

The Audit Findings for NHS Somerset CCG

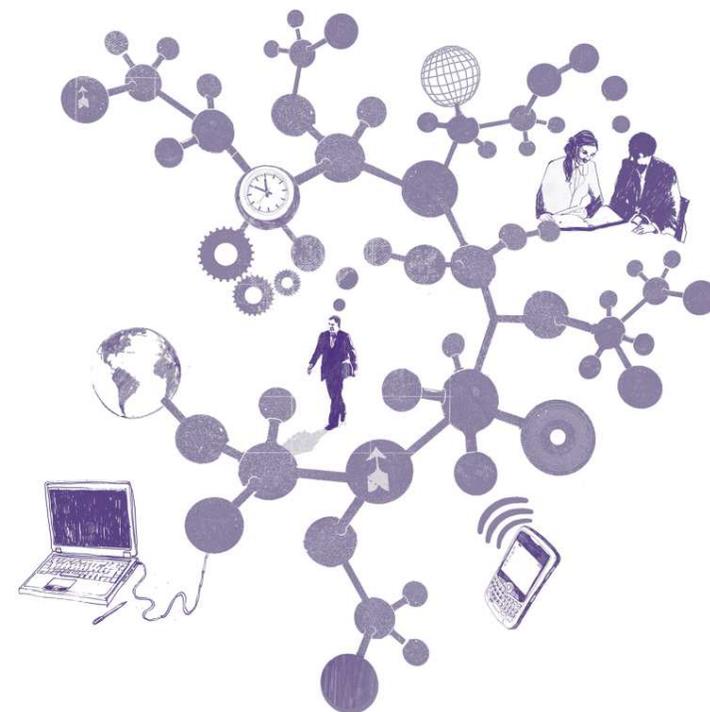
Year ended 31 March 2015

21 May 2015

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21 May 2015

Dear members of the Audit Committee

Audit Findings for NHS Somerset Clinical Commissioning Group for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team, CSU and other staff during our audit.

Yours faithfully

Geraldine Daly

Chartered Accountants

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Contents

Section	Page
1. Executive summary	4
2. Audit findings	8
3. Value for Money	21
4. Fees, non-audit services and independence	26
5. Communication of audit matters	28

Appendices

- A Action plan
- B Audit opinion

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key issues affecting the results of NHS Somerset Clinical Commissioning Group (the CCG) and the preparation of the CCG's financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260.

Under the Audit Commission's Code of Audit Practice (the Code) we are required to report whether, in our opinion, the CCG's financial statements present a true and fair view of the financial position. We are also required to reach a formal conclusion on whether the CCG has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money Conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 4 February 2015.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- obtaining and reviewing the management letter of representation;
- updating our post balance sheet events review, to the date of signing the opinion; and

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the national deadline.

Key audit and financial reporting issues

Financial statements opinion

We have identified no adjustments affecting the CCG's comprehensive net expenditure position. The draft financial statements for the year ended 31 March 2015 recorded comprehensive net expenditure of £668,546k; which is unchanged in the final statements.

A number of adjustments to improve the presentation of the financial statements and annual report have been made, these include the addition of some comparative information, a reduction in the related party disclosure note and amendment of minor disclosure errors in the remuneration report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B)

Regularity opinion

As well as an opinion on the accounts, 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 propose to give an unqualified regularity opinion.

Value for money conclusion

We are pleased to report that, based on our review of the CCG's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

Agreement of Balances and Whole of Government Accounts (WGA)

Our audit work has identified the following variances in the NHS agreement of balances (AoB) process:

- NHS Property Services – there is an unresolved difference of £313,000 between the income notified by NHS Property Services as receivable and the expenditure notified by NHS Somerset. Included in this amount is a balance of £287,000 which is currently disputed by NHS Somerset.
- NHS Property Services – The disputed balance of £287,000 described above is also reported as a mismatch between payable and receivable balances between the two organisations

The disputed invoice with NHS Property Services (£287k) is included as an expense in the CCG's financial statements, while the bodies seek to resolve the dispute. The maximum potential error in the CCG's accounts arising from these mismatches is therefore a £313k over-statement of expenditure.

