissioning Group in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose. 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
23 May 2019

The maintenance and integrity of the NHS Buckinghamshire Clinical Commissioning Group web site is the responsibility of the members; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.
In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

### Summary of adjusted and unadjusted differences

There were no adjusted or unadjusted misstatements.
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 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.

In considering your proper arrangements, we draw on the requirements of the guidance issued by NHS England to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We identified one significant risk in relation to these arrangements. The tables below presents the findings of our work in response to the risk areas in our Audit Planning Report.

We therefore expect to have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.
Value for Money

VFM risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice which defines as:

‘A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public’

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risk there is no requirement to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

<table>
<thead>
<tr>
<th>What is the significant VFM risk?</th>
<th>What arrangements did this impact?</th>
<th>What did we do?</th>
</tr>
</thead>
<tbody>
<tr>
<td>In 2017-18, in relation to both of the predecessor CCGs (Aylesbury Vale and Chiltern), we exercised our powers and duties as auditors and issued a section 30 referral to the Secretary of State as a result of change in position from £0.125m forecasted surplus as of M8 to a reported year end net deficit of £19m. This issue was evidence of weaknesses in proper arrangements for planning finance effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</td>
<td>Deploying resources in a sustainable manner</td>
<td>Our approach focused on:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reviewing of governance arrangements and financial monitoring during the year, especially monitoring of over-performing providers and agreements made;</td>
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<tr>
<td></td>
<td></td>
<td>• Reviewing QIPP arrangements in place and confirm achievement of savings made in year, with a focus on any QIPP savings identified towards year end;</td>
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<td></td>
<td></td>
<td>• Testing of more challenging areas and challenge of management assumptions where estimates are used; and</td>
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<tr>
<td></td>
<td></td>
<td>• Reviewing the adequacy of budget monitoring process compared to outturn.</td>
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</tbody>
</table>

As at M4 2018-19, the CCG is forecasting a planned in year deficit of £15.5m but with a mitigated risk position of £7.9m.

The main drivers for this are over-performance in non-elective care.

**What are our findings?**

For the year ended 2018-19, the CCG achieved a year end surplus position of £95k. This was achieved by receiving £15.5m of funding from the Commissioner Sustainability Fund. This position was in line with the CCG’s budget monitoring processes throughout the year.

As a result of the procedures performed, we have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.
Other reporting issues
### Other reporting issues

<table>
<thead>
<tr>
<th>Annual Report including Annual Governance Statement</th>
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<tbody>
<tr>
<td>We are required to give an opinion on the consistency of the Annual Report and other information published with the financial statements and the parts of the remuneration report that are required to be audited. We are also required to review the Annual Governance Statement for completeness of disclosures, consistency with other information we are aware of from our work and whether it complies with relevant guidance.</td>
</tr>
<tr>
<td>Financial information within the Annual Report and published with the financial statements was consistent with the Annual Accounts. The remuneration and staff report was prepared properly and within the rules set and we had no matters to report.</td>
</tr>
<tr>
<td>We have reviewed the Annual Governance Statement and can confirm it is consistent with other information that we are aware of from our audit of the financial statements and we have no other matters to report.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Whole of Government Accounts</th>
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<tbody>
<tr>
<td>Alongside our work on the financial statements, we also report to the CCG on differences, within a tolerance of £300,000, between the CCG’s consolidation schedules and the audited financial statements. We also report to the NAO under is group instructions.</td>
</tr>
<tr>
<td>We have no issues to raise.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other powers and duties</th>
</tr>
</thead>
<tbody>
<tr>
<td>We must report to the regulator 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.</td>
</tr>
<tr>
<td>We also 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.</td>
</tr>
</tbody>
</table>
Assessment of Control Environment
Assessment of Control Environment

**Financial controls**

It is the responsibility of the CCG to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the CCG has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.
Data Analytics
Use of Data Analytics in the Audit

Data analytics – General Ledger

**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.
Journal Entry Data Insights

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. We will share this information with management as part of our wash up meeting to provide additional insight and value from our audit procedures.
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.
09 Independence
Independence

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 28 November 2018.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Audit Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 22 May 2019.

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work.

