



Annual Audit Letter 2017-18

NHS Wakefield Clinical Commissioning Group

July 2018

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This report is addressed to NHS Wakefield CCG (the CCG) and has been prepared for the sole use of the CCG. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.





Introduction

Introduction

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2017-18 audit at NHS Wakefield Clinical Commissioning Group (the CCG). Although this letter is addressed to the Members of the Governing Body of the CCG, it is also intended to communicate these issues to external stakeholders, such as members of the public. It is the responsibility of the CCG to publish this letter on the CCG's website.

In the letter we highlight areas of good performance and also provide recommendations to help the CCG improve performance where appropriate. We have included a summary of our key recommendations in Appendix A. We have reported all the issues in this letter to the CCG during the year and we have provided a list of our reports in Appendix B.

Scope of our audit

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. Our main responsibility is to carry out an audit that meets the requirements of the National Audit Office's Code of Audit Practice (the Code) which requires us to report on:

Financial Statements including the regularity opinion and Governance Statement	<p>We provide an opinion on the CCG's financial statements. That is whether we believe the financial statements give a true and fair view of the financial affairs of the CCG and of the income and expenditure recorded during the year.</p> <p>We are also required to:</p> <ul style="list-style-type: none">— form a view on the regularity of the CCG's income and expenditure i.e. that the expenditure and income included in the CCG's financial statements has been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them;— report by exception if the CCG has not complied with the requirements of NHS England in the preparation of its Governance Statement; and— examine and report on the consistency of the schedules or returns prepared by the CCG for consolidation into the Whole of Government Accounts (WGA) with our other work.
Value for Money arrangements	<p>We conclude on the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the CCG's use of resources.</p>

Introduction (cont.)

Adding value from the External Audit service

We have added value to the CCG from our service throughout the year through our:

- attendance at meetings with members of the Governing Body and Audit Committee to present our audit findings, broaden our knowledge of the CCG and provide insight into sector developments and examples of best practice;
- proactive and pragmatic approach to issues arising in the production of the financial statements to ensure that our opinion is delivered on time;
- incorporation of data analytics into our programme of work to, for example, identify high risk journals for testing;
- strong and effective working relationship with Internal Audit to maximise assurance to the Audit Committee, avoid duplication and provide value for money.

Fees

Our fee for 2017-18 was £37,356 (2016-17: £69,000) excluding VAT. This fee is in line with the fee agreed at the start of the year with the CCG's Audit Committee.

No non-audit services were provided during the year.

Acknowledgement

We would like to take this opportunity to thank the officers of the CCG for their support throughout the year, particularly given the competing demands on their time.



Headlines

Headlines

This section summarises the key messages from our work during 2017-18.

Financial Statements audit opinion	<p>We issued an unqualified opinion on the CCG's accounts on 25 May 2018. This means that we believe the accounts give a true and fair view of the financial affairs of the CCG and of the income and expenditure recorded during the year. Our key findings from the Audit are:</p> <ul style="list-style-type: none"> • There were no unadjusted audit differences (including disclosure misstatements) identified during the course of audit, that were greater than £300K • We agreed presentational changes to the accounts with Finance, mainly related to compliance with the Department of Health Group Accounting Manual (GAM) • We completed our review of the Annual Report and Annual Governance Statement and have no matters to raise with you.
Financial statements audit work undertaken	<p>We are required to apply the concept of materiality in planning and performing our audit. We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. Our materiality for the audit was £8.0 million (2016-17: £8.0 million).</p> <p>We did not identify any risks of material misstatement in the financial statements as part of our External Audit Plan 2017-18 beyond the standing fraud risk of management override of controls, which is a non-rebuttable risk under auditing standards. Our procedures addressed this risk across various areas of the audit.</p>
Regularity Opinion	<p>We are required to form a view on the regularity of the CCG's income and expenditure i.e. that the expenditure and income included in the CCG's financial statements has been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them.</p> <p>We reviewed the CCG's expenditure and income and in our opinion, in all material respects, it has been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.</p>
Governance Statement	<p>We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.</p> <p>No significant adjustments were required to the Governance Statement.</p>
Whole of Government Accounts	<p>We issued an unqualified Auditor Statement on the Consolidation Schedules prepared by the CCG for consolidation into the Whole of Government Accounts with no exceptions.</p>

Headlines (cont.)

