

# The Audit Findings for NHS Somerset CCG

For the period ended 30 June 2022

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16 June 2023



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Dear Members of the Audit Committee

**Audit findings for NHS Somerset CCG for the period ended 30 June 2022**

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [www.grantthornton.co.uk/en/about-us/leadership-and-governance/transparency-report/](http://www.grantthornton.co.uk/en/about-us/leadership-and-governance/transparency-report/)

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

**Jackson Murray**

Director

Grant Thornton UK LLP

# Contents

Section	Page
Headlines	4
Financial statements – significant risks and new developments	6
Other findings – significant matters	7
Financial statements – key judgements and estimates	9
Financial statements – other communication requirements	10
Other findings – Information Technology	13
Other findings	14
Other responsibilities under the Code	15
Audit adjustments	17
Impact of unadjusted misstatements in the prior year	19
Value for money	20
Independence and ethics	21
<b>Appendices</b>	
I. Communication of audit matters to those charged with governance	23
II. Action plan	24
III. Follow up of prior year recommendations	25
IV. Fees and non-audit services	26
V. Auditing developments	27
VI. Management letter of representation	28
VII. Audit opinion	32

# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of NHS Somerset Clinical Commissioning Group ('the CCG') and the preparation of the CCG's financial statements for the period ended 30 June 2022 for those charged with governance.

Financial statements	
<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the CCG's financial statements give a true and fair view of the financial position of the CCG's income and expenditure for the period; and</li><li>the CCG's financial statements, and the parts of the Remuneration and Staff Report to be audited, have been properly prepared in accordance with the Department of Health and Social Care (DHSC) group accounting manual 2021/22 (GAM).</li></ul> <p>We are also required to report whether other information published together with the audited financial statements in the Annual Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and whether the income and expenditure included in the financial statements has been applied for the purposes intended by Parliament (the regularity opinion).</p>	<p>The successor ICB appointed us as the External Auditors for this three-month in November 2022. Our audit work was completed remotely during January to June 2023. Our findings are summarised on the following pages.</p> <p>We reported our materiality in our audit plan as £5.5m and this did not change during the course of our audit. We have not had to alter our audit plan in any other respect.</p> <p>Audit adjustments that have been identified are detailed on page 17. We have raised recommendations for management as a result of our audit work on page 24. Our follow up of recommendations from the prior year's audit are detailed on page 25.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following matters:</p> <ul style="list-style-type: none"><li>completion of our testing on the remuneration report and related disclosures;</li><li>finalising our work on the summarisation schedules and the other Whole of Government Accounts procedures on behalf of the National Audit Office;</li><li>completion of final manager and engagement lead quality reviews and satisfactory resolution of any resultant points.</li></ul> <p>Once completed, we will be in a position to issue our audit opinion following:</p> <ul style="list-style-type: none"><li>completion of our subsequent events review;</li><li>receipt and review of the signed management representation letter – see Appendix VI; and</li><li>receipt and review of the final set of signed financial statements and associated documents.</li></ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Income and expenditure included in the financial statements have been applied for the purposes intended by Parliament.</p> <p>Our anticipated audit report opinion will be unqualified but will include an Emphasis of Matter paragraph highlighting the demise of the CCG on 30 June 2022. This Emphasis of Matter paragraph will be applicable at all CCGs.</p>

# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the CCG has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in detail on the CCG's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the CCG's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

As the CCG demised during the year, we are not required to produce a full commentary on your arrangements for securing value for money. Instead, our work and our Auditor's Annual Report has focussed on whether we have identified any significant weakness in the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources. No significant weakness have been identified.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the finalisation of our financial statements audit and the completion of our work on the CCG's VFM arrangements.

## Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. We would like to thank the finance team for their support and co-operation during the audit. We do appreciate the challenges presented by having the 3-month CCG audit running at the same time as the 9-month ICB audit.

