

# The Annual Audit Letter for NHS Wigan Borough Clinical Commissioning Group

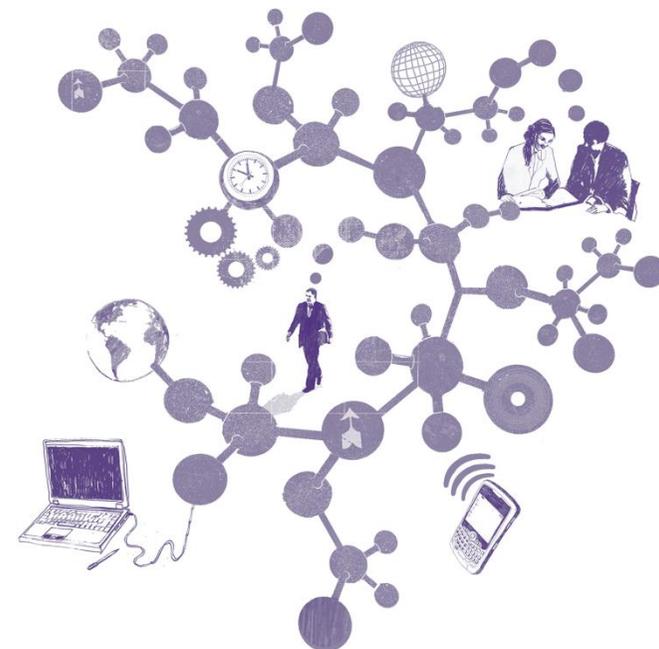
**Year ended 31 March 2015**

July 2015

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# Section 1: Executive summary

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02. Audit of the accounts

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# Executive summary

## **Purpose of this letter**

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Wigan Borough Clinical Commissioning Group (the CCG) for the year ended 31 March 2015. It highlights the key issues arising from our:

- auditing the accounts (section two)
- assessing the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources (section three).

The Letter is intended to communicate key messages to the CCG and external stakeholders, including members of the public.

We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 26 May 2015.

## **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 March 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 audit conclusions we have provided in relation to our 2014/15 audit are as follows:

### **Financial statements opinion**

We provided an unqualified opinion on the financial statements which give a true and fair view of the CCG's financial position as at 31 March 2015 and of net expenditure recorded by the CCG for the year.

We also provided a separate opinion on the Accounts Consolidation Template (ACT) which confirmed the consistency of the figures in the ACT 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.

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**Value for money (VfM)** – We provided an unqualified conclusion in respect of the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Key areas for the CCGs attention**

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

- the CCG has a Quality, Innovation, Productivity and Prevention (QIPP) plan 2014-2019 in place that provides the framework for the delivery of required savings. The CCG also has a detailed 2015/16 QIPP plan that sets out target savings of £22.8 million, with £15.7 million of savings identified to date and an unidentified QIPP of £7.1 million. The CCG recognises that the scale of the financial challenge going forward remains significant with full organisational involvement and robust financial monitoring required to meet this target. The budget for 2015/16 also identifies the significant financial and delivery risks that the CCG faces and it remains crucial that the QIPP target is met.
- the Government recently announced that the £6 billion health and social care budget for Greater Manchester will be subject to regional control under devolution powers. The potential benefits of the plans include the closer integration of public services and decisions that are better aligned with the needs of the people of Greater Manchester. Effective governance arrangements will be need to be established as the new structures emerge.

### **Acknowledgments**

This Letter has been agreed with the Chief Finance Officer.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the CCG's staff.

**Grant Thornton UK LLP**  
**July 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**

The CCG's draft annual report and accounts were again produced to a high standard and in accordance with the national deadline. The CCG finance team worked effectively to produce the draft statements and provided good quality working papers to support the financial statements. Throughout the course of our audit all further supporting evidence that we requested was provided on a timely basis.

### **Issues arising from the audit of the accounts**

The Chief Finance Officer amended the accounts for a small number of non-material disclosure matters to:

- improve the presentation of the accounts;
- include prior year figures for one note ;
- include figures only made available post draft accounts submission; and
- correct typographical errors.

A number of these amendments were necessitated following clarification to reporting guidance issued after the deadline for the production of draft accounts by the CCG.

In addition, Officers identified that transactions of £177m and £1m with Wrightington Wigan and Leigh NHS Foundation Trust during the year had not been disclosed in the DoH Related Party Transaction disclosure in the draft accounts. This was brought to our attention at an early stage and the required figures included.

## **Annual Governance Statement and Annual Report**

We confirmed that the CCG's Annual Governance Statement (AGS) and Annual report were prepared in accordance with statutory guidance. The AGS appropriately reflected the systems of internal control in place at the CCG throughout 2014/15.

