



The Annual Audit Letter for NHS Wigan Borough Clinical Commissioning Group

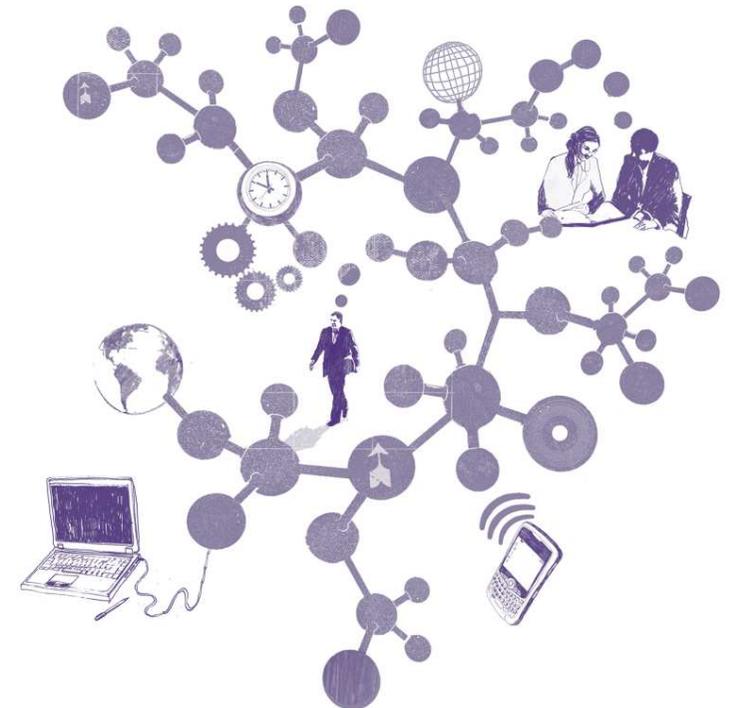
Year ended 31 March 2016

July 2016

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Executive summary

Purpose of this letter

Our Annual Audit Letter (the Letter) summarises the key findings arising from the work that we have carried out at NHS Wigan Borough Clinical Commissioning Group (the CCG) for the year ended 31 March 2016.

The Letter is intended to provide a commentary on the results of our work to the CCG and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing the Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the CCG's Audit Committee as those charged with governance in our Audit Findings Report on 24th May 2016.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the CCG's financial statements (section two); and
- assess the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the CCG's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the CCG's financial statements on 26 May 2016.

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.

Based on our review of the CCG's expenditure we gave an unqualified regularity opinion.

Value for money (VfM) conclusion

We were satisfied that the CCG put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our report on the financial statements on 26 May 2016

Certificate

We certify that we have completed the audit of the accounts of NHS Wigan Borough CCG in accordance with the requirements of the Code of Audit Practice.

Working with the CCG

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered an efficient audit with you in May, delivering the accounts in advance of the national deadline, releasing your finance team for other work.
- Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness. We made some suggestions as to how you might improve the operation of the Better Care Fund and enhance the arrangements pertaining to primary care co-commissioning.
- Improving your annual reporting – we benchmarked your 2014/15 annual report and made recommendations for improvements in the following areas: disclosing the role of lay members in the CCG's operations, explaining how the CCG innovates through the use of new technology and how the CCG ensures it focusses on the needs, interests and expectations of stakeholders.
- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports
- Providing training – we provided your teams with training on financial accounts and annual reporting

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 2016

Audit of the accounts

Our audit approach

Materiality

In our audit of the CCG's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the CCG's accounts to be £8,246,000, which is 2% of the CCG's gross revenue expenditure. We used this benchmark as, in our view, users of the CCG's financial statements are most interested in where the CCG has spent its allocation in the year.

We also determined a lower level of specific materiality for certain areas such as cash, senior officer remuneration, related party transactions and auditor remuneration.

We set a lower threshold of £250,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the annual report to check it is consistent with our understanding of the CCG and with the accounts on which we give our opinion.

We conducted our audit in accordance with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the CCG's business and is risk based. We identified key risks and set out on the next page the work we performed in response to these risks and the results of our work.

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	Work completed
<p>Accounting arrangements for the Better Care Fund (BCF)</p> <p>On 1 April 2015, the CCG entered into a pooled budget arrangement with Wigan Borough Council</p> <p>The accounting arrangements for this are complex and there is a risk of material misstatement in the financial statements and the potential for irregular expenditure.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • reviewed the shared funding agreement and gained an understanding of the CCG's assessment of where control lies and its accounting entries in respect of the Fund; • gained an understanding of the CCG's controls over the BCF pooled budget; and • Tested the accounting entries made by the CCG in respect of the BCF pooled budget to check they are consistent with our understanding of the arrangement. <p>We did not identify any issues to report</p>
<p>Valuation of secondary healthcare expenditure</p> <p>Over 75% of the CCG's expenditure relates to contracts with NHS hospital trusts.</p> <p>Trusts invoice the CCG throughout the year for services provided, and at the year-end accrue for activity in the final quarter. Invoices for the final quarter of the year are not agreed until after the accounts are produced for audit.</p> <p>There is therefore a risk that expenditure on secondary healthcare income may be understated.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • gained an understanding of the CCG's system for accounting for secondary healthcare expenditure and the controls in place; • reviewed the CCG's most significant secondary healthcare contracts to understand their basis and to develop expectations relating to year end expenditure; • sample tested expenditure items to ensure payments accounted for were valid, related to agreed contracts and services provided to patients in the CCG area; and • sample tested adjustments to ensure they are appropriate and that year-end transactions are accounted for correctly. <p>We did not identify any issues to report.</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the CCG's financial statements on 26 May 2016, in advance of the national deadline.