Value for Money (VFM) assessment

We are required to report to you if we are not satisfied that the CCG has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In considering the CCG's arrangements for securing sustainable resource deployment, we identified the following matters which informed our risk assessment:

- the CCG set a financial plan to deliver a £10.5 million cumulative surplus in 2017/18;
- the CCG reported a cumulative deficit of £0.758 million for 2017/18.

- **AGS Review** – We reviewed the work of 2017/18 AGS and took into consideration the work of internal audit. We confirm that the AGS reflects our understanding of the CCG's operations and risk management.

- **Regulatory Review** - We considered the outcomes of relevant regulatory reviews (NHS England, CQC) in reaching our conclusion. This included detailed scrutiny of the Capability & Capacity review requested by NHSE during 2017/18 and subsequent actions taken by the CCG in response.

- **Other matters considered in risk assessment:** As part of our risk assessment we reviewed various matters, including:
 - The outturn position for 2016/17;
 - The CCGs 2017/18 Financial Plans including the core assumptions and underlying savings requirements;
 - Identification and delivery of recurrent savings and improvement schemes;
 - Management's assessment of the CCG's ability to continue as a going concern;
 - 2017/18 Financial Monitoring reports through 2017/18; and
 - The outturn position for 2017/18.

VFM conclusion

The risk assessment we undertook as part of our VFM audit work led us to identify the key areas impacting on our VFM conclusion and consider the arrangements you have put in place to mitigate these risks. Our work (described above) identified the following significant risk: **Progress in delivering financial targets and QIPP plans**. This risk was reported to Audit Committee within our External Audit Plan.

Basis for risk: NHS bodies submitted financial plans for 2017/18 that in aggregate totalled a deficit. This position has worsened during the year. The achievement of financial balance, whilst maintaining the quality of healthcare provision, is therefore a key objective for all NHS organisations. Wakefield CCG had an initial agreed control total with NHSE to deliver a cumulative surplus of £10.52m. At month 9 the projected year end financial position was reported as a risk adjusted forecast cumulative deficit of £3.9m. The majority of this deterioration was due to significant additional expenditure on acute care, primarily with Mid-Yorkshire NHS Trust, combined with under-delivery of QIPP savings plans. The CCG had a QIPP target of £20.577m for 2017/18. As at December 2017 the projected QIPP to be delivered by 31 March 2018 was £13.609m.

Work Performed: a) Consideration of the CCG's financial outturn for 2017/18, including expenditure on core acute contracts, resolution of contractual disagreements and achievement against the QIPP plan during the year. b) Monitoring the latest financial plans for 2018/19, including plans to re-establish a recurrent breakeven position c) Review of QIPP governance, including the views of external bodies such as regulators, internal audit and additional advisors. d) Review of outputs from the independent Capacity and Capability review undertaken on the CCG in year.

Conclusion: The CCG's subsequently recorded a slightly lower than forecast deficit in year-end accounts. However a deficit still represents a breach of duty and hence we qualified the 2017/18 Value for Money Opinion with an "except for" qualification, in line with guidance from the National Audit Office (NAO).

Headlines (cont.)

Recommendations

Following on from our “except for” qualified VFM conclusion, we raised the following high risk recommendation as a result of our 2017-18 audit work:

“Response to Capacity & Capability Review:

The CCG is currently in the process of responding formally to the C&C review, which was finalised in early May 2018. The required actions span all three domains of the value for money assessment and are crucial to turning around the financial position of the organisation.

The risk of failing to action the recommended actions, coupled with lack of pace in doing so, will impact adversely on the ability to the CCG to manage its resources sustainably, and may result in further qualifications to the value for money opinion in future years.

We recommend CCG’s Chief Officer provides regular updates to the Audit Committee on progress against the agreed response plan, with the aim of providing assurance that the organisations response is suitably timely and effective. This should be coupled with improvements to reporting on the financial position to both the newly constituted Finance Committee, and to Governing Body.”

