



# Audit Completion Report

Hull Clinical Commissioning Group

Year ending 31 March 2018





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*Reports and letters prepared by the auditor and addressed to Hull CCG are prepared for the sole use of Hull CCG and we take no responsibility to any member or officer in their individual capacity or to any third party.*

Integrated Audit and Governance Committee  
Hull Clinical Commissioning Group  
2<sup>nd</sup> Floor  
Wilberforce Court  
Alfred Gelder Street  
Hull  
HU1 1UY

21 May 2018

Dear Members

**Audit Completion Report – Year ended 31 March 2018**

We are pleased to present our Audit Completion Report for the year ended 31 March 2018. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 14 November 2018. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 387 8850.

Yours faithfully

Signed:   
Mark Kirkham (May 21, 2018)

Mark Kirkham  
Mazars LLP

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VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

This Audit Completion Report sets out the findings from our audit of Hull Clinical Commissioning Group ('the CCG') for the year ended 31 March 2018, and forms the basis for discussion at the Integrated Audit and Governance Committee meeting on 24 May.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the CCG's arrangements to achieve economy, efficiency and effectiveness in its use of resources. As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Opinion on regularity

We anticipate issuing an unqualified regularity opinion, meaning that in our opinion, in all material respects the expenditure and income recognised in the financial statements have been applied for the purposes intended by Parliament. Our proposed regularity opinion is included in the draft auditor's report in Appendix B.

### Value for Money conclusion

We anticipate having no matters to report in respect of the CCG's arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Wider reporting

We expect to be able to report to the National Audit Office (NAO) that your consolidation data is consistent with the audited financial statements.

## Misstatements and internal control recommendations

Our work did not identify any significant internal control deficiencies to report for 2017/18.

Our work to date has not identified any misstatements to report. If misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.

# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2018. However, at the time of preparing this report the following matters remain outstanding:

Audit area	Description of outstanding matters
Whole of Government Accounts	Whole of Government Accounts work programme and consistency with the financial statements

In addition to the above, we have yet to complete our review and closure processes, including internal consistency checks, agreeing amendments and post balance sheet events. We will provide the Integrated Audit and Governance Committee with an update in relation to these outstanding matters prior to signing the auditor's report.

## Our audit approach

We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum to the Integrated Audit and Governance Committee in November 2017.

## Materiality

We set materiality at the planning stage of the audit at £6.56 million using a benchmark of 1.5% of the initial revenue resource limit. Our final assessment of materiality, based on the final financial statements and qualitative factors is £6.56 million, using gross revenue expenditure.



## 2. OPINION AUDIT

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

- our audit conclusions regarding 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 7 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; and
- Significant difficulties during the audit

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the CCG's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

#### Management override of controls

##### 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 performing the following audit work:

- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements
- reviewing the key areas within the financial statements where management has used judgement and applied estimation techniques and consider whether there is evidence of unfair bias; and
- Testing for significant transactions outside the normal course of business or that otherwise appear to be highly unusual.

##### Audit conclusion

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

## 2. OPINION AUDIT (CONTINUED)

### Revenue recognition

#### Description of the risk

In all entities, there is a risk of fraud in financial reporting relating to revenue recognition due to the potential to inappropriately record income in the wrong period. 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 of receipts around the year-end;
- reviewing inter-NHS reconciliations and data matches provided by the NHSE (income and receivables); and
- if necessary, seeking direct confirmation from third parties or their external auditors.

This work will also inform our conclusion on the regulatory element of our audit opinion

#### Audit conclusion

Our work has provided us with the assurance we sought and has not highlighted any material issues to bring to your attention. Note that income and receivables have not been tested as both are not material in year.

### Related party transactions

#### Description of the risk

GPs are members of the Governing Body and also potential service providers.

#### How our audit addressed this area of management judgement

We addressed this risk by:

- reviewing the CCG's arrangements for identifying and recording potential related party transactions;
- reviewing a range of documents including minutes of meetings and registers of interest for evidence of potential related party transactions; and
- testing disclosures in the financial statements.

#### Audit conclusion

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

## 2. OPINION AUDIT (CONTINUED)

### **Qualitative aspects of the entity's accounting practices**

We have reviewed the CCG's accounting policies and disclosures and concluded they comply with the requirements of the Department of Health and Social Care Group Accounting Manual 2017/18, appropriately tailored to the CCG's circumstances.