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.

Based on our review of the CCG's expenditure we gave an unqualified regularity opinion.

Preparation of the accounts

The CCG presented us with draft accounts in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the CCG's Audit Committee on 24 May 2016.

Annual Governance Statement and Annual Report

We are also required to review the CCG's Annual Governance Statement and Annual Report. It provided these on a timely basis with the draft accounts and relevant supporting evidence.

Consolidation template

We also reported on the consistency of the accounts consolidation template provided to NHS England with the audited financial statements. We concluded that these were consistent.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the CCG in May 2016, we agreed recommendations to address our findings.

Overall VfM conclusion

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 2016.

Value for Money conclusion

Significant risk	Work to address	Findings and conclusions
<p>Better Care Fund: The Better Care Fund is a central part of the CCG's plans to deliver transformational change across the local health economy. We determined that we needed to understand what assurance arrangements have been established by the CCG and Wigan Council to monitor the success of the schemes in the Better Care Fund plan and ensure that schemes being developed for future years represent the most effective use of the available funds.</p>	<p>We reviewed the arrangements management put in place to track the progress of the various schemes which form part of this year's Better Care Fund. We also considered how the CCG and the Council have worked together to identify the schemes which will form part of the Better Care Fund for future years.</p>	<p>The CCG can demonstrate the links between the schemes funded from the Better Care Fund and the Locality Plan for the Borough approved by the Health and Wellbeing Board. All CCGs were required to establish a Better Care Fund in 2015/16 and to date internal reporting of the performance of the Wigan Better Care Fund has been largely driven by national templates. The CCG recently decided to roll-forward the schemes agreed for 2015/16 into 2016/17. Now that the schemes are moving into their second year, it is important to ensure that the CCG and its partners gather appropriate scheme-level data. This will ensure the CCG can demonstrate the extent to which the different schemes have contributed to the reduction in non-elective admissions and other outcomes observed in the Borough.</p> <p>Currently assurances relating to the Better Care Fund are provided separately to the Council and the CCG by each organisation's Internal Audit department. In the spirit of joint-commissioning, there is scope for the CCG and the Council to jointly determine their assurance needs for both the Better Care Fund and other areas of joint-working.</p>
<p>Primary Care Co-Commissioning: The CCG assumed responsibility for primary care co-commissioning from 1 April 2015. We determined that we needed to understand the arrangements which the CCG has put in place to make effective use of these responsibilities in line with the CCG's strategic priorities.</p>	<p>We met with relevant officers to understand in more detail the arrangements put in place by the CCG to make effective use of the benefits and opportunities which responsibility for primary care commissioning present to the CCG.</p>	<p>The CCG followed NHS Guidance in establishing a Primary Care Commissioning Committee at the start of the 2015/16 financial year. The Committee has followed an agreed work programme which has included the development of a Workforce Strategy and the establishment of commissioning intentions for 2016/17. A separate assurance framework has also been prepared and work is ongoing to develop a performance dashboard. Management should now take steps to consider how to integrate risk management and the performance dashboard into the reports prepared for the Governing Body. When developing such arrangements, management will need to be mindful of the potential conflicts of interest which might arise.</p>
<p>Financial Health: The financial position of the NHS continues to be under strain. We noted in our Audit Plan that the CCG had declared that £7.1M of the £22.8M of QIPP schemes identified at the start of the year would not deliver the planned savings. We determined that we needed to understand the arrangements the CCG has implemented to secure the savings agreed as part of the medium-term financial plan.</p>	<p>We met with relevant officers to understand in more detail the reasons for the under-delivery against the QIPP schemes and evaluated the plans the CCG has to achieve the desired level of cost reduction in 2016/17.</p>	<p>We have reviewed management's in-year reporting against its QIPP target. In 2015/16 the CCG achieved the QIPP savings required to achieve its overall financial plan but was unable to meet its stretch target. The non-delivery of the schemes included in the stretch-target largely arose from the CCG being unable to incorporate the desired savings into the 2015/16 contracts agreed with commissioners.</p> <p>The savings required in 2016/17 were identified as part of the development of the financial plan for 2016/17. The savings target for 2016/17 was £20.7M. Management have been able to demonstrate how the contracts already agreed with providers for 2016/17 have made significant progress towards achieving the necessary reduction in cost. However an unidentified level of savings for 2016/17 still remains and will need urgent attention.</p>

Working with the CCG

Our work with you in 2015/16

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. Together we have delivered some great outcomes.