Whilst the variance described is not material to the CCG's financial statements, we are required to report it in our assurance letter to the National Audit Office (NAO) for Whole of Government Accounts purposes. The NAO has stated that where significant variances exist they may conduct further detailed investigation.

Controls

Roles and responsibilities

The CCG's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the CCG.

Findings

Our work has not identified any significant control weaknesses which we wish to highlight for your attention. There is, however, one IT issue raised in our 2013/14 report which have not yet been addressed. Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit and our review of the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Interim Chief Financial Officer.

We have made a small number of recommendations, which are set out in the action plan. Recommendations have been discussed and agreed with the Interim Chief Financial Officer and the finance team.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team, CSU and other staff during our audit.

Grant Thornton UK LLP
May 2015

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below.

	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the CCG's and the CSU's financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the CCG and that internal audit work contributes to an effective internal control environment at the CCG.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility; and • Human resource policies and practices. 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the CCG's financial statements.</p>
Information technology controls	<p>We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the CCG's financial statements. However, we have noted some ongoing control weaknesses and these are highlighted in the attached action plan.</p>

Results of interim audit work (continued)

	Work performed	Conclusion
Walkthrough testing	<p>We have completed walkthrough tests of the CCG's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements and reviewed the internal audit reports on the controls operating at the CCGs shared service providers.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the CCG in accordance with our documented understanding.</p>	Our audit work has not identified any weaknesses which impact on our audit approach.
Journal entry controls	We have reviewed the CCG's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the CCG's control environment or financial statements.	Our audit work on journals included the testing of journals considered to be large (i.e. above materiality) and unusual or unexpected. Our testing has not identified any concerns or weaknesses which impact on our audit approach.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. Auditors may rebut this presumption depending on the circumstances of the client.</p>	<p>We have rebutted this presumption for NHS Somerset CCG because:</p> <ul style="list-style-type: none"> revenue does not primarily involve cash transactions revenue is principally an allocation from NHS England <p>We therefore do not consider this to be a significant risk for NHS Somerset CCG.</p>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>As part of our audit work we have completed.</p> <ul style="list-style-type: none"> review of entity controls review of accounting estimates, judgements and decisions made by management testing of journals entries. 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Secondary Care Commissioning</p>	<p>Contract costs not accounted for properly</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to confirm our understanding of the system. • Substantive testing of secondary healthcare costs including the reconciliation of reported expenditure to signed contracts and for NHS provided services agreement of expenditure balances to corresponding income balances at receiving bodies. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Secondary Care Commissioning</p>	<p>Invoiced non contract costs not accounted for properly</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to confirm our understanding of the system. • Substantive testing of non contract secondary health care costs including the testing of a sample of transactions to supporting information. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Significant matters discussed with management

	Significant matter	Commentary
1.	Business conditions affecting the CCG, and business plans and strategies that may affect the risks of material misstatement	We have discussed the CCG's future provider contracts and savings plans with the Interim Chief Financial Officer. We did not consider these issues to present a risk of material misstatement in the financial statements.
2.	Concerns about management's consultations with other accountants on accounting or auditing matters	Nothing impacting on our work.
3.	Discussions or correspondence with management regarding accounting practices, the application of auditing standards or fees for audit or other services.	No significant issues of concern.

Accounting policies, Estimates & Judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the CCG's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	Key estimates and judgements include <ul style="list-style-type: none"> – Accruals and prescribing year end balance. 	We have reviewed the appropriateness of your policy under the relevant accounting framework and considered the extent of judgement involved . In addition we have tested material accounting estimates reported in the financial statements.	
Going concern	The Directors have a reasonable expectation that the services provided by the CCG will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Directors' assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2014/15 financial statements.	
Other accounting policies	The CCG has adopted the standard accounting policies for the NHS as set out in the manual for accounts.	We have reviewed the CCG's policies against the requirements of the Manual for Accounts and do not have any comments to make.	

