

Audit Completion Report

NHS Northumberland Clinical Commissioning Group – year ended 31
March 2014

June 2014



Mazars LLP
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The Governing Body
NHS Northumberland Clinical Commissioning Group
County Hall
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NE61 2EF

4 June 2014

Dear Members

Audit Completion Report – Year ended 31 March 2014

We are delighted to present our Audit Completion Report for the year ended 31 March 2014. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented on 27 March 2014. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit, in particular in this first year of the audit of the Clinical Commissioning Group.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6343.

Yours faithfully

Cameron Waddell

Mazars LLP

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Our reports are prepared in the context of the Audit Commission’s ‘Statement of responsibilities of auditors and audited bodies’. Reports and letters prepared by appointed auditors and addressed to Non-Executive Directors, Directors or managers are prepared for the sole use of the audited body and we take no responsibility to any Non-Executive Director, Director or Manager in their individual capacity or to any third party.

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01 Executive summary

Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2014 to the Governing Body of NHS Northumberland Clinical Commissioning Group (CCG) and forms the basis for discussion at the meeting on 4 June 2014.

Our communication with you is important to:

- share information to assist both of us to fulfil our respective responsibilities;
- provide you with constructive observations arising from the audit process;
- ensure as part of the two-way communication process we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the CCG; and
- receive feedback from yourselves as to the performance of the engagement team.

Section 3 sets out internal control recommendations and section 4 sets out the audit misstatements; there are no material unadjusted misstatements.

Principal conclusions and significant findings

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 2 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum of which the principal ones were:

- management override of controls;
- revenue and expenditure recognition; and
- development of assurance, control and accountability processes.

Status and audit opinion

At the time of preparing this report, the following areas remain outstanding:

Area	Status
Remuneration report	We are awaiting responses to queries.
Review of revised financial statements and Annual Report.	We will review these when they are available.
Annual Governance Statement (AGS)	Work is being completed on reviewing the revised AGS.
Whole of Government Accounts	Work is on-going on this area.

We will provide an update to you in relation to the significant matters outstanding above at the meeting.

At the time of issuing this report and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification. We have identified one matter from our value for money work that we need to report, as set out in Appendix B.

We also expect to certify to the National Audit Office that your consolidation data is consistent with the audited financial statements.

02 Significant findings

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding the significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 6 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

Management override of control

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk by:

- reviewing the key areas within the financial statements where management has used judgement and estimation techniques and consider whether there is evidence of unfair bias;
- sample testing in year and year end journals and other adjustments;
- reviewing any transactions outside the normal course of business; and
- undertaking cut-off testing around the year end on income and expenditure.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

Revenue and expenditure recognition

Description of the risk

There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk on all audits. This is not to imply we suspect actual fraud, but that we approach our audit maintaining due professional scepticism.

How we addressed this risk

We addressed this risk by:

- undertaking cut-off testing around the year end on income and expenditure;
- sample testing income and expenditure transactions throughout the year;
- sample testing material year end payables, receivables, accruals and (any) provisions;
- reviewing inter-NHS reconciliations and data matches provided by the Department of Health (income, expenditure, receivables and payables); and
- if necessary, seeking direct confirmation from third parties or their external auditors.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

Development of assurance, control and accountability processes

Description of the risk

Many of the fundamental financial, governance and commissioning processes of the CCG are provided under a Service Level Agreement by North of England Commissioning Support (NECS). The CCG will receive a detailed Service Auditor Report from NECS which will set out the control activities it undertakes for the CCG, the adequacy of the design of these controls, and their operational effectiveness. The Service Auditor Report will cover the six months to 31 March 2014.

The CCG will have no similar assurances for the six months to 30 September 2013. Due to the lack of assurance on the design and operation of the CCG's system of internal control, we consider there to be a significant risk of material misstatement due to fraud or error.

How we addressed this risk

We addressed this risk by:

- adopting a substantive approach to the audit of the CCG's 2013/14 accounts;
- responding to the risk in line with auditing standards by carrying out additional testing; and
- focusing sample selection on items of high value and those in the first six months of the 2013/14 financial year.

Audit conclusion

We applied a substantive approach and carried out additional testing which did not highlight any significant issues. The findings from this testing are set out in this report.

We did not identify any key areas of management judgement which required special audit consideration.

Accounting policies and disclosures

We have reviewed NHS Northumberland Clinical Commissioning Group's accounting policies and disclosures and concluded they comply with the Manual of Accounts issued by the Department of Health (as required by NHS England).