Public Interest Reporting

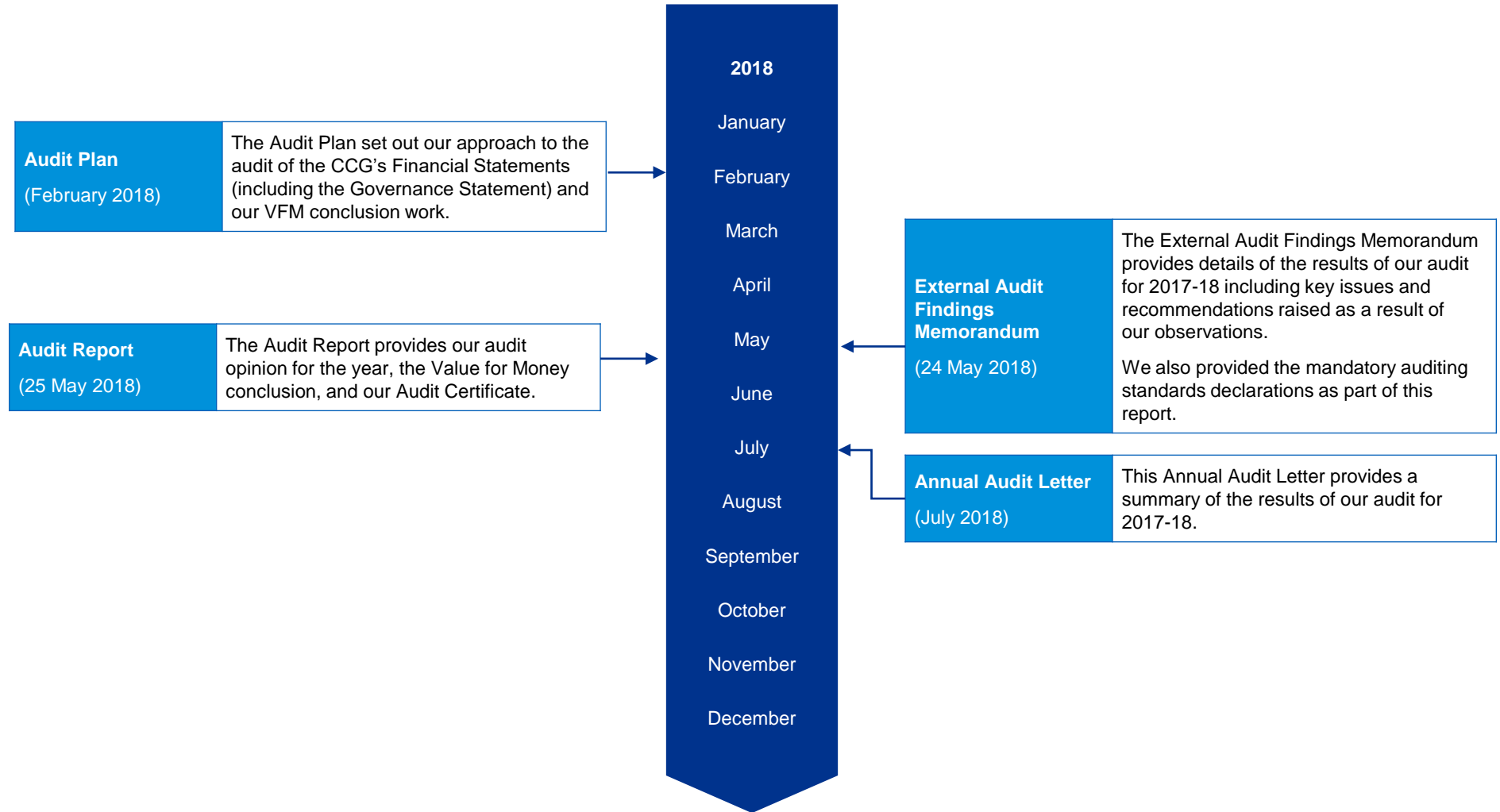
We have a responsibility to consider whether there is a need to issue a public interest report or whether there are any issues which require referral to the Secretary of State.

We made one such referral for 2017/18 on the 31st January 2018 following the CCG’s forecast of an in-year deficit against its revenue resource limit as at Month 9 (December 2017). The CCG subsequently mitigated the position and recorded a slightly lower than forecast deficit in its year-end accounts. **However, the deficit still represents a breach of duty, requiring us as external auditors to qualify the 2017/18 value for money opinion with an “except for” qualification.**



Appendices

Summary of our reports issued





The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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