

The Annual Audit Letter for NHS Tameside and Glossop Clinical Commissioning Group

Year ended 31 March 2017

23 June 2017

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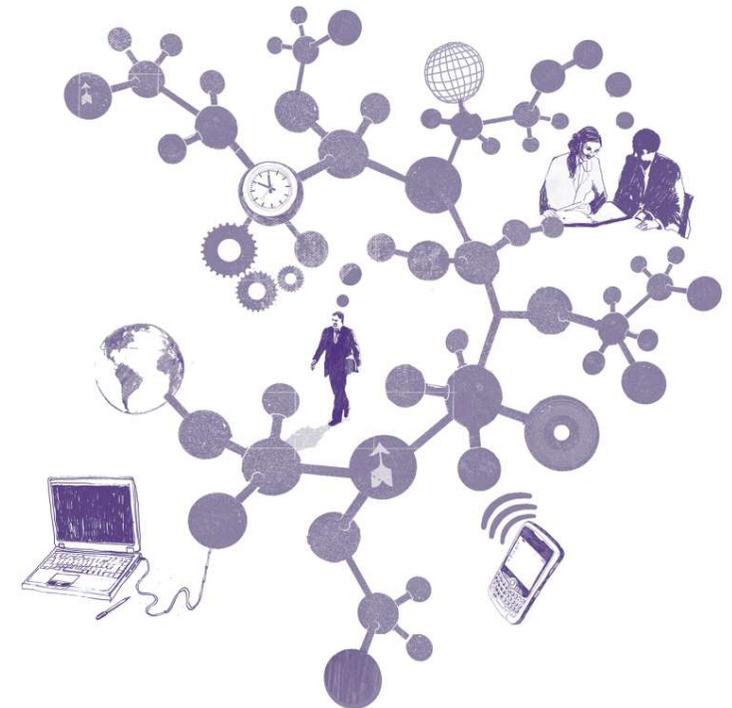
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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at NHS Tameside and Glossop Clinical Commissioning Group (the CCG) for the year ended 31 March 2017.

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 24 May 2017.

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)
- 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 30 May 2017.

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.

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.

Use of statutory powers

We did not identify any matters which required us to exercise our additional statutory powers.

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 30 May 2017.

Certificate

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

Working with the CCG

Over the last few years, the CCG has worked towards creating an Integrated Commissioning Fund to deliver better, and more integrated care for the people of Tameside and Glossop. A single commissioning function between NHS Tameside and Glossop CCG, Tameside Metropolitan Borough Council and Tameside and Glossop Integrated Care NHS Foundation Trust became operational on 1 April 2016 under the "Care Together" arrangements. The integrated commissioning fund pools resources from both the CCG and Council.

As part of this major development, we have continued to work with senior managers at the CCG and Tameside Metropolitan Borough Council to consider the proposed changes including governance and reporting arrangements.

In addition, we have delivered a number of successful outcomes with you:

- Developing your annual reporting – we benchmarked your annual report and made recommendations for improvements in the disclosures made to further enhance your annual report.
- Sharing our insights – we provided regular updates to the Audit Committee identifying current issues and sharing our thought leadership reports.
- Providing training – we provided your accounts team with training on financial accounts and annual reporting prior to the preparation of the draft accounts.

- Delivering an efficient audit – by working closely with you following the relocation of your finance team from the CCG's headquarters at New Century House to various Council Offices, we delivered the audit to your timetable and ahead of the NHS submission deadline.

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
23 June 2017

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 £7,696k, 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.

We set a lower threshold of £250k, 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 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 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 overleaf the work we performed in response to these risks and the results of this 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	How we responded to the risk	Findings and conclusions
<p>Management override of controls</p> <p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>Our work included:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review for unusual significant transactions. 	<p>Our audit work has not identified 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>Secondary Care Commissioning</p> <p>A significant percentage of the CCG's expenditure is on contracts with NHS providers. 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 valuation of this expenditure as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> • Contract costs not accounted for properly • Activity variation adjustments to expenditure not correct • Invoiced non-contract costs not accounted for correctly. 	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • Identified and documented the process and key controls in the CCG's commissioning cycle • Walked through a sample of items to confirm our understanding • Reviewed expenditure for the largest contract providers against contract schedules • Sample tested invoiced non-contract expenditure • Reviewed the month 12 intra-NHS agreement of balances exercise • Completed secondary healthcare contract testing to opening contracts and comparison of opening values to the final outturn • Tested significant variations for secondary healthcare contracts to supporting documentation • Considered service auditor's report in respect of relevant controls operated by SBS • Reviewed and tested a sample of year end creditor balances. 	<p>Our audit work did not identify any significant issues in relation to the risk identified.</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the CCG's financial statements on 30 May 2017, 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. This has been a real achievement for the CCG given staff moved out of the CCG's Headquarters at New Century House to a number of different locations as part of closer working with Tameside Metropolitan Borough Council

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 2017.

Our audit did not identify any material errors or uncertainties in the financial statements. The Chief Finance Officer amended the accounts for some minor disclosure changes identified during the audit which were primarily to improve the presentation of the accounts.

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 with supporting evidence.

Our review of the CCG's Annual Report and Annual Governance Statement did not identify any significant errors or omissions.

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 2016 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

We carried out an initial risk assessment in March 2017 and did not identify any significant risks. However, we noted that whilst the CCG continues to face on-going financial pressures, it continues to have arrangements in place to manage its finances and deliver a surplus outturn position. The CCG also agreed to put in place a single commissioning function with Tameside Metropolitan Borough Council and Tameside and Glossop Integrated Care NHS Foundation Trust from April 2016 under the "Care Together" arrangements. The Integrated Commissioning Fund pools resources from both the CCG and Council totalling some £495m (CCG £375m, Council £120m). Whilst this is not an audit risk for 2016/17, we have continued to monitor progress and developments as part of our on-going audit work during the year.

As a result of on-going closer working arrangements and the introduction of the Integrated Commissioning Fund, the CCG and Council appointed a single Chief Officer across both organisations in August 2016, and agreed to appoint a joint Director of Finance during 2017.

As in previous years, the CCG delivered an underspend position for 2016/17. A year end outturn underspend of £7.169m was achieved, this was in line with the CCG's expectation for 2016/17 and represents 2% of turnover. During the year, the CCG delivered QIPP savings of £13.5m.

For 2017/18, the CCG approved its budget on 29 March 2017. Expenditure was budgeted at £381.5m with a planned surplus of 1% expected. The QIPP savings required amount to £23.9m and whilst there is some risk to their achievement, the CCG consider the figure is realistic.

Given the significant size of the Integrated Commissioning Fund for the CCG and the potential impact on its operations, there is a need for the CCG to continue to closely monitor progress through the delivery of key programmes with the Council, routine monitoring of budgets, targets and their achievement, as well as ensuring effective governance and reporting arrangements.

Our on-going review of relevant documents and developments along with regular meetings with CCG senior managers up to the date of giving our audit report did not identify any further significant risks where we needed to perform further work.

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 2017.

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and other services.

Fees 2016/17

	Planned £	Actual fees £	2015/16 fees £
Statutory audit	52,500	52,500	52,500
Total fees	52,500	52,500	52,500

Reports issued

Report	Date issued
Audit Plan	March 2017
Audit Findings Report	May 2017
Annual Audit Letter	June 2017

Fees for other 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.



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