## 2. Financial statements – significant risks and new developments

Risks identified in our Audit Plan	Commentary
<p><b>The revenue cycle includes fraudulent transactions (rebutted)</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p><b>Fraudulent expenditure recognition (rebutted)</b></p> <p>Practice Note 10 states that as most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than with fraud related to revenue recognition.</p>	<p><b>Auditor commentary</b></p> <p>As set out in our audit plan, we have rebutted both of these risks for the CCG.</p> <p>We have reconsidered our original assessments as part of our audit work on the CCG's financial statements and are satisfied that these rebuttals remain appropriate.</p> <p>Within the agreement of balance exercise, we have noted that in one case the CCG expenditure did not include transactions incurred with subsidiaries of parent entities (Trusts). As a result, there is a significant difference between the CCG and Sulis at Royal United Hospitals Bath NHS Foundation Trust balances (£905k expenditure and £392k payable).</p> <p>Management have asserted that this is due to the reporting template not including a line for subsidiary transactions, and a mismatch between Trust and ICB templates. This is in accordance with our understanding and our audit procedures allow us to conclude that the CCG has appropriately accounted for the expenditure within its financial statements. We are required to report any differences to the National Audit Office as part of our Whole of Government Accounts work.</p>
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p><b>Auditor commentary</b></p> <p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals;</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li> <li>tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration;</li> <li>challenged management's key judgements and estimates and considered whether these judgements and estimates are individually or cumulatively indicative of management bias; and</li> <li>gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.</li> </ul> <p>Our audit work has identified two control deficiencies:</p> <ul style="list-style-type: none"> <li>it is possible for senior management to post journals; and</li> <li>it is possible for individuals to approve their own journals, as long as this is within their journal authorisation limits.</li> </ul> <p>We factored these deficiencies into our testing but did not identify any evidence of management override of controls. No senior officers (DoF and Deputy DoF) had posted journals and no CCG employees had self-authorized their journals.</p> <p>We have also referred to these in the Audit Findings Report and associated Action Plan of the successor ICB.</p> <p>All large and unusual journals selected for review were deemed reasonable and appropriate.</p>

# Other findings – significant matters

Significant matter	Commentary and Auditor View	Management Response (where appropriate)
1 Implementation of IFRS16	<p>IFRS 16 was implemented by NHS bodies from 1 April 2022. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. Further information on IFRS16 was included in our audit plan.</p> <p>Our work confirmed that IFRS 16 was not material for the CCG, as we expected. The disclosures within the financial statements are appropriate.</p>	N/A
2 Significant events or transactions that occurred during the period	<p>The CCG demised on 30 June 2022 and this was adequately disclosed within the financial statements.</p> <p>As noted on page 4, our anticipated audit report opinion will include an Emphasis of Matter paragraph highlighting this fact.</p> <p>This Emphasis of Matter paragraph will be applicable at all CCGs.</p>	N/A
3 Business conditions affecting the CCG, and business plans and strategies that may affect the risks of material misstatement	We have no issues to report.	N/A
4 Concerns about management's consultations with other accountants on accounting or auditing matters	We have no issues to report.	N/A

# Other findings – significant matters (continued)

	Significant matter	Commentary and Auditor View	Management Response
5	Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	We have no issues to report.	N/A
6	Other matters that are significant to the oversight of the financial reporting process	We have no issues to report.	N/A
7	Prior year adjustments identified	We have no issues to report.	N/A



# Financial statements – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Prescribing accrual</b>	<p>Actual data is available two months in arrears of the current reporting period.</p> <p>This is due to a delay in the provision of information by a third party.</p> <p>The CCG uses historic data and the actual costs in the preceding months to estimate this accrual.</p>	<p>We did not identify any issues with management's estimation process, which was consistent with previous reporting periods.</p> <p>Management accrued £15.040m for May and June 2022 prescribing costs.</p> <p>By the time we commenced our audit, the actual figures for those two months was available. The actual costs relating to May and June 2022 were £15.373m, which means that there was an under accrual of £334k, which is not material. The financial statements were not updated to reflect this difference. This is reported as an unadjusted difference on page 18.</p>	<b>Light purple</b>
<b>Expenditure accruals</b>	<p>Management accrue for expenditure on goods or services when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.</p>	<p>We undertook sample testing of in-year and year-end expenditure accruals. We were provided with satisfactory evidence to support the sample items.</p>	<b>Light purple</b>

## Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Financial Statements – other communication requirements

