

<b>Title of paper:</b>	<b>Annual Audit Letter</b>
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<b>Meeting:</b>	Governing Body
<b>Date:</b>	10 <sup>th</sup> October 2014
<b>Author:</b>	Grant Thornton (external auditors).
<b>email:</b>	For further information contact the CCG Governing Body Secretary Justin Dix (Justin.dix@surreydownsccg.nhs.uk)
<b>Exec Lead:</b>	Matthew Knight, Chief Financial Officer

<b>Purpose</b>	To Agree	
	To Discuss	
	To Note	

### Development

This Letter has been issued by Grant Thornton, the CCG's appointed external auditors, in the context of the Statement of Responsibilities of Auditors and of Audited Bodies, Local NHS bodies, April 2014 issued by the Audit Commission. It gives an unqualified opinion as to both financial statement and regularity. There were no issues arising from Value for Money. In summary this constitutes a clean bill of health from the external auditors.

### Executive Summary and Key Issues

The auditors concluded that

- The CCG successfully met the challenge of establishing a new organisation,
- It established effective working relationships with other organisations in the health economy
- Of all the legacy issues inherited from the former Surrey Primary Care Trust (PCT) potential under-provision for continuing care liabilities is the most significant.
- The CCG produced a good quality annual report and accounts document, on which an unqualified opinion was given.
- The annual accounts reported a small surplus of £72,000.
- Financial challenges are likely to continue in the medium term.

<b>Agenda item</b>	14
<b>Attachment</b>	11

- Withdrawal from the Better Services Better Value programme was the significant strategic issue in 2013-14 but the CCG has developed alternative ways of working over the future of the South West London health economy.

### **Recommendation(s):**

The Governing Body is asked to NOTE the annual audit letter.

### **Attachments:**

The Annual Audit Letter  
for NHS Surrey Downs Clinical Commissioning Group

## **Implications for wider governance**

### **Quality and patient safety**

No specific issues.

### **Patient and Public Engagement**

No specific issues

### **Equality Duty**

No specific issues

### **Finance and resources**

This letter is central to financial and resource management.

### **Workforce**

No specific issues

### **Information Governance**

No specific issues

### **Conflicts of interest**

No specific issues

<b>Agenda item</b>	14
<b>Attachment</b>	11

### **Communications Plan**

This letter is available on both the CCG website and the Audit Commission website.

### **Legal or compliance issues**

This letter forms part of the legal compliance of the CCG in relation to its annual reporting and accounts.

### **Risk and Assurance**

This letter constitutes assurance that a comprehensive system of controls and assurance was in place for the year in question.

# The Annual Audit Letter for NHS Surrey Downs Clinical Commissioning Group

**Year ended 31 March 2014**

July 2014

**Christian Heeger**

Director

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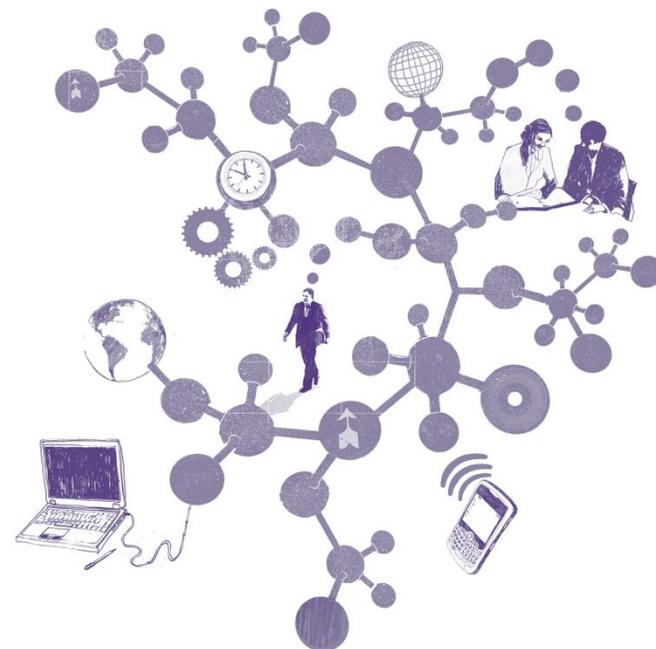
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# Section 1: Executive summary

01. Executive summary

02. Audit of the accounts

03. Value for Money

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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 Surrey Downs Clinical Commissioning Group (the CCG) for the year ended 31 March 2014.