Significant matters discussed with management

We have discussed with management the respective responsibilities of the CCG and NECS over control of financial transactions during the year and the preparation of the financial statements. Arrangements and performance monitoring of NECS has developed considerably over the year and reliance on NECS has been reduced over the year. In particular, we have noted the additional capacity within the CCG and the checks put in place over data received from NECS.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

03 Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We have the following deficiencies in internal control to report. The majority of these arise from the CCG's use of North East Commissioning Support (NECS) to carry out services on its behalf. Due to the nature of the services provided by NECS, there was a need for the CCG to receive assurance that control procedures at the service organisation complemented those operated by the CCG. The CCG received a detailed Service Auditor Report from NECS at the year end which set out the outcomes from testing of these arrangements' operational effectiveness.

Internal control issues disclosed by the CCG in its Annual Governance Statement (AGS)

The CCG has itself disclosed in its Annual Governance Statement (AGS) the issues arising from the part-year assurance from the Service Auditor Report it has received from its Commissioning Support Unit, North of England Support (NECS). This is highlighted as the CCG is reliant in part on NECS for all of its financial systems and for some elements of the production of its annual statements.

We have concluded the CCG does not have adequate assurance that some of the controls in place at NECS were operating effectively during the financial year as the Report on Internal Controls (type II) does not cover the period 1 April 2013 to 30 September 2013, and is qualified for the period 1 October 2013 to 31 March 2014 in respect of:

- new employee records;
- periodic review of journals to ensure separation of duties;
- check or approval of forecasts;
- reconciliation of provider data with NECS systems;
- IT Disaster Recovery plan implemented from December 2013; and
- formalised and documented backup checks implemented from November 2013.

Mitigation of internal control weaknesses

During the year the CCG has implemented several mitigating controls which reduce the impact of the internal control issues identified above and are included in its Annual Governance Statement. For example, we are aware that the CCG implemented its own in-house controls, particularly around forecasting and reconciliations of activity data, to mitigate weaknesses which became apparent during the course of the year. Assurance on the operation of in-house controls was also provided by Internal audit reviews undertaken during the year.

04 Summary of misstatements

We set out below the misstatements identified during the course of the audit, above the level of trivial, for adjustment.

Adjusted misstatements

Nature of misstatement	Statement of Comprehensive Net Expenditure		Statement of Financial Position	
	£000	£000	£000	£000
Amendment to disaggregate overdrawn bank balances in the Statement of Financial Position (SoFP) and in Notes 10 and 12 of the financial statements. Being the overdraft of £21,000 netted off against credit balances contrary to Annual Reporting Guidance).	-	-	Cash and cash equivalents (current assets) 21	Borrowings (current liabilities) 21
Amendment to disaggregate maternity work in progress in the SoFP and in Notes 9 and 11 of the financial statements. Being maternity WIP of £944,000 netted off trade payables NHS accruals and deferred income and should be shown as NHS prepayments and accrued income in trade receivables.	-	-	Trade and other receivables (current assets) 944	Trade and other and payables (current liabilities) 944

Disclosure amendments

During our review of the financial statements and annual report we identified amendments to disclosures which have been adjusted for in the revised financial statements and annual report. The main issues are outlined below.

Items of Account/Disclosure note	Description of Disclosure issue
Overall – financial statements minor amendments	There are a number of minor rounding errors and typographical issues (note references, page numbers) in the financial statements; these have been discussed with CCG finance staff and the appropriate amendments made.
Accounting policies	The CCG have omitted a number of accounting policies as required in the Guidance note; all appropriate amendments have been made.
Remuneration Report (part of the Annual Report)	A number of issues have been identified and amended: <ul style="list-style-type: none"> For one employee salary banding is incorrect as NI and pension have been included in calculation. This has an impact on the pay multiples disclosure as he is no longer highest paid. Page 41 of ARG states a narrative disclosure detailing the types of benefits should be given after table, this has not