Issue	Commentary	Auditor view
<p><b>ISAE 3402 Service Auditor Reports</b></p> <p>The ISAE 3402 Service Audit Type II reports have been received which assess the state of the control environment for the period 1 April 2021 to 31 March 2022 for the following services used by the CCG:</p> <ul style="list-style-type: none"> <li>NHS Shared Business Service Limited: Finance and Accounting Services</li> <li>The Electronic Staff Record Programme</li> <li>NHS Business Services Authority: Prescription Payments</li> <li>South Central and West Commissioning Support Unit (SCW)</li> <li>Capita Primary Care Support Services</li> </ul> <p>We have had a bridging letter to cover the period from the 1 April 2022 to 30 June 2022, however the qualifications mentioned here still remain.</p> <p>The ISAE 3402 Service Audit Type II report has been received which assesses the state of the control environment for the period 1 April 2022 to 31 March 2023 for the following services used by the CCG:</p> <ul style="list-style-type: none"> <li>NHS Digital GP Payments</li> </ul>	<p>The qualifications identified below were reported in 2021/22, the bridging letter confirms they remain in place for the period ending June 2022.</p> <p><b>NHS Shared Business Services Limited: Finance and Accounting Services</b></p> <p>A qualified opinion was given due to the following:</p> <ul style="list-style-type: none"> <li>the control related to performing the annual inspection of fire alert and water detection systems, and for 1 instance the test of the generator did not operate effectively during the period 1 April 2021 to 31 March 2022.</li> </ul> <p><b>The Electronic Staff Record Programme</b></p> <p>A qualified opinion was given due to the following:</p> <ul style="list-style-type: none"> <li>the controls necessary to ensure that access to the development and production areas of the NHS hub was controlled and appropriately restricted, were not in place from 1 April 2021 to 6 June 2021 but were implemented on 7 June 2021. As a result, there were insufficient logical access controls in place to appropriately restrict access to the development and production area of the NHS hub for part of the reporting period.</li> </ul> <p><b>NHS Business Services Authority: Prescription Payments</b></p> <p>A qualified opinion was given due to the following:</p> <ul style="list-style-type: none"> <li>controls were not in place to provide appropriate periodic review of user access, and in a number of instances the controls related to timely removal of leavers' access to applications and the network did not operate effectively during the period 1 April 2021 to 31 March 2022</li> </ul> <p>The qualifications identified below were reported in 2021/22, the bridging letter confirms they remain in place for the period ending June 2022.</p> <p><b>NHS Business Services Authority: Dental payments</b></p> <p>A qualified opinion was given due to the following:</p> <ul style="list-style-type: none"> <li>controls relating to periodic review of user access to applications did not operate effectively, and in a number of instances the controls related to timely removal of leavers' access to applications and the network did not operate effectively. As a result, controls did not operate effectively during the period 1 April 2021 to 31 March 2022 to achieve the control objective 2 "Controls are in place to provide reasonable assurance that access to systems is appropriately restricted".</li> </ul>	<p>The audit team have considered the issues identified and do not consider them significant enough to have an impact on our audit opinion.</p> <p>These qualifications are relevant to controls operating at a third party and not at the CCG.</p> <p>We are satisfied that the CCG has appropriate compensating controls in these areas to mitigate against any increased area of risk.</p> <p>The CCG has updated its Annual Governance Statement to reflect these reports.</p>

