



# Annual Audit Letter

*Year ending 31 March 2018*

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NHS Wiltshire CCG

26 June 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 Wiltshire 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 18 May 2018.

### Our work

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<b>Materiality</b>	We determined materiality for the audit of the CCG's accounts to be £13.16 million, which is 2% of the CCG's gross revenue expenditure.
<b>Financial Statements opinion</b>	We gave an unqualified opinion on the CCG's financial statements on 22 May 2018.  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
<b>NHS Group consolidation template (WGA)</b>	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
<b>Use of statutory powers</b>	We did not identify any matters which required us to exercise our statutory powers.

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### 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.

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# Executive Summary

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<b>Value for Money arrangements</b>	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 Audit Committee on 18 May 2018.
<b>Certificate</b>	We certify that we have completed the audit of the accounts of NHS Wiltshire CCG in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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## 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 April and May 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.
- Annual report – we benchmarked your 2016/17 annual report to identify areas for improvement in 2017/18
- Governance – we continued to provide audit committee Chair's events during the year for CCG's across the region enabling Chair's to network and discuss topical issues.

- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports.
- Finance staff attended our annual financial reporting workshop.

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**  
**June 2018**

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# 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 £13.16 million, 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 unusual related party transactions and senior officer remuneration.

We set a lower threshold of £0.3 million, 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><b>Operating expenses – purchase of secondary healthcare</b>            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>As part of our audit work we undertook the following in relation to this risk:</p> <ul style="list-style-type: none"> <li>▪ documentation of our understanding of processes and key controls over the transaction cycle</li> <li>▪ walkthrough of the key systems to confirm our understanding</li> <li>▪ agreement of significant contracts to signed contracts</li> <li>▪ testing of the residual balance to ensure that variations and non-contracted activity has been treated correctly</li> <li>▪ agreement of NHS creditors to the agreement of balances confirmation.</li> </ul>	<p>Our audit work did not identify any significant issues in relation to the risk identified.</p>
<p><b>Management override of internal controls</b>            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 external pressures to meet agreed targets, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>As part of our audit work we completed;</p> <ul style="list-style-type: none"> <li>– review of accounting estimates, judgements and decisions made by management</li> <li>– testing of journal entries</li> <li>– review of unusual significant transactions</li> <li>– review of significant related party transactions outside the normal course of business.</li> </ul>	<p>Our audit work did not identify any evidence of management over-ride of controls. In particular, the findings of our review of journal controls and testing of journal entries did not identify any significant issues.</p> <p>Our work has identified a system weakness regarding the ability of the CFO to post journals. From our review, we confirmed that no journals were posted by the CFO in 2017/18. However, in line with best practice, we recommended that this ability is removed.</p>

# Audit of the Accounts

## Significant Audit Risks Continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Revenue cycle includes fraudulent transactions</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>We rebutted this presumed risk for Wiltshire CCG because:</p> <ul style="list-style-type: none"><li>• revenue does not primarily involve cash transactions</li><li>• revenue is principally an allocation from NHS England</li></ul>	<p>As we were able to rebut this presumed risk, no specific audit procedures were required</p> <p>We therefore did not consider this to be a significant risk for the CCG.</p>

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# Audit of the Accounts

## **Audit opinion**

We gave an unqualified opinion on the CCG's financial statements on 22 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 18 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 identify any matters which required us to exercise our statutory powers.

## **Certificate of closure of the audit**

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

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# 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.

## **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	Findings and conclusions
<p>The NHS continues to experience challenging financial conditions with an increasing number of CCGs reporting that they will not achieve their financial plan. The CCG is reporting that it will achieve an in-year surplus of £0.057m and is on-track to achieve this.</p> <p>The future financial sustainability of the delivery of health care requires a new and system wide approach. The CCG is part of the B&amp;NES, Swindon and Wiltshire Sustainability and Transformation Partnership (STP), progressing a number of actions to address these issues.</p> <p>As part of our work we have:</p> <ul style="list-style-type: none"> <li>Reviewed key financial and operational documents</li> <li>Discussed key relevant matters with senior management</li> </ul>	<p>In 2017/18 Wiltshire CCG planned to deliver an in year surplus of £0.06 million in addition to the £11.6 million cumulative surplus carried forward from previous years. The draft accounts presented to audit record a 2017/18 outturn position of £3.6 million surplus. This underspend against budget was achieved after the release, by NHS England, of the system risk reserve (0.5% (£2.9m)) and the provision for higher cost drugs of £0.6m. The CCG has achieved all of its financial duties for 2017/18 and has a cumulative surplus position of £15.19 million at 31 March 2018.</p> <p>The CCG delivered £13.4 million of savings in year out of the planned QIPP schemes target of £14.5 million. Although savings from formal programme identified at the beginning of the year were lower than planned, these were balanced by additional QIPP related savings and alternative plans implemented by the CCG. The CCG has effective arrangements in place for in year budget monitoring, reporting regularly to Finance and Performance Committee and Governing Body.</p> <p>The CCG's final operational plan for 2018/19 submitted to NHSE on 30 April 2018 budgets for achievement of a break-even position. To achieve this, the CCG have set another significant QIPP target of £15.8 million (around 2.3% of overall planned spend). The CCG have a strong track record in regards to delivering its QIPP. As at early May 2018 £0.8 million of the QIPP target is-identified with schemes identified for the remaining £15 million.</p> <p>The CCG is part of the Bath, Swindon and Wiltshire Sustainability and Transformation Partnership (STP), the STP plan was published in November 2016 and has been assessed by NHS England in July 2017 as advanced. This is the second best of the four category ratings. It is acknowledged that the future financial sustainability of healthcare across the STP patch requires a new and system wide approach with all responsible bodies in an area working together to effect efficiencies and improvements in care delivered to the local population. The STP continues to develop. Improvements have been made in aligning clinical policies and achieving greater consistency in care. In 2017/18, across the whole system, the NHS bodies in the STP overspent their allocations by £4m. Going forward there is an underlying deficit of £29m. The STP are in the process of finalising a recovery plan, although individual organisational plans require completion first. The STP are meeting regularly and have identified strategic priorities to deliver savings going forward, including focusing on length of stay, older people and frailty and developing the estates strategy. The STP has strengthened its governance arrangements to support this process.</p> <p>The challenge remains to ensure that this greater collaboration across the system delivers against the aspirations within the STP and transformational change is delivered capable of maintaining service quality and patient safety whilst placing the system on a sustainable footing.</p> <p><b>Overall we have concluded that the arrangements in place for financial sustainability are adequate and reasonable actions are in place for STP.</b></p>

# A. Reports issued and fees

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

## Reports issued

Report	Date issued
Audit Plan	January 2018
Audit Findings Report	May 2018
Annual Audit Letter	June 2018

## Fees for non-audit services

Service	Fees £
None	Nil

## Fees

	Planned £	Actual fees £
Statutory audit	49,955	49,955
<b>Total fees</b>	<b>49,955</b>	<b>49,955</b>



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