



# The Annual Audit Letter for NHS Vale Royal Clinical Commissioning Group

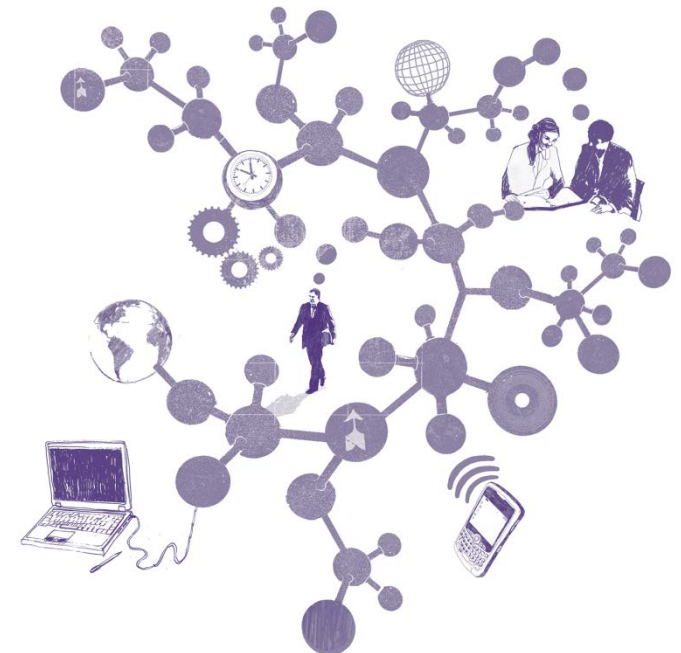
**Year ended 31 March 2015**

June 2015

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# Section 1: Executive summary

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# Executive summary

## Purpose of this letter

This Annual Audit Letter ('Letter') summarises the key findings arising from the work that we have carried out at NHS Vale Royal Clinical Commissioning Group ('the CCG') for the year ended 31 March 2015. The Letter communicates key messages to the CCG and external stakeholders, including members of the public.

We reported the detailed findings from our audit work to the Governance and Audit Committee and the Governing Body on 21 May 2015 in the Audit Findings Report.

## Responsibilities of the external auditors and the CCG

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and of Audited Bodies, Local NHS bodies issued by the Audit Commission in April 2014 ([Statement-of-responsibilities-NHS-April-2014.pdf](#)).

The CCG is responsible for preparing and publishing its financial statements accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with our Audit Plan issued in January 2015 and is conducted in accordance with the Audit Commission's Code of Audit Practice (the Code), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## Audit conclusions

The main audit conclusions are set out below.

### Financial statements opinion

We provided an unqualified opinion on the financial statements confirming they give a true and fair view of the CCG's financial position as at 31 March 2015. We also provided a clean opinion on the Accounts Consolidation Template (ACT) which confirmed the consistency of the figures in the template with the audited financial statements.

As well as an opinion on the financial statements, we are required to give a regularity opinion on whether expenditure has been incurred 'as intended by Parliament'. Failure to meet statutory financial targets automatically results in a qualified regularity opinion. We are pleased to report that, based on our review of the CCG's expenditure we gave an unqualified regularity opinion.

### Value for money

In 2014/15 the CCG achieved a surplus of £2.9m and delivered its QIPP of £0.7m. Looking ahead the local health economy continues to face a challenging financial position and the CCG's budget assumes that the £2.9m underspend from 2014/15 can be carried forward to support the financial plan for 2015/16. The indication is, that without the ability to carry forward the surplus, the CCG would face considerable financial pressure. After careful consideration we issued an unqualified Value for Money Conclusion confirming the CCG has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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## Key areas for the CCGs attention

It has been a notable year for the CCG with progress in a number of key areas.

The CCG has:

- met all its financial targets;
- invested additional funding in schemes with Mid- Cheshire Hospitals NHS Trust and other providers across the health and social care economy to address winter pressures; and
- introduced changes to its management structure to support the delivery of its agenda and re-defined senior manager roles and responsibilities across both CCG's.