# Financial Statements – other communication requirements (continued)









Issue	Commentary	Auditor view
ISAE 3402 Service Auditor Reports (cont.)	<p data-bbox="456 453 1133 480">South Central and West Commissioning Support Unit (SCW)</p> <p data-bbox="456 493 985 520">A qualified opinion was given due to the following:</p> <ul data-bbox="456 533 1760 1118" style="list-style-type: none"> <li data-bbox="456 533 1760 735">• SCW states in its description that the ISFE sales invoices entered by a CSU finance officer are checked to sales order requests by a CSU finance officer within the agreed timeframe to confirm the invoices have been created accurately, and that if any inaccuracies or omissions are identified, actions are taken to resolve these within the agreed timeframe. However, testing identified that from a sample of 25 ISFE sales invoices, one was not checked to the sales order request in a timely manner. Therefore, this control was not operating effectively during the period 1 April 2021 to 31 March 2022. This resulted in the non-achievement of the “accurate assertion of Control Objective B.3 “Invoices raised are valid, accurate and processed in a timely manner” during the period 1 April 2021 to 31 March 2022</li> <li data-bbox="456 748 1760 1118">• SCW states in its description that credit memo requests (credit notes) are created in ISFE by a CSU finance officer upon receipt of any of the following: a request from a customer or a CSU member of staff in line with the agreed customer delegations; activity data is billable in accordance with a service level or risk share agreement; or corrections to sales order/invoices that have been identified by a CSU finance officer. Further, SCW states that credit memos requested are approved in line with delegated limits for credit memos to be raised within the agreed timeframe. Therefore, this control was not operating effectively during the period 1 April 2021 to 31 March 2022. Further, SCW states in its description that the ISFE credit memos entered by a CSU finance officer are checked to credit memo requests by a CSU finance officer within the agreed timeframe to confirm the credit memos have been created accurately, and that if any inaccuracies or omissions are identified, actions are taken to resolve these within the agreed timeframe. However, testing identified that from a sample of 25 ISFE credit memos, two were not checked to credit memo requests in a timely manner. Therefore, this control was not operating effectively during the period 1 April 2021 to 31 March 2022. Together, these resulted in the non-achievement of the “accurate” and “timely” assertions of Control Objective B.4 “Credit notes raised are valid, accurate and processed in a timely manner” during the period 1 April 2021 to 31 March 2022.</li> </ul>	

# Financial Statements – other communication requirements (continued)





Issue	Commentary	Auditor view
ISAE 3402 Service Auditor Reports (cont.)	<p data-bbox="454 451 891 488"><b>Capita Primary Care Support Services</b></p> <p data-bbox="454 496 985 533">A qualified opinion was given due to the following:</p> <ul data-bbox="454 541 1765 895" style="list-style-type: none"> <li data-bbox="454 541 1765 715">• controls should be in place to provide reasonable assurance that updates to GPs and registrars records are made completely, accurately and timely. The primary control was noted to be effective, however, for a secondary control that performs sample QA checks, it was noted that 2 (out of a sample of 25) had identified errors that had not been appropriately resolved and tracked through to completion. Whilst the primary control was noted to be effective, the failure of the secondary control increases the risk of updates not being made completely and accurately based on authorised requests.</li> <li data-bbox="454 722 1765 895">• controls should be in place to provide reasonable assurance that payments are only made after changes to bank details are validated. It was noted that for 8 (out of a sample of 25) months and areas there had been errors within the file that required further validation, however, the service auditors were unable to determine whether they had been reviewed, investigated and resolved through to completion by the Payments team, due to incomplete or absent ISFE upload control checklists. This increases the risk that payments have been made without changes to bank details being validated.</li> </ul> <p data-bbox="454 903 748 940"><b>NHS Digital GP Payments</b></p> <p data-bbox="454 948 985 984">A qualified opinion was given due to the following:</p> <p data-bbox="454 992 1765 1106">in a number of instances, controls related to approval of new user access to DPS and removal of leavers from GPDC, DPS and PDS did not operate effectively. As a result, controls did not operate effectively during the period 1 April 2022 to 31 March 2023 to achieve the control objective “Control objective 2: Controls are in place to provide reasonable assurance that access to systems is controlled”; and</p> <p data-bbox="454 1114 1765 1235">Controls were not in place to provide appropriate segregation of duties between the production and the development environments of the GPDC application. As a result, controls were not suitably designed during the period 1 April 2022 to 31 March 2023 to achieve Control Objective 4: “Controls are in place to provide reasonable assurance that system change cannot be undertaken unless valid, authorised and tested.”</p>	

# Other findings – Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
<b>Oracle</b>	Review of service auditor reports and design and implementation effectiveness assessment					None
<b>Electronic staff record (ESR)</b>	effectiveness assessment of complementary user entity controls					None

## Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

# Other findings

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the CCG. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed in the CCG's financial statements.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the CCG which is included in the Appendices.
Accounting practices	We have evaluated the appropriateness of the CCG's accounting policies, accounting estimates and financial statement disclosures. A number of minor amendments were made to the accounting policies to enhance the transparency of the disclosures within the Accounts.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the CCG's bank. This permission was granted and the requests were sent and these requests were returned with positive confirmation, and no issues were noted.