Draft accounts were received from the CCG on 24 April 2018 and were of a good quality.

### **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. Given the tight deadlines, we should like to thank officers for their help and support during the course of the audit and their prompt response to our audit queries.





### 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is 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. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters that we would report here would be limited to those significant deficiencies and other control recommendations that we identified during our normal audit procedures. If we had performed more extensive procedures on internal control we might have identified matters to report. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our work did not identify any matters to report in this section.



## 4. SUMMARY OF MISSTATEMENTS

We did not identify any adjusted or unadjusted misstatements to the SOCNE or SOFP during the course of the audit above the level of our trivial threshold of £197k.

### Disclosure amendments

We identified the following amendments required to other statements and disclosures in the financial statements.

#### Statement of Changes in Taxpayers Equity

The submission template for the line 'Net Recognised NHS Clinical Commissioning Group Expenditure for the Financial Year' incorrectly included the prior's year's balance of £19.836 million due to a formula error on the template. The CCG has amended and there is no impact on the balance carried forward. A similar amendment has been made in respect of the comparator for 2016/17.

#### Related party transactions

Two members of the governing body had not been not disclosed in the related party transaction note in error. One was a new member in 2017-18 whilst the other was maternity cover. This resulted in additional disclosures of £48.767 million expenditure and £25k of income. We are satisfied that the omissions are because of specific circumstances in 2017-18 and not symptomatic of widespread of endemic weaknesses in the arrangements for identifying and reporting related party transactions.

In addition, receivables (£54k) and payables (£73k) with York Hospitals FT has been omitted.

These have all been amended in the disclosure note.

#### Financial performance targets

The financial performance note reported the cumulative surplus position of the CCG rather than the performance for 2017-18. The note has been amended. This is a presentational issue and has not affected the value of the CCG's overall surplus.

#### Operating lease

The operating lease disclosure note disclosed contingent rents of £1.355 million but this should have been shown in the minimum lease payments line with a revised total of £2.896 million.

#### Financial instruments

Other payables include £209k outstanding pension contributions at 31 March 2018 which is incorrect as this should not include employers' rights and obligations under employee benefit plans. This is because of an inconsistency between the consolidation template and the accounts template. Management has therefore decided not to adjust as it is clearly immaterial..

#### Remuneration report

Pensions information for two members has not been available from the Business Services Authority. This has been fully disclosed in the remuneration report and the total salary bandings amended accordingly.

Three members were shown in the incorrect salary banding in the remunerations table and have now been amended.

The disclosures for two officers required amendment for pensions related benefits. There was also one amendment relating to 'real increase in pension lump sum'.

Narrative disclosures to support performance bonuses have been added.

#### Annual Report

Some amendments were required to financial information within the annual report to ensure consistency with the financial statements.

#### Legal expenses

Legal expenses of £1.04 million have been reclassified in note 5 to premises (£605k) and professional fees (£425k). Officers have stated that this was due to the coding structure used in the general ledger and the mapping used in the annual accounts template.

## 5. VALUE FOR MONEY CONCLUSION

### Our approach to Value for Money

Our Audit Strategy Memorandum was based on the 2016/17 NAO guidance. The 2017/18 guidance was received in November 2017 after we prepared our initial plan but there were no significant changes to report. We are required to consider whether the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the CCG had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

We are only required to report to you if we conclude that the CCG has not made proper arrangements. Our draft audit report included in Appendix B states that we have no matters to report in respect of our Value for Money (VFM) work. We have provided commentary against each of the sub-criteria, and an indication of reporting implications.

Sub-criteria	Commentary	Matters to report?
<b>Informed decision making</b>	<p>Our audit work has confirmed there is evidence that the CCG acts in the public interest, demonstrating and applying the principles and values of sound governance. The CCG has in place a Governing Body and Integrated Audit and Governance Committee and the Constitution sets out delegation of responsibilities to the formal Committees and its Officers. The Constitution was updated in March 2017 and we are not aware of any significant non-compliance.</p> <p>We have seen evidence that the CCG understands and uses appropriate and reliable financial and performance information to support informed decision making and performance management. For example, regular finance and performance reports are taken to IAGC, Quality and Performance Committee and to the Board. Financial data is presented alongside activity data and reports are presented at sufficient regularity allowing the CCG time to deal with issues that arise. Based on our review of minutes and attendance at IAGC, we are aware that the impact and purpose of proposals are scrutinised and that there is consideration of strategic objectives and their delivery.</p> <p>There is evidence that the CCG manages risks effectively and maintains a sound system of internal control. The Governing Body has set the risk appetite through the Risk Management Strategy and the supporting Board Assurance Framework (BAF), and the Corporate Risk Register, and mitigating actions are reported regularly to the Governing Body. Internal Audit review the system of internal control and report regularly to the Integrated Audit and Governance Committee.</p>	No