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee and been made aware of investigations around prescription fraud. These issues do not represent a risk of material misstatement to the financial statements. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
4.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the CCG.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from the National Audit Office for bank balances. We have received requested confirmations from your legal advisors, that there are no issues arising which should be disclosed in your financial statements.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our work has identified minor control weaknesses in relation to the IT environment, which were reported to you last year, with recommendations for improvement. These issues are reported in detail on the next page

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	X	<p>Lack of routine penetration tests and vulnerability assessments</p> <p>South West CSU have not provided evidence of recent penetration or vulnerability assessments for either their system or that of Somerset CCG.</p>	<ul style="list-style-type: none"> South, Central and West CSU are taking this issue up nationally due to the N3 connectivity issues.
2.	✓	<p>Active directory account lockout after unsuccessful login attempts</p> <p>User accounts within active directory were not automatically locked after a predefined number of unsuccessful login attempts.</p>	<ul style="list-style-type: none"> This recommendation has been implemented during 2014/15.
3.	✓	<p>Reviews of Information Security Logs Created by the active directory</p> <p>Logs of information security activity within the active directory were not being formally reviewed.</p>	<ul style="list-style-type: none"> South, Central and West CSU has recently purchased new software which will enable them to fully implement this recommendation. In the meantime, the CSU has implemented a system of sample checking whereby staff systems access has been reviewed.

Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted misstatements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

We have no adjusted misstatements to report to you.

Unadjusted misstatements

We have no unadjusted misstatements to report to you

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	1,240	Note 42. Revenue resource target	Error due to late notification of revised target. No impact on the financial statements
2 Disclosure	0	Note 38. Related party disclosures	The Related party disclosures made in the draft accounts were in excess of those required by IAS 24. No impact on the financial statements
3 Disclosures	0	Annual report	As a result of our review of the Annual Report, we have made a number of recommendations for amendments. These include details of Director changes which occurred during the year. The CCG has agreed and made the requested changes to the final report.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the CCG's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

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.

In 2014/15 we are required to give our VFM conclusion based on two criteria specified by the Audit Commission. These criteria are:

The CCG has proper arrangements in place for securing financial resilience.

The CCG has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The CCG has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The CCG is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the CCG's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Overall our work highlighted the challenging environment within which the CCG operates and the financial pressures which the CCG has to manage in the coming year.

We have reviewed the CCG's processes for setting and managing budgets and in particular the performance management of provider contracts. We have found that the CCG has a good dialogue with providers and we have seen evidence of how the CCG works with its key providers, to manage financial performance and improve quality of service.

However the financial settlement for 2015/16 presents the CCG and its providers with significant challenges. These include the achievement of £21.967m QIPP savings and a reported surplus of £6.484m. To date the CCG has plans in place to achieve savings of £19.274m. Plans are still being developed for the remaining £2.693m.

The CCG will need to manage these risks carefully if they are to achieve their financial targets for the year.

Value for Money

Challenging economy, efficiency and effectiveness

We have reviewed whether the CCG has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

From our review of financial plans, it is clear that in line with all NHS Bodies the CCG must make savings. As a Commissioning organisation, this must ultimately result in a requirement to reduce funding to its provider bodies. This has been achieved through hard contract negotiations.

However, there remains a duty by the CCG to ensure that contracts are delivered and quality maintained. Two of the CCG's main providers, Yeovil District Hospital NHS FT and Taunton and Somerset NHS FT have been the subject of investigations by Monitor during the year. At the time of writing this report, no formal report of their findings have been received from Monitor.

We have seen evidence of how the CCG has worked with the Foundation Trust to address the issues of concern to Monitor. These include regular meetings held with clinicians and finance staff, to help prioritise key risk areas and provide support where possible to help the Trusts meet their contract obligations while maintaining a quality of service.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, 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 2015.

