



The Annual Audit Letter For NHS Wiltshire CCG

Year ended 31 March 2019

June 2019



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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 Wiltshire Clinical Commissioning Group (the CCG) for the year ended 31 March 2019.

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 and Assurance Committee as those charged with governance in our Audit Findings Report on 21 May 2019.

Our work

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.

Materiality	We determined materiality for the audit of the CCG's financial statements to be £13.6 million, 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 23 May 2019.</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 financial statements 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.

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 Audit and Assurance Committee 21 May 2019.

Certificate We certified that we have completed the audit of the financial statements of NHS Wiltshire CCG in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice on 23 May 2019.

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 financial statements 6 days before the 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.

- 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 statements and annual reporting
- Supporting networking– we hosted Audit Committee Chair events to facilitate networking and discussion of topical issues.

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 2019

Audit of the Financial Statements

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 financial statements to be £13.6 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 set a lower threshold of £20,000, above which we reported errors to the Audit and Assurance 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 financial statements 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 Financial Statements

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>Management override of controls</p> <p>There is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities due to the external pressure to meet agreed targets which could place management under undue pressure in terms of how they report performance.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • reviewed for or unusual significant transactions • reviewed for significant related party transactions outside the normal course of business 	<p>As in the prior year we identified a system function that allows the CFO to post journals. From our review, we confirmed that no journals were posted by the CFO in 2018/19. However, in line with best practice, we are again reporting this issue to the Audit and Assurance Committee.</p> <p>Our audit work has not identified any other issues in respect of management override of controls.</p>

Audit of the Financial Statements

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>Secondary healthcare expenditure – contract variations</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 primarily derived through block contracts that are agreed upfront for a predetermined cost or level of activity. Contract variations are agreed with the supplier throughout the year to recognise demand and price adjustments against the agreed contracts.</p> <p>We identified the accuracy and occurrence of secondary healthcare expenditure – contract variations, and the existence of associated payables and accruals, as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>Auditor commentary</p> <p>In order to address the risk of secondary healthcare expenditure being recorded inaccurately or being incomplete we:</p> <p>Gained an understanding of the financial reporting processes used for the purchase of secondary healthcare and evaluated the design on the associated controls</p> <p>Used the DHSC mismatch report we investigated unmatched expenditure and payables balances with NHS bodies over the NAO £0.3m threshold, corroborating any unmatched balances not included in the CCG’s financial statements to supporting evidence.</p> <p>We reviewed contracts for all significant NHS and non-NHS contracts and reconciled final contract value to recorded expenditure in the general ledger.</p> <p>We obtained a listing of payments made after year end and agreed on a sample basis that relevant payments for NHS and non-NHS secondary healthcare expenditure had been accounted for in the correct financial period.</p>	<p>Our audit work identified that the contract variation with South West Ambulance Service Foundation Trust for 2018/19 has not been formally signed by both parties. We undertook alternative procedures to gain assurance over this contract variation and have raised a recommendation to management regarding this. No other issues were identified in respect of our work in secondary healthcare expenditure contract variations.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the CCG's financial statements on 23 May 2019.

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 financial statements

The CCG presented us with draft financial statements 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 financial statements

We reported the key issues from our audit to the CCG's Audit and Assurance Committee on 21 May 2019.

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 financial statements 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.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of NHS Wiltshire CCG in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice on 23 May 2019.

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 risks where we concentrated our work.

The 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 2019.