	<p>been disclosed. In addition there is a rounding error in table for taxable benefits</p> <ul style="list-style-type: none"> One employee has been omitted from the Pensions table.
Note 5 Audit fee	<p>Note 5 discloses under other auditor's remuneration a figure for internal audit services which is not provided by external audit.</p> <p>Audit fees are disclosed as £99k which is figure net of VAT. As CCG cannot reclaim VAT on this expenditure the figure disclosed should be gross at £119k.</p> <p>External audit fee is referred to in Annual Report as £90K plus VAT which is the figure after 10% rebate from Audit Commission however rebate is not mentioned. Figures in annual report should be consistent with financial statements</p> <p>This has been discussed with CCG finance staff and the appropriate amendments made.</p>
Annual Governance Statement (part of the Annual Report)	<p>The following amendments have been made:</p> <ul style="list-style-type: none"> various updates to wording to ensure full compliance with the guidance; and update of the statement for service auditor reports not available at the time the draft was produced – including the significant governance issue disclosed in respect of part-year assurance from NECS.
Note 11 Trade and other payables	<p>Misclassification of non-NHS accruals of £510k which were posted to other payables in error; amendments made.</p>
Note 18.2 Special payments	<p>Values should be disclosed in pounds not £000s; appropriate amendments made; appropriate amendments made.</p>
Note 19 - Financial performance targets	<p>There are small presentational issues in the draft accounts.</p> <ul style="list-style-type: none"> the National Health Service Act Section reference next to each heading is not included (See ARG 14.14.1 pg. 342) which should be included; and no reference has been made to capital resource limit. <p>Also split of actual performance between programme and administration is inconsistent with disclosure in SOCNE. This has been discussed with CCG finance staff and the appropriate amendments made.</p>

05 Value for money

We expect to conclude that there are two matters arising from our value for money work that we need to report.

In the Audit Strategy Memorandum we identified a number of general issues that the CCG is addressing in its first year of operation, in relation to:

- leadership;
- commissioning plans;
- financial planning and management;
- data quality; and
- external relationships.

We also considered how these general risks are affected by the CCG's arrangements with the North of England Commissioning Support (NECS).

We detail below how we have addressed these risks and our conclusions:

- discussions with the Chief Finance and Operating Officer, and other senior officers;
- attending Audit Committee meetings, and reviewing Governing Body and Health and Wellbeing Board minutes and agenda papers;
- reviewing the CCG's plans and policies;
- considering the CCG's performance against budget and forward financial planning; and
- reviewing the Report on Internal Controls report from NECS.

We also identified one significant risk relevant to the value for money conclusion. We detail below how we have addressed this risk and our conclusion.

Significant risks to value for money

Development of assurance, control and accountability processes (part-year assurance from NECS)

Description of the risk

Many of the generic risk factors for the CCG's 2013/14 VFM conclusion relate to arrangements provided under a Service Level Agreement by North of England Commissioning Support (NECS). The CCG will receive a detailed Service Auditor Report from NECS which will set out the outcomes from testing of these arrangements' operational effectiveness. It is anticipated the Service Auditor Report will cover the six months to 31 March 2014.

The CCG will have no similar assurances for the six months to 30 September 2013. Due to the lack of assurance on the design and operation of the CCG's system of internal control, we consider there to be a significant risk for our 2013/14 VFM conclusion.

How we addressed this risk

We addressed this risk by:

- considering which of the generic risk factors identified by the Audit Commission for CCGs in their first year fall within the services provided by NECS; and
- considering whether there are reportable issues arising from inadequate or ineffective arrangements at NECS.

The generic risk factors identified by the Audit Commission covered leadership, commissioning plans, financial planning and management, data quality and external relationships.

Findings

The CCG uses NECS to carry out services on its behalf. Due to the nature of the services provided by NECS, there was a need for the CCG to receive assurance that control procedures at NECS complemented those operated by the CCG itself. NECS therefore engaged a reporting accountant to prepare a report on its internal controls (a service auditor report). However, the service auditor report only provided assurance for the period 1 October 2013

Development of assurance, control and accountability processes (part-year assurance from NECS)

to 31 March 2014.

In our view this means that while arrangements have developed during the year they were not fully in place for the whole year for managing risks and maintaining a sound system on internal control. This has been disclosed by the CCG itself in its Annual Governance Statement (AGS).

We are aware that the CCG implemented some in-house controls, particularly around forecasting and reconciliations of activity data, to mitigate weaknesses which became apparent during the course of the year. Assurance on the operation of in-house controls was also provided by Internal audit reviews undertaken during the year.

Conclusion

The CCG uses a commissioning support unit (CSU) to carry out services on its behalf. Due to the nature of the services provided by the CSU, there was a need for the CCG to receive assurance that control procedures at the CSU complemented those operated by the CCG itself. The CSU therefore engaged a reporting accountant to prepare a report on its internal controls (a service auditor report). However, the service auditor report only provided assurance for the period 1 October 2013 to 31 March 2014.