## **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 Audit Committee at the CCG). We presented our report to the Audit Committee on 26 May 2015 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the CCG's 2014/15 accounts on 28 May 2015, meeting the deadline set by the Department of Health (DH). Our opinion confirms 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.

## 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	431,017	425,583	Yes
Capital resource use does not exceed the amount specified in direction	0	0	Yes
Revenue resource use does not exceed the amount specified in direction	428,802	423,368	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
Revenue administration resource use does not exceed the amount specified in Directions	8,690	7,439	Yes

In 2014/15 the CCG met all its statutory targets and achieved a surplus of £5,434k. The CCG continued to implement effective financial management throughout the year to ensure that all of the targets were met.

## Looking forward

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

### Financial position/QIPP

For 2015/16 the CCG has an updated detailed financial plan in place that requires the achievement of a 1% surplus. The plan is based on assumptions that are in line with NHS England planning guidance and clearly sets out the risks that the CCG will face throughout the period to deliver the required financial position, including:

- non delivery of QIPP schemes;
- increasing provider costs;
- coping with developments in Primary Care; and
- running cost reductions.

The financial plan states that "the CCG has not faced a worst case financial scenario of this magnitude since its inception" and it is clearly appreciated that without further action and close monitoring the CCG will face a deficit position.

Furthermore, the 2015/16 financial plan sets out that the CCG will begin 2015/16 with a £22.8 million QIPP requirement. As at March 2015 the CCG had identified schemes amounting to £15.7 million with an unidentified QIPP of £7.1million. The CCG recognises that the identification of the unidentified balance is imperative to minimise the risk of the CCG not meeting its financial duties.

### Primary Care Commissioning

The CCG was successful with a proposal to undertake full delegated commissioning arrangements for Primary Care services on behalf of NHS England from 1 April 2015 onward. The CCG recognises the importance of effective governance and has established a Primary Care Committee to oversee the delivery of the revised arrangements. The Committee has an agreed terms of reference, as issued by NHS England, that includes helping demonstrate appropriate governance arrangements are in place to manage potential conflicts of interest that may arise through the procurement of services provided by GP practices.

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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.

Our work highlighted:

- that the CCG had arrangements in place to deliver financial resilience. In 2014/15 the CCG achieved its statutory financial targets and achieved a surplus of £5.434m, in line with the forecast position.
- the CCG achieved the required Quality, Innovation, Productivity and Prevention (QIPP) target of £20m in 2014/15. A number of QIPP schemes did not deliver the required savings. However, this was identified at an early stage and the required target reached with the use of £5.8m of reserves that the CCG had established in anticipation of some non-delivery.
- the CCG has detailed financial plans in place for 2014/15 – 2015/16 and a Medium Term Financial Strategy (MTFS) 2014/15 - 2018/19 was submitted to NHS England for review. The CCG recognises that it faces significant financial challenges going forward and this is clearly reflected in the revised 2015/16 financial plan that was submitted to the Governing Body in March 2015.
- Alongside the MTFS the CCG has prepared a QIPP Plan 2014-2019. This provides the framework for the delivery of the total QIPP requirement over the period. Also contained within the plan is a detailed analysis of the QIPP requirement 2014/15 – 2016/17. The Plan sets out the schemes currently identified to meet the QIPP challenge over the next three years and the timings of savings and sets out further options that may be available to the CCG.
- In 2015/16 and beyond it is crucial that financial and QIPP plans are kept under review and the required financial position achieved.

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# Value for Money

## Value for Money conclusion

### 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.

Our work highlighted:

- The leadership of the CCG has maintained a strategic approach to identifying the required cost reductions and challenging spending and investment decisions. The CCG is working with a range of partners such as Wigan Council and Health and Wellbeing Board to progress both Commissioning Plans and the Better Care Fund Plan.
- The CCG have demonstrated a willingness to challenge the way services are currently commissioned and difficult decisions have been made on cost reductions and the prioritising of resources including back-office functions. New structures and ways of working have been established such as the Wigan Leaders Executive Board, and Tactical Programme Group. The key aim of this group is to drive system transformation, and take forward the integration agenda for the Wigan Borough.
- The Governing Body provide oversight and challenge to the CCG in the prioritisation of resources. This is achieved through the Governing Body Assurance Framework which is the key mechanism in place to enable the CCG to manage risk and provides context for leadership and resource allocation.

### Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, 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.

# Appendix

# Appendix A: Reports issued and fees

We set out 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	90,000	90,000
<b>Total fees</b>	<b>90,000</b>	<b>90,000</b>

## Fees for other services

Service	Fees £
None	Nil

## Reports issued

Report	Date issued
Audit Plan	March 2015 – re-issued with minor revision - May 2015
Audit Findings Report	May 2015
Annual Audit Letter	July 2015



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