An efficient audit – we delivered the accounts audit in advance of the national deadline. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish ahead of schedule releasing your finance team for other important work.

Understanding your operational health -through the value for money conclusion we provided you with assurance on your operational effectiveness. We made some suggestions as to how you might improve the operation of the Better Care Fund and enhance the arrangements pertaining to primary care co-commissioning.

Improving your annual reporting – we benchmarked your annual report and made recommendations for improvements in the following areas: disclosing the role of lay members in the CCG's operations, explaining how the CCG innovates through the use of new technology and how the CCG ensures it focusses on the needs, interests and expectations of stakeholders

Sharing our insight – we provided regular audit committee updates covering best practice. Areas we covered included The Five year Forward View, TDA quarterly reports, Better Care Fund, Manual for Accounts, NAO Code of Practice, Lessons learned from Mid Staffordshire. We also shared our thought leadership reports on Finance and Governance and Mental Health collaboration.

Providing training – we provided your teams with training on financial accounts and annual reporting. The courses were attended by senior staff from the CCG.

Working with the CCG

Working with you in 2016/17

We will continue to work with you and support you over the next financial year.

Nationally we are planning the following events:

- Health and Social Care Integration – we are working with the Manchester authorities so that we are able to share insight into how best to integrate health and social care. We will share the outcome of our work early in 2017
- Thought leadership – we are preparing thought leadership reports on Future of Primary Care and on NHS commercial structures
- Audit updates - we will continue to provide regular audit committee updates covering best practice and emerging issues in the sector
- Providing training – we will continue to provide financial accounts and annual reporting training
- Improving your annual reporting – we will benchmark your annual report and highlight potential areas for improvement
- Providing insight – we will update our Health and Well Being analysis and share our information on key health conditions and lifestyle needs in your area

Locally our focus will be on:

- An efficient audit – continuing to deliver an efficient audit where work is brought forward, wherever possible
- Understanding your operational health – we expect to focus our value for money conclusion work in two areas: (i) the impact of the Manchester devolution deal; and (ii) the progress made by CCG in implementing the locality plan for the Borough and securing improved outcomes.

Grant Thornton in Health

We are proud of our position as the largest supplier of external audit services to the NHS and the contribution we make to the challenges it faces. Here are some of our credentials showing how we deliver on this responsibility.

Our client base and delivery

- We are the largest supplier of external audit services to the NHS
- We audit over 120 NHS organisations
- 99% of 2015/16 audit reports were issued by the national deadline
- Our clients scored us 8 out of 10 or higher in client service reviews

Our connections

- We meet regularly with and second people to the Department of Health, CQC, NHS Improvement and NHS England
- We work closely with local government and blue light services
- We work with the Think Tanks and legal firms to develop workshops and good practice
- We provide thought leadership, seminars and training to support our clients and to provide solutions.
- In 2016 we issued reports on Mental Health Collaboration, and NHS governance and finance.
- We will publish reviews on the Future of Primary Care and on NHS commercial structures later this year.

Our quality

- We fully meet the criteria for appointment as external auditors.
- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing.
- We are fully compliant with ethical standards.
- We have passed all external quality inspections including QAD and AQR.T.

Our support for the sector

- We are sponsors for HFMA and work with the provider faculty, mental health faculty and commissioning faculty. We regularly speak at HFMA events to share best practice and solutions.
- We provide auditor briefings into what is happening with department policy, sector regulation, and at other NHS organisations to help support our clients.
- We provide Key Issues Bulletins that summarise what is happening in the sector.
- We hold regular 'free to access' financial reporting and other training sessions for finance staff to ensure they have the latest technical guidance.

Our technical support

- We are members of all of the key NAO, ICAEW, and HFMA technical forums.
- We have specialists leads for Public Sector Audit quality and Public Sector technical issues.
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas.
- Local teams are supported on information technology by specialist IT auditors.
- We use specialist audit software to identify and assess audit risk.

Our people

- We have over 30 engagement leads accredited by ICAEW to issue NHS audit reports.
- We have over 300 public sector specialists.
- We invest heavily in our people including technical and personal development training.
- We invest in the future of the public sector and employ over 80 Public Sector trainee accountants.

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 £	2014/15 fees £
Statutory audit	67,500	67,500	90,000
Total fees	67,500	67,500	90,000

The 2015/16 fee reduced as a result of a reduction in the scale fee announced by Public Sector Audit Appointments Ltd. This followed a national procurement exercise and the reduction was applied across the sector.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	29 March 2016
Audit Findings Report	24 May 2016
Annual Audit Letter	19 July 2016



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