Therefore, arrangements have developed during the year but were not fully in place for the whole year for managing risks and maintaining a sound system on internal control.

Our proposed VFM conclusion is set out in Appendix B.

Appendix A – Draft management representation letter

To be provided by the CCG to us on client headed note paper. It should be signed and dated as close to (but not after) the date of the audit report as possible.

NHS Northumberland Clinical Commissioning Group
County Hall
Morpeth
Northumberland
NE61 2EF

4 June 2014

Dear Mr Waddell

NHS Northumberland Clinical Commissioning Group – audit for year ended 31 March 2014

This representation letter is provided in connection with your audit of the financial statements of NHS Northumberland CCG (the CCG) for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Manual for Accounts and Annual Reporting Guidance.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Manual for Accounts, Annual Reporting Guidance and relevant legislation and International Financial Reporting Standards (IFRS) as adopted by HM Treasury.

My responsibility to provide and disclose relevant information

I 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 material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the CCG you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Accountable Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Governing Body and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Manual for Accounts, Annual Reporting Guidance and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the CCG's financial position, financial performance and cash flows

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the CCG in making accounting estimates, including those measured at fair value, are reasonable and specifically that:

- no new claims for continuing healthcare retrospective claims have been received in addition to those included in the Northumbria PCT accounts and included as an opening legacy balance within the accounts of NHS England.
- the actual prescribing report for the year has been received and this compares favourably to the estimate that was used in the preparation of the accounts.
- partially completed spells entries have been agreed with our main providers as part of the agreement of balances exercise, to ensure consistent income and expenditure entries across both parties.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the CCG have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Manual for Accounts and relevant legislation and IFRSs as adopted by HM Treasury.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

Fraud and error

I acknowledge my responsibility as Accountable Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the CCG involving:
- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the CCG's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Manual for Accounts, Annual Reporting Guidance and relevant legislation and IFRSs.

I have disclosed to you the identity of the CCG's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Manual for Accounts, Annual Reporting Guidance, relevant legislation and IFRSs require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the CCG will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours faithfully

Alistair Blair

Accountable Officer

Appendix B – Draft audit report

INDEPENDENT AUDITORS' REPORT TO THE ACCOUNTABLE OFFICER FOR NHS NORTHUMBERLAND CLINICAL COMMISSIONING GROUP

We have audited the financial statements of NHS Northumberland Clinical Commissioning Group for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

We have also audited the information in the Remuneration Report that is subject to audit, being:

- the table of salaries and allowances of senior managers and related narrative notes on pages 31-32;
- the table of pension benefits of senior managers and related narrative notes on page 34; and
- the table of pay multiples and related narrative notes on page 36.

This report is made solely to the Accountable Officer for NHS Northumberland Clinical Commissioning Group in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 45 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Accountable Officer and auditors

As explained more fully in the Statement of Responsibilities in respect of the accounts, the Accountable Officer is responsible for overseeing the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the clinical commissioning group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the clinical commissioning group; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

In addition, we are required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

In our opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of NHS Northumberland Clinical Commissioning Group as at 31 March 2014 and of its net operating costs for the year then ended; and
- have been prepared properly in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

Opinion on other matters

In our opinion:

- the part of the Remuneration Report subject to audit has been prepared properly in accordance with the requirements directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England; and
- the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the governance statement does not reflect compliance with the Department of Health's Guidance;
- we refer the matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because we have reason to believe that the clinical commissioning group, or an officer of the clinical commissioning group, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998

We have nothing to report in these respects.

Conclusion on the CCG's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that NHS Northumberland Clinical Commissioning Group has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- our locally determined risk-based.

As a result, we have concluded that there is the following matter to report:

- NHS Northumberland CCG uses a service organisation to carry out services on its behalf. The CCG did not obtain assurance that control procedures at the service organisation complemented those operated by the CCG itself for the period 1 April 2013 to 30 September 2013.

Therefore, arrangements have developed during the year but were not fully in place for the whole year for managing risks and maintaining a sound system of internal control.

Certificate

We certify that we have completed the audit of the accounts of NHS Northumberland Clinical Commissioning Group in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[Signature]

Cameron Waddell (CPFA)
Director and Engagement Lead
for and on behalf of Mazars LLP

The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

4 June 2014

Appendix C – Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.