Value for Money arrangements

Value for Money Risks

Risks identified in our audit plan	Findings and conclusions
<p>Financial Sustainability</p> <p>The CCG have a challenging planned surplus target for 2018/19 of £1.7 million, a £1.5 million increase on the initial planned surplus at the beginning of the financial year. At month 7 the CCG is reporting to be on track for achieving the surplus position which will lead to a cumulative surplus of £16.9 million at 31 March 2019. The CCG have a significant QIPP programme in place with a target of £15.8 million QIPP savings set for 2018/19.</p>	<p>In 2018/19 Wiltshire CCG planned to deliver an in-year surplus of £0.2 million in addition to the £15.2 million cumulative surplus carried forward from previous years. During the year, following discussions with NHS England, the CCG agreed to increase the planned surplus to £1.7 million which if achieved would result in the CCG being able to access the £1.5m increase in 2019/20 as well as a further £1.5 million from its accumulated surplus. The draft accounts presented to audit reported the successful achievement of the updated target with an outturn position showing delivery of a £1.7 million surplus. The CCG therefore has a cumulative surplus position of £16.9 million as at 31 March 2019.</p> <p>The CCG delivered 94.6% of the budgeted QIPP schemes in 2018/19 totalling £14.97 million. The main area of under delivery related to the non receipt of the 2017/18 Quality Premium. The remaining unachieved original QIPP was met through alternative savings and non-recurrent measures including savings relating to high cost drugs. Of the QIPP schemes that were achieved, £9.0 million related to transactional schemes and £5.9 million to transformation schemes. Furthermore, £10.87 million of this related to recurrent savings. From our review of arrangements, we consider that you have effective arrangements in place for in year budget monitoring including the delivery of your QIPP savings.</p> <p>The CCGs operational plan for 2019/20 budgets for achievement of a break-even position. This is predicated on the delivery of £15.0 million of savings. This is a similar level to 2018/19 but remains a significant challenge despite the CCGs good track record in this area. At the time of drafting this report, £1.9 million of the savings target remains unidentified. The CCG should continue to focus on identifying and achieving recurrent savings in the 2019/20 year. Going forward, the embedding of the Commissioning Alliance and closer working with the CCGs must be used as a catalyst to drive genuine system-wide transformational change capable of sustaining the necessary savings to bring the wider system back to financial balance.</p> <p>Overall we have concluded that the arrangements in place for financial sustainability are adequate. We do, however, recognise that significant pressures remain within the system and continued close in year monitoring and timely corrective action will be required to ensure budgets are delivered and service redesign with partners implemented.</p>

Value for Money arrangements

Value for Money Risks

Risks identified in our audit plan	Findings and conclusions
<p>STP and Commissioning Alliance</p> <p>The future financial sustainability of the delivery of the health care requires a new and system wide approach. The CCG is part of the B&NES, Swindon and Wiltshire Sustainability and Transformation Partnership (STP), progressing a number of actions to address these issues. The structure of a new Commissioning Alliance between the three CCGs has been agreed with a planned approach to maintain three separate CCG's with a single management team and streamlined governance arrangements.</p>	<p>The CCG continues to work alongside B&NES and Swindon CCGs as part of the Sustainability and Transformation Partnership and continues to focus on the shared opportunities and efficiencies across the wider geographical footprint. The decision to move towards a Commissioning Alliance structure (BSW) was decided upon during the year and as at 1 March 2019 a single Chief Executive has been appointed across the three CCGs to oversee the ongoing improvement and integration of health and care services. The Chief Executive has also taken on the leadership of the B&NES, Swindon and Wiltshire STP. The permanent executive structure for BSW is in progress along with plans to refresh clinical leadership. A joint BSW operating plan has been submitted for 2019/20.</p> <p>Options to support the greater collaboration across the three CCGs within the commissioning alliance are currently being considered by the Governing Bodies including potential merger discussions. The CCG should ensure the risk of combined management and a lack of capacity within BSW to deliver strategic and financial targets is considered as part of this.</p> <p>In 2019/20 the CCG is holding a STP transformation reserve of £2 million which has been drawdown from the £3 million available to the CCG from its cumulative surplus. The CCG plans to utilise this monies to support the STP and bids for utilisation of this funding have been invited from STP partners.</p> <p>Overall we have concluded that the arrangements in place are adequate and reasonable actions are in place for the development of the Commissioning Alliance. We do, however, note that more needs to be done to ensure that greater partnership working across the wider system translates into genuine transformation in the way health and social care is provided, which is capable of returning the system to a sustainable footing.</p>

A. Reports issued and fees

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

Reports issued

Report	Date issued
Audit Plan	December 2018
Audit Findings Report	May 2019
Annual Audit Letter	June 2019

Fees

	Planned fees £	Actual fees £	2016/17 fees £
Statutory audit	49,955	49,955	49,955
Mental Health Investment Standard*	10,000	10,000	0
Total fees	59,955	59,955	49,955

Fees for audit related services *

Service	Fees £
We anticipate that this work will be completed by the end of September and that the estimated fees will be £10,000. A formal engagement has not yet been agreed.	10,000

Audit related 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 audit related services which were identified.
- We have considered whether audit related 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.

The above audit related services are consistent with the CCG's policy on the allotment of audit related work to your auditor.



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