Whilst it is clear that progress has been made there are still a number of challenges going forward and it is important that momentum is maintained. In particular it is important the CCG:

- Implements the changes required following the agreement of the Better Care Fund. The CCG will continue to play a pivotal role in funding preventative aspects of Adult Social Care, Intermediate Care and Reablement. Implementation will create a significant opportunity to transform the way that services are commissioned.
- Meets the financial challenge going forward. The budget for 2015/16 identifies significant financial and delivery risks including the increased pressures in elective and non-elective care. It will be crucial to meet the QIPP target.
- Makes progress in jointly commissioning a common approach to primary medical services. Work is continuing with regards to further identifying the potential financial risk implications for the CCG. The CCG will need to work closely with GPs to ensure relationships and potential conflicts of interest are managed.

## Acknowledgments

The CCG's finance team prepared the draft accounts and working papers to a good standard, within a tight timescale and whilst managing competing demands on their time. This is a significant achievement and we would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**June 2015**

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## Section 2: Audit of the accounts

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# Audit of the accounts

## Audit opinion

The key findings of our audit of the accounts are summarised below.

### Preparation of the accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the national deadline. The accounts were prepared to a good standard, supported by clear and comprehensive working papers, and officers provided prompt and helpful responses to our requests for additional information. The arrangements for audit of both CCG's accounts worked well across the finance team.

### Issues arising from the audit of the accounts

The key messages arising from our audit of the CCG's financial statements were:

- We did not identify any errors affecting the CCG's net operating expenditure for the year.
- We did identify one late adjustment relating to expenditure of £208k on a continuing healthcare package package that was not included in the accounts. The Governance Body approved management's treatment of this item of expenditure at their meeting on 21 May 2015.
- We did agree a small number of minor adjustments and disclosure changes to improve the presentation of the accounts.

### Annual Governance Statement and Annual Report

We reviewed the Governance Statement and made a number of recommendations to improve presentation and to ensure the key governance risks were clearly set out in the conclusion. The Chief Financial Officer also agreed a number of amendments to the Annual Report, for example, to ensure consistency with the Financial Statements and to the Remuneration Report.

For GP's engaged on the Governing Body full disclosure of salary information was made. No pension disclosures were included because the contracts of GP's engaged on the Governing Body do not specifically provide for contributions to be made to the NHS Pension Scheme for this role. The CCG has recognised that clarity is required on the contracts held with GPs and has agreed that GP's on the Governing Body should be able to contribute to the NHS Pension scheme in accordance with the NHS Pension Regulations.

## Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Governing Body at the CCG). We presented our Audit Findings Report to the Governance and Audit Committee on 21 May 2015 followed by the Governing Body on the same day. We summarise only the key messages in this Letter.

We issued an unqualified opinion on the CCG's 2014/15 accounts on 26 May 2015, in advance of the deadline set by the Department of Health (DH). Our opinion confirmed that the accounts give a true and fair view of the CCG's financial position as at 31 March 2015 and of the net expenditure recorded by the CCG for the year.

We also issued unqualified opinions on regularity and on the Accounts Consolidation Template. Our Audit made no references to any other matters or reports by exception.

## Financial performance 2014/15

The CCG's Performance against its financial targets is set out in the table below.

	Target £000s	Actual £000s	Met?
Expenditure not to exceed income	124,049	121,064	Yes
Capital resource use does not exceed the amount specified in direction	39	39	Yes
Revenue resource use does not exceed the amount specified in direction	123,679	120,693	Yes
Capital resource use on specified matters(s) does not exceed the amount specified in Directions	0	0	Yes
Revenue resource use on specified matters(s) does not exceed the amount specified in Directions	0	0	Yes
Capital resource use does not exceed the amount specified in direction	0	0	Yes
Revenue administration resource use does not exceed the amount specified in Directions	2,708	2,277	Yes

In 2014/15 the CCG delivered all its statutory targets and a 1% surplus, with the support from the returned Continuing Health Care National Restitution Risk Pool monies.

