



The Annual Audit Letter for NHS Somerset Clinical Commissioning Group

Year ended 31 March 2014

1 July 2014

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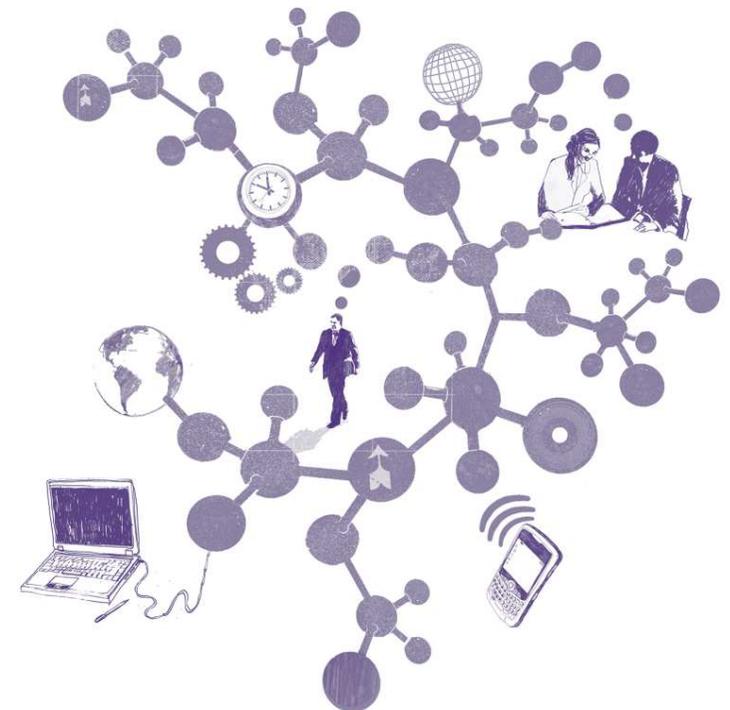
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Section 1: Executive summary

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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 Somerset 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 28 May 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 on 26 February 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.

The accounts and supporting working papers were of a good quality.

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 CCGs arrangements for securing economy, efficiency and effectiveness in its use of resources.

Whole of Government Accounts (WGA)

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

Key areas for the CCGs attention

2013/14 was the first year of operation of the CCG and it met all of its financial targets in the year. There are, however, a number of significant financial pressures for 2014/15 and beyond. The CCG's 2 year Commissioning Plan reports that over the next 5 years £200 million of change and transformation is required to maintain and sustain services.

The CCG and its partners recognise the scale of the challenge for Somerset and the importance of strong collaboration, shared vision and joint working.

Acknowledgments

This Letter has been agreed with the Managing Director and Director of Finance and Resources.

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

Section 2: Audit of the accounts

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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. The accounts and working papers were of a good quality and made available from the start of the audit fieldwork.

Issues arising from the audit of the accounts

No significant issues were identified as part of our audit. We identified no adjustments affecting the CCG's comprehensive net expenditure position. We did agree a number of minor adjustments to improve the presentation of the accounts.

Annual Governance Statement (AGS) and Annual Report

Our audit identified a small number of changes to improve disclosures within the AGS and Annual Report in accordance with the Annual Reporting Guidance.

Whole of Government Accounts (WGA)

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

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Committee at the CCG). We presented our report to the Audit Committee on 28 May 2014 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the CCG's 2013/14 accounts on 5 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's Performance against its financial targets is set out in the table below:

	Target	Actual	Met?
Expenditure not to exceed income	660,025	653,658	Yes
Revenue resource use does not exceed the amount specified in direction	656,080	649,713	Yes
Revenue administration resource use does not exceed the amount specified in Directions	13,220	13,220	Yes

The CCG met all of its financial targets in 2013/14.

It achieved a revenue surplus of £6.367 million as agreed with NHS England.

This success was underpinned by strong contract and budget monitoring.

The most significant in year pressure was continuing health care costs where spend was £2.8 million over budget.

Looking forward

The CCG's 5 year financial plan from 2014/15 show it meeting all of its financial targets through until 2018/19.

NHS England has set the CCG a target revenue surplus of £6.593 million for 2014/15 and the CCG has set a budget to deliver this. There is a significant financial challenge for 2014/15 to 2018/19 across the Somerset health economy. The 3 main providers have a combined Cost Improvement Plan challenge of £20 million per annum. This equates to a 4% efficiency requirement and savings of £100 million over a 5 year period.

The CCG and its providers are working to determine the scale of the change to be delivered over the 5 year planning period. A number of projects are currently underway to deliver the required savings across the health economy, including:

- a review of cost drivers, focussing on reducing beds, surgical intervention and outpatient attendances;
- an acute services review;
- implementation and roll out of the Symphony programme; and
- integration of health and social care resources through the Better Care Fund.

Section 3: Value for Money

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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

Better Care Fund

The Better Fund provides an opportunity to transform local services so that people are provided with better integrated health and social care. The fund provides for £3.8 billion of funding in 2015/16. For Somerset this equates to £38.6 million.

Our work on the BCF found that arrangements are continuing to evolve. We reviewed progress at the 79 CCGs for which Grant Thornton are the external auditor nationally.

Progress across Somerset is comparable with that elsewhere, both across the south west and nationally.

Our national findings identified a need for:

- SMARTer targets that define performance and costs
- greater engagement with trusts
- full modelling of all identified initiatives as to the impact on trusts
- full representation of CCGs on Health and Wellbeing Boards.

The CCG is well represented on the Somerset Health and Wellbeing Board.

Appendices

Appendix A: Reports issued and fees

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

Fees

	Planned £	Actual fees £
Statutory audit	105,000	105,000
Total fees	105,000	105,000

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	26 February 2014
Audit Findings Report	28 May 2014
Annual Audit Letter	1 July 2014



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