## 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Matters to report?
<b>Sustainable resource deployment</b>	<p>There is evidence that the CCG has planned finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions. For 2017/18, the historic surplus of £11.7 million has increased to £15.3 million and the CCG has delivered over 90% of its QIPP target totalling £9.4 million. All statutory financial targets have been met for 2017/18.</p> <p>The financial plan for 2018/19 indicates that the CCG is forecast to maintain its balanced budget and meet all statutory targets. Within these plans are non-recurrent amounts earmarked for investment in community and primary care. The aim is to develop services to manage the demand for acute care and reduce the financial pressure on the contract with their main provider. Relationships with the acute trust have improved since the agreement of the Aligned Incentive Contract (AIC) in March 2017 with more focus on a whole system approach to improving care pathways and delivering efficiencies.</p> <p>The CCG has a good grasp of the issues facing it and the financial pressures. Senior management take the lead locally to drive improvements and promote joined up working so that patient care is improved whilst continuing to meet financial responsibilities.</p> <p>The CCG Plans, organises and develops the workforce to deliver strategic priorities. For example, the CCG has an Organisational Development Strategy which sets out how the body will develop its workforce and this is reported annually.</p> <p>Staff at the CCG are under pressure as in many public sector organisations but we are not aware of any significant staff turnover or significant morale issues. However, the CCG recognises that it may not have the capacity to continue to deliver on all the new initiatives whilst maintaining quality, and mitigating actions have been developed in the Board Assurance Framework.</p>	No

## 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Matters to report?
Working with partners and other third parties	<p>There is evidence that the CCG works with third parties to deliver strategic priorities. A number of policies and frameworks for partnership working are on the publications section of the external website including the Commissioning plan.</p> <p>The only pooled budget is the Better Care Fund with Hull City Council. The CCG does combined contracting with the Council. Expenditure is reported jointly and covers all spend. Weekly meetings are in place to discuss how to make better use of the funds.</p> <p>There is evidence that the CCG commissions and procures services to support the delivery of strategic priorities. The 'Commissioning for Quality' strategy is in place and is on the website. This document sets out the objectives for commissioning including the frameworks (both national and local) within which commissioning is carried out and how outcomes are monitored.</p> <p>The CCG works closely with the local acute trust and other providers. The contract with the main provider is on an Aligned Incentive Basis from 1 April 2017. The Aligned Incentive Contract (AIC) is covered in more detail in the significant risk section which follows.</p> <p>The CCG has an operational and a financial plan that is approved by the Governing Body, which outlines the commissioning intentions and deliverables. This plan is monitored and managed throughout the year. Any necessary corrective actions are documented through minutes and action trackers to committee meetings.</p> <p>The aim is to ensure the whole health economy shares responsibility for managing demand and keeping costs within the financial envelope available. There are clear plans being developed within the AIC to change pathways and deliver savings across all organisations. The financial risks are to be spread which may impact on the CCG in future but there has been no impact in 2017/18.</p> <p>As part of the Humber Coast and Vale Sustainability and Transformation Plan and the development of the Hull Plan with Hull City Council, the CCG is looking towards integrating commissioning across organisations.</p>	No

# 5. VALUE FOR MONEY CONCLUSION

## Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the CCG being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk. The work we carried out in relation to this significant risk is outlined below.