- auditing the 2013/14 accounts (section two)
- assessing the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources (section three)

The Letter is intended to communicate key messages to the CCG and external stakeholders, including members of the public.

We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 4 June 2014.

## **Responsibilities of the external auditors and the CCG**

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and of Audited Bodies, Local NHS bodies, April 2014 issued by the Audit Commission ([Statement-of-responsibilities-NHS-April-2014.pdf](#)).

The CCG is responsible for preparing and publishing its financial statements accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with our Audit Plan issued in April 2014 and is conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission

## **Audit conclusions**

The audit conclusions which we have provided in relation to 2013/14 are as follows:

**Financial statements opinion** - We provided an unqualified opinion on the financial statements which give a true and fair view of the CCG's financial position as at 31 March 2014 and of net expenditure recorded by the CCG for the year.

**Regularity opinion** - 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.

We are pleased to report that, based on our review of the CCG's expenditure we gave an unqualified regularity opinion.

**Value for money (VfM)** – We concluded that there were no issues to report arising from our work assessing the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources

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## **Whole of Government Accounts (WGA)**

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

## **Key areas for the CCG's attention**

2013/14 was the first year of operation of the CCG. It successfully met the challenge of establishing a new organisation, its staff and its governance arrangements.

Additionally the CCG has had to establish effective working relationships with other new organisations in the health economy, being other CCGs, NHS PropCo, and the Commissioning Support Unit (CSU).

The CCG has inherited some legacy issues from the former Surrey Primary Care Trust (PCT). In particular there is a concern that the PCT may have under-provided for continuing care liabilities prior to the establishment of CCGs. There is a lack of clarity about how such liabilities will be funded in the future, which the CCG is continuing to discuss with NHS England.

The CCG produced a good quality annual report and accounts document, on which we issued an unqualified opinion.

The CCG initially budgeted to make a surplus of £1.6 million in 2013/14 but faced significant financial pressures and challenges during the year, in particular on specialist commissioning and acute activity. The annual accounts reported a small surplus of £72,000.

Financial challenges are likely to continue in the medium term. In March 2014 the governing body approved a 5 year financial plan, which is integrated with commissioning plans, showing in detail how the CCG plans to secure financial resilience in revenue and cash over the medium term. While the CCG recognises there are some significant risks to achieving this, it nevertheless sets out a clear intentions and assumptions for the next few years.

In 2013 the CCG withdrew from the Better Services Better Value programme, which was aimed at reconfiguring acute health services in Surrey and South West London. The CCG is continuing to engage with its partners in the local health economy over the future of health services in the area.

## **Acknowledgments**

This Letter has been agreed with the Chief Finance Officer, Matthew Knight.

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 2014**

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## Section 2: Audit of the accounts

01. Executive summary

**02. Audit of the accounts**

03. Value for Money

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# Audit of the accounts

## **Audit opinion**

The key findings of our audit of the accounts are summarised below:

### **Preparation of the accounts**

The CCG presented us with draft accounts in accordance with the national deadline. Working papers were made available to us from the start of the audit and CCG finance staff were prompt and helpful in dealing with our queries.

Preparation of accounts was made more problematic in that CCGs are new organisations and the national accounting guidance for CCGs was still under development until a late stage in the cycle. Despite this the CCG produced a good quality annual report and accounts document, in line with the national deadline.