We set out below our detailed findings against six risk areas which have been used to assess the CCG's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	Overall the CCG has good arrangements in place to secure financial resilience and economy, efficiency and effectiveness. However the environment in which it operates is becoming increasingly challenged by the financial constraints of the current economic climate	Green
Strategic financial planning	The CCG has financial plans in place with ambitious efficiency savings to be achieved in the year. This will require careful monitoring on the part of the CCG and co-operation from its key service providers	Amber
Financial governance	Financial Governance at the CCG is assessed as good, with regular reporting to the Governing Body	Green
Financial control	The CCG has good financial controls in place which will be essential if the CCG is to meet its financial targets for 2014/15	Green
Prioritising resources	The CCG has good communications with its providers. It uses the resources it has available to provide assistance and advice to its key provider Trusts, helping them to effectively manage their services within the contact boundaries	Green
Improving efficiency & productivity	The CCG monitors performance of its contracts and provides assistance to Trust to improve efficiency and productivity	Green

To support our VFM conclusion against the specified criteria we performed a risk assessment against VFM risk indicators specified by the Audit Commission, and additional indicators identified by ourselves. Following completion of our work we noted the following residual risks to our VFM conclusion:

Residual risk identified	Summary findings	RAG rating
Financial Resilience	The CCG has been required to set ambitious targets in its financial plan for 2015/16. Achievement of these targets will require careful management of its provider contracts and tight control of its internal budgets	Amber

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Fees, non-audit services and independence

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

Fees

	£
CCG audit	95,000
Total audit fees (excluding VAT)	95,000

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the CCG's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the CCG's key risks when reaching our conclusions under the Code.

It is the responsibility of the CCG to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the CCG is fulfilling these responsibilities.

	Audit Plan	Audit Findings
Our communication plan		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected unmodified auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	<p>Lack of routine penetration tests and vulnerability assessments</p> <p>Ensure that periodic intrusion and vulnerability tests are carried out to protect the network.</p>	Medium	South, Central and West CSU are taking this up nationally due to N3 connectivity issues.	<p>Rod How</p> <p>Chief Financial Officer/Director of Provider Management for SC&WCSU</p>

Appendix B: Audit opinion

We anticipate we will provide the CCG with an unmodified audit report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NHS SOMERSET CCG

We have audited the financial statements of NHS Somerset CCG for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by the NHS Commissioning Board with the consent of the Secretary of State as relevant to the National Health Service in England.

We have also audited the information in the Remuneration Report that is subject to audit, being:

the table of salaries and allowances of senior managers [and related narrative notes] on pages 71-73 .
the table of pension benefits of senior managers [and related narrative notes] on pages 74-75.
the disclosure of pay multiples [and related narrative notes] on page 75.

This report is made solely to the members of NHS Somerset CCG in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2014. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Clinical Commissioning Group (CCG)'s members and the CCG as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Accountable Officer and auditor

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the CCG's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report which comprises the introduction; strategic report; members' report, remuneration report and governance statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

In addition, we are required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

In our opinion, in all material respects the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In our opinion the financial statements:

give a true and fair view of the financial position of NHS Somerset CCG as at 31 March 2015 and of its net operating costs for the year then ended; and
have been prepared properly in accordance with the accounting policies directed by the NHS Commissioning Board with the consent of the Secretary of State as relevant to the National Health Service in England.

Opinion on other matters

In our opinion:

the part of the Remuneration Report subject to audit has been prepared properly in accordance with the requirements directed by the NHS Commissioning Board with the consent of the Secretary of State as relevant to the National Health Service in England; and the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

in our opinion the governance statement does not reflect compliance with NHS England's Guidance; we refer a matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because we have reason to believe that the CCG, or an officer of the CCG, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or we issue a report in the public interest under section 8 of the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the CCG's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the CCG and auditor

The CCG is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the CCG has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the CCG has proper arrangements for:

securing financial resilience
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the CCG put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the CCG had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, NHS Somerset CCG put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Certificate

We certify that we have completed the audit of the accounts of NHS Somerset CCG in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



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