## Looking forward

The CCG faces a number of challenges in 2015/16:

### Financial arrangements

The scale of the financial challenge remains significant. The CCG's financial plan identifies future financial risks in addition to the risk of delivery and recurrent financial balance. The financial plan assumes that £2.9million of the 2014/15 underspend can be carried forward to support the financial plans for 2015/16. The indication is, that without the ability to carry forward the surplus, the CCG would face considerable financial pressure.

In 2014/15 the contract for Mid Cheshire Hospitals Foundation Trust was settled at full PBR for elective admissions. Given the trend in previous years, the risk of over performance will be high in 2015/16. Work will be required to manage the risk and action plans developed where appropriate.

### QIPP

For 2015/16, the CCG has set a (1%) surplus budget based on assumptions that are in line with NHS England planning guidance and takes into account demand led pressures on services. The challenges include:

- pressures across providers and in particular with the main provider trust;
- the QIPP challenge for 2015-16 is £2.1 million of savings with integrated transformational schemes from the Better Care Fund of £0.5 million.

### North West Commissioning Support Unit (CSU)

The CSU has not been approved to continue providing most support services past 2015/16. The CCG depends on the CSU to deliver Business Intelligence and Information Governance. The challenges include:

- uncertainty around the transition plan from NHS England; and
- developing and gaining approval for the business case to assess options for 2016/17.



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## Section 3: Value for Money

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# Value for Money

## Value for Money conclusion

The Code describes the CCG's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources.
- ensure proper stewardship and governance.
- review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

In 2014/15 we are required to give our VfM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code and the Act:

- **The CCG has proper arrangements in place for securing financial resilience.** The CCG has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The CCG has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The CCG is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the CCG's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance.
- Financial planning.
- Financial control.

It has been a year of significant challenges and it is to the CCG's credit that it has actively managed these challenges, including responding to the winter pressures, the main provider trust's over-performance, and preparation of the Better Care Fund. During 2014/15 the CCG met all statutory targets and the 1% surplus was achieved.

Our review of the CCG's arrangements for financial resilience highlighted financial planning arrangements were in place. However the scale of the financial challenge remains significant. The indication is, that without the ability to carry forward the surplus, the CCG would face considerable financial pressure.

### Challenging economy, efficiency and effectiveness

We have reviewed whether the CCG has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

The CCG and its partners have worked together to address both the financial and operational challenges they face. This includes working in partnership with other external organisations in preparing the s75 agreement. The BCF will play a pivotal role in funding preventative aspects of Adult Social Care - the Intermediate Care, Reablement (both community and residential based), and service redesign and implementation will be utilised to create a significant opportunity to transform the way that services are commissioned. Ensuring sufficient management capacity is maintained as the Better Care Fund is implemented will continue to be an important issue for the CCG.

The CCG has invested additional funding in schemes with Mid-Cheshire and other providers across the health and social care economy to address winter pressures. The budgetary and activity levels of this investment were monitored through a local performance management framework on a monthly basis with issues being escalated to the Systems Resilience Group when resolution and guidance was required. It is important that the CCG continues to work closely with the Trust to manage activity and referrals.

### Overall VfM conclusion

We provided an unqualified conclusion in respect of the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusion confirmed that we are satisfied that in all significant respects the CCG put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

# Appendices

# Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

## Fees

	Planned £	Actual fees £
Statutory audit	60,000	60,000
Less fee variation	(5,000)	(5,000)
<b>Total fees</b>	<b>55,000</b>	<b>55,000</b>

## Fees for other services

Service	Fees £
Tax support work	1,000

## Reports issued

Report	Date issued
Audit Plan	March 2015
Governance and Audit Committee progress report and emerging issues & developments	July 2014, September 2014, November 2014, January 2015, March 2015, April 2015,
Benchmarking your annual report	March 2015
Audit Findings Report	21 May
Annual Audit Letter	June 2015



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