# Other responsibilities under the Code

Issue	Commentary
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations	All information and explanations requested from management was provided.
Regularity Opinion	<p>We are required to give a regularity opinion on whether 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 (the regularity opinion).</p> <p>We have not identified any issues and propose to issue an unqualified regularity opinion.</p>
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Auditable elements of Remuneration Report and Staff Report	<p>We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the Act, directed by the Secretary of State with the consent of the Treasury.</p> <p>We are currently completing our work on the auditable elements of the Remuneration Report and Staff Report, including the Fair Pay Multiple Disclosures, as required by the Code. Our work to date has identified some required adjustments to the salary and pensions bandings, due to the way that the 12-month data has been apportioned.</p> <p>Subject to the satisfactory completion of this work, we propose to issue an unqualified opinion on this.</p>

# Other responsibilities under the Code

Issue	Commentary
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>the Annual Governance Statement does not comply with guidance issued by NHS England or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>the information in the annual report is materially inconsistent with the information in the audited financial statements or apparently materially incorrect based on, or materially inconsistent with, our knowledge of the CCG acquired in the course of performing our audit, or otherwise misleading.</li> <li>if we have applied any of our statutory powers or duties.</li> <li>where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses.</li> </ul> <p>We have nothing to report on these matters.</p>
<b>Review of accounts consolidation schedules and specified procedures on behalf of the group auditor</b>	<p>We have not yet completed our work in these areas. We have set out earlier in this report agreement of balances variances that will be included in our reporting to the NAO. In the group audit instructions, the ICB was selected as a non-sampled component.</p>
<b>Certification of the closure of the audit</b>	<p>We expect to certify the completion of the audit upon the finalisation of our financial statements audit and the completion of our work on the CCG's VFM arrangements.</p>



# Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

No adjusted misstatements have been identified at the date of issuing our Report. We will provide an update to Management and the Audit Committee should any issues be identified from the remaining testing.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Comments	Adjusted?
Our review of the CCG’s Annual Report and Annual Governance statement identified a small number of required amendments.	We recommended that management adjust for this, which they did.	✓
During the course of the audit a number of small disclosure amendments were made to the financial statements. These have not been reported separately due to their insignificant nature.	We recommended that management consider making changes for consistency, and these were made.	✓

# Audit adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the three month audit to 30 June 2022 which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Statement of Comprehensive Net Expenditure	Statement of Financial Position	Impact on adjusted net expenditure	Reason for not adjusting
Prescribing accrual under stated – see page 9	Dr 'Purchase of goods and services' £334k	Cr 'Current trade and other payables' £334k	Cr £334k	Immaterial and hence the estimate was materially accurate.
<b>Total</b>	<b>£334k expenditure understated</b>	<b>£334k payables understated</b>	<b>Cr £334k</b>	

# Impact of unadjusted misstatements in the prior year

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements.

Detail	Statement of Comprehensive Net Expenditure	Statement of Financial Position	Impact on adjusted net expenditure	Reason for not adjusting
In 2021/22 the value of the prescribing accrual for February and March 2022 was £15,571k. Following submission of the draft financial statements for audit, the actual February and March 2022 prescribing spend data was received by the CCG. The actual figures showed expenditure of £14,768k which identified an over-accrual of £803k.	Cr 'Purchase of goods and services' £803k	Dr 'Current trade and other payables' £803k		Immaterial difference and hence the estimate was materially accurate.
The CCG has included a redundancy provision of £320k in respect of the Chief Executive and the Director of Finance, Performance, Contracting and Digital. In our view, the criteria for recognition under IAS 19 had not been met at 31 March 2022.	Cr 'Purchase of goods and services' £320k	Dr 'Provisions' £320k		Amount is immaterial.
The CCG made a payment of £4.6m to Somerset County Council under section 256 of the NHS Act 2006 for the provision of services to facilitate the domiciliary care performance incentive payment. The end date of the agreement is 31 March 2022, and the CCG has been informed by the Council that it has spent £1.52m at 31 March 2022. The resulting unadjusted misstatement is therefore £3.08m.	Cr 'Purchase of goods and services' £3,080k	Dr 'Non-NHS Prepayments' £3,080k		Amount is immaterial
	£4,203k	£4,203k		

# 3. Value for money

## Approach to Value for Money work for the period ended 30 June 2022

The National Audit Office issued its latest Value for Money guidance to auditors in December 2021. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

For bodies that demise part way through a financial year, such as with the CCGs, auditors are not required to issue a commentary on arrangements in respect of the demised body. However, auditors are still required to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



### Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



### Governance

How the body ensures that it makes informed decisions and properly manages its risks.

