



Annual Audit Letter

Year ending 31 March 2018

NHS Wigan Borough CCG

18 July 2018



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Executive Summary

Purpose

Our Annual Audit Letter (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 2018.

This 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 this 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 23 May 2018.

Our work

Materiality	We determined materiality for the audit of the CCG's accounts to be £10.45m, which is 2% of the CCG's gross revenue expenditure.
Financial Statements opinion	<p>We gave an unqualified opinion on the CCG's financial statements on 25 May 2018.</p> <p>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.</p> <p>Based on our review of the CCG's expenditure we gave an unqualified regularity opinion.</p>
NHS Group consolidation template (WGA)	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.
Use of statutory powers	We did not identify any matters which required us to exercise our statutory powers.

Respective 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 and regularity assertion (section two)
- 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) (ISAs) and other guidance issued by the NAO.

Executive Summary

Value for Money arrangements

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 audit report to the members of the Governing Body on 25 May 2018.

Certificate

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

Working with the CCG

Once again the team at the CCG were supportive in helping us to deliver an efficient and effective audit in line with the statutory timetables and we look forward to developing opportunities to further improve during the remainder of the contract.

We also welcome your support in assisting us understand your financial and operational challenges in order for us to make our work on the value for money conclusion as efficient as possible.

Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports

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 2018

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 £10.45m, 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 set a lower level of specific materiality for senior officer remuneration and related party transactions of £20k to reflect the sensitive nature of these items..

We set a lower threshold of £0.25m, 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 sufficient 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 are 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 remainder of the Annual Report to check it is consistent with our understanding of the CCG and with the accounts included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) 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 overleaf the work we performed in response to these risks and the results of this work.

Audit of the Accounts

Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Operating expenses – purchase of secondary healthcare</p> <p>A significant percentage of the CCG’s expenditure is on contracts for healthcare with NHS providers and non-NHS providers, such as operations and hospital care. This expenditure is recognised when the activity has been performed, with accruals raised at the year-end for completed activity for which an invoice has not been issued.</p> <p>We identified the accuracy and occurrence of contract variations as a risk requiring special audit consideration.</p>	<p>We:</p> <ul style="list-style-type: none"> ▪ gained an understanding of the financial reporting processes used for the purchase of secondary healthcare and evaluated the design of the associated controls ▪ substantively tested secondary healthcare costs including: <ul style="list-style-type: none"> - for a sample of high value contracts reconciling the closing contract expenditure to the original contract price - agreeing contract payment variations to underlying activity information - confirming post year end payments to closing contract liabilities 	<p>Our audit work did not identify any issues in respect of revenue recognition.</p>
<p>Management override of internal controls</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. The CCG faces pressure to meet external targets, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>We:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness • obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness • evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>Our audit work did not identify any issues in respect of management override of controls.</p>

Audit of the Accounts

Audit opinion

We gave an unqualified opinion on the CCG's financial statements on 25 May 2018, 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 23 May 2018.

Annual Report, including the Governance Statement

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

Whole of Government Accounts (WGA)

We issued a group return to the National Audit Office in respect of Whole of Government Accounts, which did not identify any issues for the group auditor to consider.

Other statutory powers

We are also required to refer certain matters to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014. We did not need to use these powers at NHS Wigan Borough CCG,

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of NHS Wigan Borough CCG in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Value for Money arrangements

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 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 2018, we agreed recommendations to address our findings.

Overall Value for Money 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 2018.

Value for Money arrangements

Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial outturn and Sustainability</p> <p>There remain risks to the financial position of the CCG that might result in it missing its control totals this year and in the future.</p>	<p>We considered the arrangements the CCG has in place to identify and address financial risks. We also considered the arrangements the CCG has in place to develop its financial plans and manage their delivery</p> <p>Our main considerations were the:</p> <ul style="list-style-type: none"> • Financial plans in place for the medium term and the assumptions and considerations supporting these; • Reporting and monitoring of financial performance throughout 2017-18; • Year end performance against planned financial targets; 	<p>During the year the CCG successfully dealt with its financial risks to deliver the appropriate level of surplus and to meet its statutory targets. Achieving this was not easy, particularly with:</p> <ul style="list-style-type: none"> • The failure to deliver the QIPP target in 17/18 • Continued uncertainty during the year relating to whether the CCG would receive £6.5m transformation funding • Pressures with Continuing Healthcare expenditure <p>Overall we found that the CCG identifies and manages risks well, despite several issues where the CCG did not have direct control in their delivery, particularly in relation to the transformation funding. The finance risk register in the finance report to the Governing Body is of a good standard and better than seen at many other CCGs.</p> <p>The non-delivery of the QIPP target in 17/18 and the level of the 18/19 required savings both demonstrate the difficult financial position the CCG finds itself. Given the level of the QIPP there is a real focus on its delivery within the organisation with improved procedures around identification and monitoring of QIPP schemes having recently been introduced.</p> <p>Reporting of QIPP to the Governing Body and the Finance and Performance Committee lacked detail during 2017/18. Further detail will help in ensuring that ownership of delivering QIPP is an organisational issue rather than having a finance focus.</p> <p>We noted that the budget was appropriately prepared, however the contract with its main provider had not been signed at the time the annual financial plan was agreed. As such the QIPP target increased by £5m as the contract value was higher than originally budgeted</p> <p>Whilst we identified one area for further development we concluded that the CCG has appropriate arrangements in place in relation to financial sustainability.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit.

Reports issued

Report	Date issued
Audit Plan	March 2018
Audit Findings Report	May 2018
Annual Audit Letter	July 2018

Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory audit	44,950	44,950	67,500
Total fees	44,950	44,950	67,500

Fees for non-audit services

Service	Fees £
None	Nil

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the CCG. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the CCG's auditor and have ensured that appropriate safeguards are put in place.



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