### **Issues arising from the audit of the accounts**

We identified a small number of issues during our audit but there were no amendments which affected the CCG's overall income and expenditure position. We proposed a number of amendments to improve the presentation of the accounts and a number of adjustments to the notes to the accounts.

We also identified a small number of mismatches in the NHS agreement of balances process. Consequently the CCG made some classification adjustments, none of which affect the reported income and expenditure position

As part of our audit we reviewed the Information Technology controls in place at the CSU and we made a number of recommendations to enhance security arrangements and controls.

## **Annual Governance Statement and Annual Report**

The Annual Governance Statement and Annual Report also fall within the scope of our audit. We reviewed both documents, which were informative, well documented and complied with requirements.

The CCG added some additional information to salary and pension disclosures of members of the Governing Body. This was in response to NHS England's clarification of the guidance to all CCGs on what information should be reported.

## **Conclusion**

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to the Audit Committee in its role as 'those charged with governance'. We presented our report to the Audit Committee on 4 June 2014 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the CCG's 2013/14 accounts on 4 June 2014, meeting the deadline set by the Department of Health (DH). Our opinion confirms that the accounts give a true and fair view of the CCG's financial affairs and of the income and expenditure recorded by the CCG.

## Financial performance 2013/14

The CCG met all its financial performance targets in 2013/14, as set out in the table below:

	Target	Actual	Met?
Expenditure not to exceed income	327,796	327,724	Yes
Capital resource use does not exceed the amount specified in direction	0	0	Yes
Revenue resource use does not exceed the amount specified in direction	322,432	322,360	Yes
Capital resource use on specified matters(s) does not exceed the amount specified in Directions	0	0	Yes
Revenue resource use on specified matters(s) does not exceed the amount specified in Directions	0	0	Yes

	Target	Actual	Met?
Revenue administration resource use does not exceed the amount specified in Directions	7,050	5,326	Yes

The CCG reported a surplus of £72k in 2013/14. This compares to an original budget surplus of £1.6 million.

The CCG did not achieve all of its budgeted cost savings and there were budget overspends related to activity in acute hospitals (in particular A&E attendances, outpatients and non-elective activity). Achieving future financial targets will mean working closely with partners in the local health economy to manage demand in these areas.

### Looking forward

The CCG has budgeted for a £3.3 million surplus in 2014/15, which is 1 per cent of its revenue resource limit. The budget assumes cost savings of £10.8 million. The CCG recognises that achieving this will be a significant challenge.

The CCG has developed a 5 year medium term financial strategy and cash plan, to maintain a robust financial position over the medium term. This was presented to the Governing Body in May 2014.

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## Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

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# Value for Money

## Scope of Value for Money work

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Code to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

In recognition that CCGs are new organisations, the Audit Commission has not specified reporting criteria for the VfM conclusion at CCGs for 2013/14. Our VfM conclusion is based on:

- reviewing the CCG's annual governance statement
- reviewing the results of the work of relevant regulatory bodies or inspectorates (including NHS England reviews), to consider whether there is any impact on our responsibilities
- reviewing the CCG's arrangements for the Better Care Fund.

Our work focused on the following key themes identified in the Audit Commission's guidance:

- leadership
- commissioning
- financial planning and management
- data quality
- external relationships.

For 2014/15 the approach will be based on criteria specified by the Audit Commission relating to financial resilience and prioritising resources, and will require a positive conclusion on the arrangements in place.

## Overall VfM conclusion

On the basis of our work, and having regard to the guidance published by the Audit Commission, we have concluded that there are no matters which we are required to report

# Appendices

# Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit.

## Fees

	Planned £	Actual fees £
Statutory audit	79,000	79,000
<b>Total fees</b>	<b>79,000</b>	<b>79,000</b>

## Fees for other services

Service	Fees £
None	Nil

## Reports issued

Report	Date issued
Audit Plan	April 2014
Audit Findings Report	June 2014
Annual Audit Letter	July 2014



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