In undertaking this work we have not identified any significant weaknesses in arrangements. Our abridged (three month) Auditor's Annual Report for the CCG accompanies this Audit Findings Report.

## 4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Breaches of ethical standards	There have been no breaches of ethical standards.
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the CCG that may reasonably be thought to bear on our integrity, independence and objectivity.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the CCG or the successor ICB as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the CCG.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, the board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have made enquiries of all Grant Thornton UK LLP teams providing services to the CCG. Details of fees charged are set out in Appendix IV.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2019 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

# Appendices



# I. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

# II. Action Plan

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<div><div></div><div>Medium</div></div>	<p>Our review of journal user access identified that the Director of Finance and Deputy Director of Finance have access to post journals. Whilst our work did not identify any journals that were posted by these officers in the period, we would not expect this access to be available.</p> <p>Our review also identified 3 journals that had been posted and authorised by the same user, out of a total population of 932 journals (0.3%). All 3 postings were undertaken by an SBS user, a service organisation used by the CCG. This provides some degree of mitigation but nonetheless, the ability post and authorise is still considered as a control weakness, as an it could potentially lead to an incorrect or fraudulent financial posting.</p>	<p>We recommend that the CCG implements controls ensure that the Director of Finance and Deputy Director of Finance do not have the access and capability to post journals and that all journals are appropriately and independently reviewed before posting into the general ledger.</p> <p><b>Management response:</b></p> <p>The ICB proposes to review access levels for the Director of Finance and Associate Directors of Finance with a view to removing the ability for these individuals to post or approve journals.</p>

- Key
- High Priority
  - Medium Priority
  - Low Priority



# III. Follow up of prior year recommendations

We identified the following issues in the audit of the CCG's 2021/22 financial statements.

We have followed up on the implementation of our recommendations and the progress to date is noted below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>We noted that five members of the CCG's finance staff have "User Set up" rights within the Oracle finance system.</p> <p>Administrative privileges should be restricted to authorised personnel who do not perform a role in financial reporting or business processes to prevent inappropriate system changes being made by individuals whose job role should not include this.</p>	<p><b>Management response:</b></p> <p>The finance team undertake a regular review of the set-up of all Oracle users. In respect of the administration privileges assigned to finance staff, we have recently reviewed this and concluded that these have been allocated to individuals who are best placed to ensure that the set-up process is carried out correctly, noting that not all finance staff have the same privilege setting. All set-up forms (and any subsequent forms) are reviewed and authorised by the Director of Finance. The finance team also have access to confidential staff leavers forms and payroll files to ensure that Oracle users are removed from the system when they leave the ICB.</p>
✓	<p>In both 2020/21 and 2021/22 we raised that Note 8 (Property, Plant and Equipment), 9 (Intangible non-current assets) and 10 (Inventories) are immaterial to the CCG. The DHSC Group Accounting Manual states that "Entities may omit policies that are not relevant or have immaterial effect".</p> <p>We therefore recommended that the CCG further declutters it's financial statements by removing notes and accounting policies that are immaterial.</p>	<p><b>Management response:</b></p> <p>We will continue to consider this action for future annual accounts and ensure that all nil value notes to the accounts are removed if appropriate.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

## IV. Fees and non-audit services

We confirm below our final fees charged for the audit and the provision of non-audit services.

Audit fees	£
Audit of CCG (exc. VAT)	52,890
<b>Total</b>	<b>52,890</b>

The fees per our report do not reconcile to the financial statements. We have provided a reconciliation of the differences below:

- Fees per GT reports: £52,890
  - VAT on fees @ 20%: £10,578
- Total fees per above: £63,468

The fees disclosed in the draft financial statements balance was £nil.

Therefore, this is an understatement of £68,468.

This is a trivial difference due to the timing of the appointment as the CCG's External Auditors and the preparation of the accounts.