<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>Statutory Audit Fee</td>
<td>85,000</td>
<td>85,000</td>
<td>103,500</td>
</tr>
<tr>
<td>Total Fee</td>
<td>85,000</td>
<td>85,000</td>
<td>103,500</td>
</tr>
</tbody>
</table>

- The Final Fee for 2017/18 is made up of the two predecessor CCG’s:
  - NHS Chiltern CCG £54,250
  - NHS Aylesbury Vale CCG £49,250

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.
Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- **Existence**: An asset, liability and equity interest exists at a given date
- **Rights and Obligations**: An asset, liability and equity interest pertains to the entity at a given date
- **Completeness**: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- **Valuation**: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- **Presentation and Disclosure**: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

<table>
<thead>
<tr>
<th>Balance sheet category</th>
<th>Audit Approach in current year</th>
<th>Audit Approach in prior year</th>
<th>Explanation for change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other receivables</td>
<td>Substantively tested all relevant assertions</td>
<td>Substantively tested all relevant assertions</td>
<td>No change in approach</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>Substantively tested all relevant assertions</td>
<td>Substantively tested all relevant assertions</td>
<td>No change in approach</td>
</tr>
</tbody>
</table>
Appendix B

Summary of communications

<table>
<thead>
<tr>
<th>Date</th>
<th>Nature</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 October 2018</td>
<td>Letter</td>
<td>The audit engagement letter was signed in line with merging of the two predecessor CCG’s for the 2018-19 year.</td>
</tr>
<tr>
<td>15 November 2018</td>
<td>Meeting</td>
<td>The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the audit committee and senior members of the management team to discuss focus areas of the 2018-19 audit.</td>
</tr>
<tr>
<td>28 November 2018</td>
<td>Meeting &amp; Report</td>
<td>The partner in charge of the engagement, along with other senior members of the audit team, met with the management to discuss the 2018-19 Audit Plan and to provide a verbal update on audit progress. The audit planning report, including confirmation of independence, was presented to the Audit Committee.</td>
</tr>
<tr>
<td>30 January 2019</td>
<td>Meeting</td>
<td>The management team and the audit committee were presented with an update on the planning and proposed work to be undertaken at the interim audit visit.</td>
</tr>
<tr>
<td>27 March 2019</td>
<td>Meeting</td>
<td>The management team and the audit committee were presented with an update on the status of the interim testing.</td>
</tr>
<tr>
<td>17 May 2019</td>
<td>Report</td>
<td>The audit results report, including confirmation of independence, was issued to the audit committee.</td>
</tr>
<tr>
<td>22 May 2019</td>
<td>Meeting</td>
<td>The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Audit Committee and senior members of the management team to discuss the Audit Results Report.</td>
</tr>
</tbody>
</table>

In addition to the above specific meetings and reports the audit team met with the management team multiple times throughout the audit to discuss audit findings.
Appendix C

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

<table>
<thead>
<tr>
<th>Required communications</th>
<th>What is reported?</th>
<th>When and where</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terms of engagement</td>
<td>Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</td>
<td>Engagement letter - October 2018</td>
</tr>
<tr>
<td>Our responsibilities</td>
<td>Reminder of our responsibilities as set out in the engagement letter.</td>
<td>Audit planning report - November 2018</td>
</tr>
<tr>
<td>Planning and audit</td>
<td>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</td>
<td>Audit planning report - November 2018</td>
</tr>
<tr>
<td>approach</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant findings</td>
<td>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</td>
<td>Audit results report - May 2019</td>
</tr>
<tr>
<td>from the audit</td>
<td>• Significant difficulties, if any, encountered during the audit</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Significant matters, if any, arising from the audit that were discussed with management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Written representations that we are seeking</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Expected modifications to the audit report</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Other matters if any, significant to the oversight of the financial reporting process</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Findings and issues regarding the opening balance on initial audits</td>
<td></td>
</tr>
<tr>
<td>Going concern</td>
<td>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</td>
<td>Audit results report - May 2019</td>
</tr>
<tr>
<td></td>
<td>• Whether the events or conditions constitute a material uncertainty</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The adequacy of related disclosures in the financial statements</td>
<td></td>
</tr>
<tr>
<td><strong>Required communications</strong></td>
<td><strong>What is reported?</strong></td>
<td><strong>When and where</strong></td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-----------------------</td>
<td>-------------------</td>
</tr>
</tbody>
</table>
| **Misstatements**           | ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation  
▶ The effect of uncorrected misstatements related to prior periods  
▶ A request that any uncorrected misstatement be corrected  
▶ Material misstatements corrected by management | Audit results report - May 2019 |
| **Subsequent events**       | ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. | Audit results report - May 2019 |
| **Fraud**                   | ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity  
▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist  
▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:  
   a. Management;  
   b. Employees who have significant roles in internal control; or  
   c. Others where the fraud results in a material misstatement in the financial statements.  
▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected  
▶ Any other matters related to fraud, relevant to Audit Committee responsibility. | Audit results report - May 2019 |
| **Related parties**         | Significant matters arising during the audit in connection with the entity's related parties including, when applicable:  
▶ Non-disclosure by management  
▶ Inappropriate authorisation and approval of transactions  
▶ Disagreement over disclosures  
▶ Non-compliance with laws and regulations  
▶ Difficulty in identifying the party that ultimately controls the entity | Audit results report - May 2019 |
## Appendix C