Risk	Work undertaken	Conclusion
<p><b>Aligned Incentive Contract (AIC)</b></p> <p>The CCG has adopted a new approach to commissioning and contract management for 2017/18 in relation to the main service provider, Hull and East Yorkshire Hospitals. This is known as the Aligned Incentives Contract (AIC).</p> <p>The AIC is an agreed contract with a fixed value and the approach marks a fundamental departure from the national prescribed guidance and the payment by results (PbR) supported contract models. The contract requires a different approach to the way in which commissioners and providers work together as it provides all parties with a common goal.</p> <p>With all new arrangements, there is a risk that they do not operate as intended resulting in poor contract performance, or increased financial pressures.</p> <p>Our initial view is that the following proper arrangements are relevant to our audit risk:</p> <ul style="list-style-type: none"> <li>reliable and timely contract monitoring arrangements; and</li> <li>working with third parties effectively to deliver the agreed contract and outcomes.</li> </ul>	<p>We addressed this risk by undertaking the following work:</p> <ul style="list-style-type: none"> <li>identifying and reviewing arrangements for managing the contract; and</li> <li>monitoring the progress the CCG makes in meeting contractual obligations during the year to consider whether there is evidence of any weakness in arrangements.</li> </ul>	<p>There is evidence that the CCG has reliable and timely monitoring of the AIC contract to ensure that contractual obligations are met. For example, there have been a number of contract monitoring meetings held throughout the year via the Contract Technical and Information Group, reporting on issues such as performance, planning, reporting, stakeholder feedback and key issues for the Board.</p> <p>Although there is scope to improve performance, there has been no significant deterioration from previous years as a result of the introduction of the AIC. The CCG continues to work with the main hospital provider to improve performance.</p> <p>There is evidence that the introduction of the AIC has resulted in an improvement in partnership working, consideration of whole system reporting, and reductions in elective and non-elective activity.</p> <p>The introduction of the AIC has not resulted in a significant reduction of costs but has brought more certainty and agreement between the parties.</p> <p>In terms of the risk share agreement there has been no financial impact on the CCG for 2017/18.</p> <p>Our work has not identified any matters to report this year.</p>

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

[Client address]

[Date]

Dear [Name]

### Hull Clinical Commissioning Group - audit for year ended 31 March 2018

This representation letter is provided in connection with your audit of the financial statements of Hull CCG for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Group Accounting Manual.

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 Group Accounting Manual and relevant legislation and International Financial Reporting Standards (IFRS) as adapted and 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 affect 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 relevant 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 Group Accounting Manual 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.

#### 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.

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# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### Contingencies cont..

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 Group Accounting Manual and relevant legislation and IFRSs as adapted and 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. We have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### 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 Group Accounting Manual 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 Group Accounting Manual, 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.

### Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements are included within the Audit Completion Report.

Yours faithfully

Accountable Officer.....

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# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the Governing Body of NHS Hull Clinical Commissioning Group

#### Opinion

We have audited the financial statements of NHS Hull Clinical Commissioning Group ('the CCG') for the year ended 31 March 2018. 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 notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Government Financial Reporting Manual 2017/18 as contained in the Department of Health and Social Care Group Accounting Manual 2017/18, and the Accounts Direction issued by the NHS Commissioning Board with the approval of the Secretary of State as relevant to Clinical Commissioning Groups in England ("the Accounts Direction").

In our opinion the financial statements:

- give a true and fair view of the state of the CCG's affairs as at 31 March 2018 and of its net operating expenditure for the year then ended;
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2017/18; and
- have been properly prepared in accordance with the requirements of the National Health Service Act 2006 and the Accounts Direction issued thereunder.

#### Opinion on regularity

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.

#### 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 section of our report. We are independent of the CCG in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Use of the audit report

This report is made solely to the members of the Governing Body of NHS Hull CCG, as a body, in accordance with part 5 of the Local Audit and Accountability Act. 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 Governing Body of the CCG, as a body, for our audit work, for this report, or for the opinions we have formed.

#### Conclusions relating to going concern

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

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

#### Other information

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

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

We have nothing to report in this regard.

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## DRAFT AUDITOR'S REPORT CONT...

### Opinion on other matters prescribed by the Code of Audit Practice

In our opinion:

- the parts of the 'Remuneration and Staff Report' subject to audit have been properly prepared in accordance with the Annual Report Direction made under the National Health Service Act 2006; and
- the other information published together with the audited financial statements in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

The parts of the Remuneration and Staff Report subject to audit are:

- the single total figure of remuneration for each Director;
- CETV disclosures for each Director;
- fair pay (pay multiples) disclosures;
- exit packages; and
- analysis of staff numbers and costs.

### Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance issued by NHS England; 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 schedule 7(1) of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the CCG under schedule 7(2) 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 2018.

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' 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 for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Accountable Officer is also responsible for ensuring the regularity of expenditure and income.