The amount included within the CCG's financial statements is as follows:

Area	£	Commentary
Statutory Audit	nil	At the time the financial statements were prepared (July 2022) we had not been appointed as the CCG's External Auditors for this three- month period and had therefore not agreed an audit plan or the audit fee for the period in question.  When preparing its financial statements for this three month period, the CCG recorded a nil disclosure.
<b>Total</b>	<b>nil</b>	

# V. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK) that will impact audits of financial statement for periods commencing on or after 15 December 2021:

- ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
- ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements' will impact audits of financial statement for periods commencing on or after 15 December 2022.

A summary of the impact of the key changes on various aspects of the audit is included below:

Area of change	Impact of changes
Risk assessment	<p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none"> <li>• the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>• the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>• the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>• the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	<p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p>
Professional scepticism	<p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> <li>• increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>• an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>• increased guidance on management and auditor bias</li> <li>• additional focus on the authenticity of information used as audit evidence</li> <li>• a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	<p>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.</p> <ul style="list-style-type: none"> <li>• Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	<p>The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> <li>• clarification of the requirements relating to understanding fraud risk factors</li> <li>• additional communications with management or those charged with governance</li> </ul>
Documentation	<p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p>

# VI. Management letter of representation

## NHS Somerset Clinical Commissioning Group Financial Statements for the period ended 30 June 2022

This representation letter is provided in connection with the audit of the financial statements of NHS Somerset CCG ('the CCG') for the period ended 30 June 2022 for the purpose of expressing an opinion as to whether the CCG financial statements give a true and fair view in accordance with International Financial Reporting Standards and the Department of Health and Social Care Group Accounting Manual 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the CCG's financial statements in accordance with International Financial Reporting Standards and the Department of Health and Social Care Group Accounting Manual 2022/23 ('the GAM'); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have fulfilled our responsibilities for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions in the financial statements conform to the authorities which govern them.
- iii. We have complied with the requirements of all statutory directions affecting the CCG and these matters have been appropriately reflected and disclosed in the financial statements.
- iv. 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. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- v. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- vi. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include period end expenditure accruals, including the prescribing accrual. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the GAM and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the GAM and adequately disclosed in the financial statements.
- vii. We acknowledge our responsibility to participate in the Department of Health and Social Care's agreement of balances exercise and have followed the requisite guidance and directions to do so. We are satisfied that the balances calculated for the CCG ensure the financial statements and consolidation schedules are free from material misstatement, including the impact of any disagreements.
- viii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the CCG has been assigned, pledged or mortgaged
  - c. there are no material prior period charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

## VI. Management letter of representation (cont.)

- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the GAM.
- x. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the GAM require adjustment or disclosure have been adjusted or disclosed.
- xi. We have only accrued for items received before the period-end.
- xii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The CCG financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the CCG and its financial position at the period-end. The financial statements are free of material misstatements, including omissions.
- xiv. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xvi. We have updated our going concern assessment. We continue to believe that the CCG's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
  - a. the nature of the CCG means that, notwithstanding any intention to liquidate the CCG or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the CCG's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the CCG's ability to continue as a going concern need to be made in the financial statements.

### Information Provided

- xvii. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the CCG's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the CCG via remote arrangements, where/if necessary, from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.

# VI. Management letter of representation (cont.)

- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. 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.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the CCG and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the CCG's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## **Governance Statement**

- xxvi. We are satisfied that the Governance Statement fairly reflects the CCG's risk assurance and governance framework, and we confirm that we are not aware of any significant risks that are not disclosed within the Governance Statement.

## **Annual Report**

- xxvii. The disclosures within the Annual Report fairly reflect our understanding of the CCG's financial and operating performance over the period covered by the CCG's financial statements.

## **Approval**

The approval of this letter of representation was minuted by the CCG's Audit Committee at its meeting on 29 June 2023.

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# VI. Management letter of representation (cont.)

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Yours faithfully

Name..... Name.....

Position..... Position.....

Date..... Date.....

**Signed on behalf of the CCG**

# VII. Audit opinion

We anticipate our audit opinion will be unqualified and include an Emphasis of Matter paragraph

## Independent auditor's report to the members of the Board of NHS Somerset Integrated Care Board in respect of NHS Somerset Clinical Commissioning Group

### Report on the audit of the financial statements

#### Opinion on financial statements

We have audited the financial statements of NHS Somerset Clinical Commissioning Group (the 'CCG') for the period ended 30 June 2022, which 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Accounts Directions issued under Schedule 15 of the National Health Service Act 2006, as amended by the Health and Social Care Act 2012 and interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2022-23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the CCG as at 30 June 2022 and of its expenditure and income for the period then ended;
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2022-23; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006, as amended by the Health and Social Care Act 2012.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' 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.