<table>
<thead>
<tr>
<th>Required communications</th>
<th>What is reported?</th>
<th>When and where</th>
</tr>
</thead>
</table>
| Independence            | Communication of all significant facts and matters that bear on EY’s, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:  
  - The principal threats  
  - Safeguards adopted and their effectiveness  
  - An overall assessment of threats and safeguards  
  - Information about the general policies and process within the firm to maintain objectivity and independence | Audit planning report - November 2018  
Audit results report - May 2019 |
| Significant judgements  | Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place. | Audit results report - May 2019 |
| External confirmations  |  
  - Management's refusal for us to request confirmations  
  - Inability to obtain relevant and reliable audit evidence from other procedures. | Audit results report - May 2019 |
| Consideration of laws and regulations |  
  - Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur  
  - Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of | Audit results report - May 2019 |
### Appendix C

#### Our Reporting to you

<table>
<thead>
<tr>
<th>Required communications</th>
<th>What is reported</th>
<th>When and where</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant deficiencies in internal controls identified during the audit</td>
<td>• Significant deficiencies in internal controls identified during the audit.</td>
<td>Audit results report – May 2019</td>
</tr>
<tr>
<td>Written representations we are requesting from management and/or those charged with governance</td>
<td>• Written representations we are requesting from management and/or those charged with governance</td>
<td>Audit results report – May 2019</td>
</tr>
<tr>
<td>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</td>
<td>• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</td>
<td>Audit results report – May 2019</td>
</tr>
<tr>
<td>Auditors report</td>
<td>• Any circumstances identified that affect the form and content of our auditor’s report</td>
<td>Audit results report – May 2019</td>
</tr>
</tbody>
</table>
Appendix D

Management representation letter

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records
1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated 25 January 2019, for the preparation of the financial statements in accordance with the NHS England Directions and the Department of Health and Social Care (DH) Group Accounting Manual (GAM).
2. We acknowledge, as members of management of the CCG, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the CCG in accordance with NHS England Directions and the Department of Health and Social Care (DH) Group Accounting Manual (GAM), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the CCG, we believe that the CCG has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the NHS England Directions and the Department of Health and Social Care (DH) Group Accounting Manual (GAM) that are free from material misstatement, whether due to fraud or error.
Appendix D

Management representation letter

Management Rep Letter

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud
1. We acknowledge that we are responsible for determining that the CCG’s activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. In all material respects, the expenditure and income recognised in the financial statements has been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.
3. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
4. 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.
5. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the CCG’s (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:
   - involving financial statements;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the CCG’s financial statements;
   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the CCG’s activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions
1. We have provided you with:
   - 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;
   - Additional information that you have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
Appendix D
Management representation letter

Management Rep Letter

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Governing Body, and Audit Committees held through the year to the most recent meeting on the following date: 22 May 2019.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the CCG’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties to 31 March 2019. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and 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, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies
1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There have been no guarantees that we have given to third parties.

E. Subsequent Events
1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Agreement of Balances and key judgments
1. We have disclosed to you details of all transactions and judgments we have made on income and expenditure, payable and receivable balances with counter-parties irrespective of whether or not they have been included in the 2018/19 Agreement of Balances Exercise.
2. We have agreed balances, disputes and claims with all NHS bodies via the Agreement of Balances process and where not agreed, we have reported the matter to you.
3. We have disclosed to you all of the risks and judgments we have made in arriving at the CCG’s reported financial outturn for financial year ended 31 March 2019.

G. Other information
1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Report, including the Remuneration Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Pensions, Prescribing, Healthcare and Continuing Healthcare Estimates
1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the NHS England Directions and the Department of Health and Social Care Group Accounting Manual 2018-19.
2. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to make payments on behalf of the entity where these are assessed as due.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the NHS England Directions and the Department of Health and Social Care Group Accounting Manual 2018-19.

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

Yours faithfully,

_______________________
(Chief Finance Officer)

_______________________
(Chairman of the Audit Committee)
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ED None

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