The Accountable Officer is required to comply with the Department of Health and Social Care Group Accounting Manual and prepare the financial statements on a going concern basis, unless the CCG is informed of the intention for dissolution without transfer of services or function to another entity. The Accountable Officer is responsible for assessing each year whether or not it is appropriate for the CCG to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Local Audit and Accountability Act 2014.

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# APPENDIX B

## DRAFT AUDITOR'S REPORT CONT...

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

We are required under section 21(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether 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 2018.

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.

### Certificate

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

[Signature]

Mark Kirkham  
For and on behalf of Mazars LLP

Mazars House  
Gelderd Road  
Gildersome  
Leeds  
LS27 7JN

[Date]

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# 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.

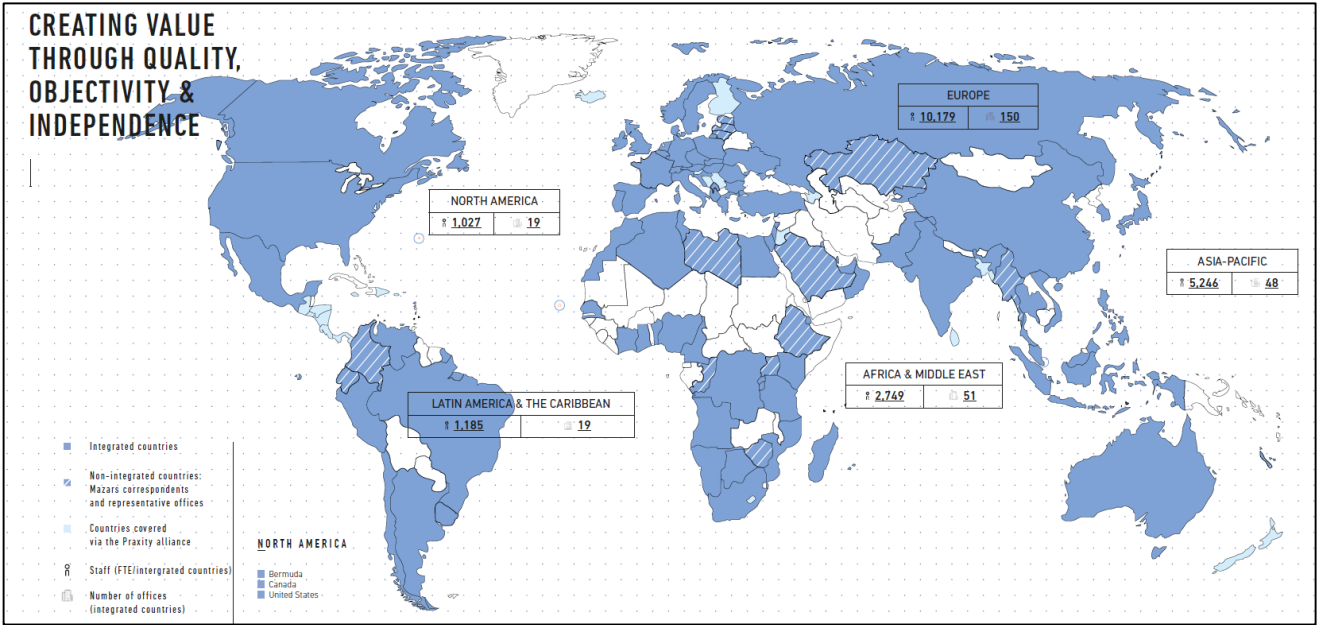


# MAZARS AT A GLANCE

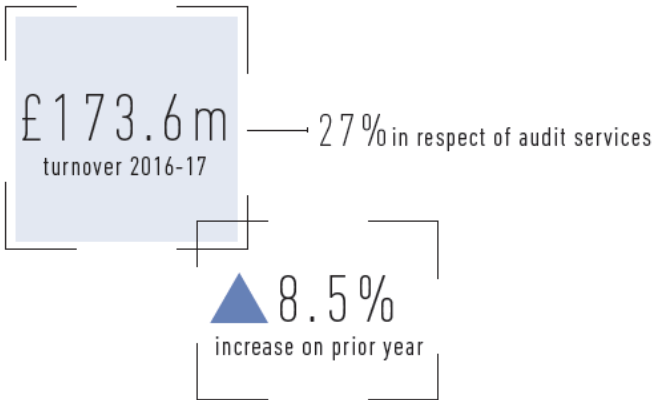
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As at 31 August 2017