# VII. Audit opinion (cont.)

## Emphasis of matter – Demise of the organisation

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1.1 to the financial statements, which indicates that the Health and Care Act was introduced into the House of Commons on 6 July 2021 and received Royal Assent on 28 April 2022. The Act allows for the establishment of Integrated Care Boards (ICB) across England and will abolish clinical commissioning groups (CCG). ICBs will take on the commissioning functions of CCGs from 1 July 2022 and all CCG functions, assets and liabilities will therefore transfer to an ICB.

## Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Accountable Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CCG's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report.

In our evaluation of the Accountable Officer's conclusions, and in accordance with the expectation set out within the Department of Health and Social Care Group Accounting Manual 2022-23 that the CCG's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the CCG. In doing so we have had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the CCG and the CCG's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Accountable Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the CCG's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Accountable Officer with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Accountable Officer is responsible for the other information contained within the annual report. 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.

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 themselves. 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.

# VII. Audit opinion (cont.)

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Governance Statement does not comply with the guidance issued by NHS England or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

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

In our opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with the requirements of the Department of Health and Social Care Group Accounting Manual 2022-23; and
- based on the work undertaken in the course of the audit of the financial statements the other information published together with the financial statements in the annual report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## Opinion on regularity of income and expenditure required by the Code of Audit Practice

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

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

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; 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 make a written recommendation to the CCG under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

# VII. Audit opinion (cont.)

## 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 in the form and on the basis set out in the Accounts Directions, 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.

In preparing the financial statements, the Accountable Officer is responsible for assessing the CCG'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 they have been informed by the relevant national body of the intention to dissolve the CCG without the transfer of its services to another public sector entity.

The Accountable Officer is responsible for ensuring the regularity of expenditure and income in the financial statements.

## 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.

We are also responsible for giving an opinion on the regularity of expenditure and income in the financial statements in accordance with the Code of Audit Practice.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the CCG and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (international accounting standards and the National Health Service Act 2006, as amended by the Health and Social Care Act 2012 and interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2022-23).
- We enquired of management and the Audit Committee, concerning the CCG's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the CCG's financial statements to material misstatement, including how fraud might occur, evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and fraudulent income and expenditure recognition We determined that the principal risks were in relation to:
  - Unusual journals (including journals posted by senior management and material post year end journals).

## VII. Audit opinion (cont.)

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on unusual journals as defined above;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the recognition of year-end manual expenditure accruals and the related payable balances; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and/or expenditure recognition, and the significant accounting estimates related to year-end manual expenditure accruals, including the prescribing accrual.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the health sector and economy in which the CCG operates
  - understanding of the legal and regulatory requirements specific to the CCG including:
    - the provisions of the applicable legislation
    - NHS England's rules and related guidance
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - The CCG's operations, including the nature of its other operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The CCG's control environment, including the policies and procedures implemented by the CCG to ensure compliance with the requirements of the financial reporting framework.

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.

# VII. Audit opinion (cont.)

## Report on other legal and regulatory requirements – the CCG’s arrangements for securing economy, efficiency and effectiveness in its use of resources

### Matter on which we are required to report by exception – the CCG’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the CCG made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the period ended 30 June 2022.

We have nothing to report in respect of the above matter.

### Responsibilities of the Accountable Officer

As explained in the Governance Statement, the Accountable Officer is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the CCG's resources.

### Auditor’s responsibilities for the review of the CCG’s arrangements for securing 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. 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 were operating effectively during the three month period ended 30 June 2022..

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the CCG plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the CCG ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the CCG uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the CCG has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there were significant weaknesses in arrangements.

# VII. Audit opinion (cont.)

## Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of NHS Somerset CCG 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 Board of NHS Somerset ICB, as a body, in respect of the CCG, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Board of NHS Somerset ICB those matters we are required to state to them in an auditor's report in respect of the CCG and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than NHS Somerset ICB and the CCG and the members of the Board / Governing Body of the entities, as bodies, for our audit work, for this report, or for the opinions we have formed.

Jackson Murray, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

