



The Annual Audit Letter for NHS Trafford Clinical Commissioning Group

Year ended 31 March 2019

June 2019



Contents



Your key Grant Thornton
team members are:

Mark Heap

Engagement Lead

T: 07880 456204

E: mark.r.heap@uk.gt.com

Helen Stevenson

Manager

T: 07880 456209

E: helen.l.stevenson@uk.gt.com

Andrew McNeil

Executive

T: 0161 234 6366

E: andrew.mcneil@uk.gt.com

Section

1. Executive Summary
2. Audit of the Financial Statements
3. Value for Money arrangements

Page

3
5
10

Appendices

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at NHS Trafford Clinical Commissioning Group (the CCG) for the year ended 31 March 2019.

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 and Governing Body as those charged with governance in our Audit Findings Report on 23 May 2019.

Our work

Respective 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 and regularity assertion (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) (ISAs) and other guidance issued by the NAO.

Materiality	We determined materiality for the audit of the CCG's financial statements to be £6,940,000, which is 2% of the CCG's gross revenue expenditure.
Financial Statements opinion	<p>We gave an unqualified opinion on the CCG's financial statements on 24 May 2019.</p> <p>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.</p> <p>Based on our review of the CCG's expenditure we gave an unqualified regularity opinion.</p>
NHS Group consolidation template (WGA)	We also reported on the consistency of the financial statements 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 statutory powers.

Executive Summary

Value for Money arrangements We were satisfied that the CCG put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources except for:

- its arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions, and
- acting in the public interest, through demonstrating and applying the principles and values of sound governance.

We therefore qualified our value for money conclusion in our audit report to the members of the Governing Body on 24 May 2019.

Certificate We certified that we completed the audit of the financial statements of NHS Trafford CCG in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice on 24 May 2019.

Working with the CCG

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered an efficient audit with you in May, delivering the financial statements 5 days before the deadline, releasing your finance team for other work.

- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports
- Providing training – we provided your teams with training on financial statements and annual reporting

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
June 2019

Audit of the Financial Statements

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 financial statements to be £6,940,000, 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 materiality for senior officer remuneration and related party transactions.

We set a lower threshold of £300,000 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 sufficient 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 are 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 financial statements included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) 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 Financial Statements

Significant Audit Risks

These are the significant 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>Improper revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have rebutted this presumed risk for NHS Trafford 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 Trafford CCG.</p>	<p>Our audit work did not identify any issues in respect of improper revenue recognition. As we do not consider this to be a significant risk for the CCG we did not undertake any specific work in this area other than our normal audit procedures, including validating total remittances received from NHS England.</p>	

Audit of the Financial Statements

Significant Audit Risks

These are the significant 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>Secondary healthcare expenditure – contract variations A significant percentage of the CCG’s expenditure is on contracts for healthcare with NHS providers and non-NHS providers, such as operations and hospital care. Contract variations are agreed with the supplier throughout the year to recognise demand and price adjustments against the agreed contracts. Costs related to contract variations are recognised when the adjustment has been agreed with the provider, with accruals raised at the year-end for completed activity for which an invoice has not been issued.</p> <p>We identified the accuracy and occurrence of secondary healthcare expenditure – contract variations, and the existence of associated payables and accruals, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> ▪ gained an understanding of the financial reporting processes used for the purchase of secondary healthcare and evaluated the design of the associated controls ▪ substantively tested secondary healthcare costs including: <ul style="list-style-type: none"> - sample tested significant secondary healthcare expenditure - examined month 12 intra NHS agreement of balances and tested variation adjustments to ensure they are appropriate and that year-end amounts are accounted for correctly - sample tested other items of expenditure to appropriate evidence - sample tested year end balances with providers 	<p>Our audit work did not identify any issues in relation to the risk identified.</p>

Audit of the Financial Statements

Significant Audit Risks

These are the significant 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 internal controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We identified management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our audit work we;</p> <ul style="list-style-type: none">▪ gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness▪ obtained a full listing of journal entries, identified and examined unusual journal entries for appropriateness▪ evaluated the rationale for any changes in accounting policies or significant unusual transactions.	<p>Our audit work did not identify any issues in respect of management override of controls.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the CCG's financial statements on 24 May 2019.

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 financial statements

The CCG presented us with draft financial statements 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.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the CCG's Audit Committee on 23 May 2019.

Annual Report, including the Governance Statement

We are also required to review the CCG's Annual Report and the Governance Statement included within the Annual Report. It provided these on a timely basis with the draft financial statements with supporting evidence.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of NHS Trafford CCG in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice on 24 May 2019.

Value for Money arrangements

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 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

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

We are satisfied that, in all significant respects, except for the matters we identified in respect of:

- the deployment of resources to achieve strategic objectives, and
 - informed decision making with respect to the Altrincham Hub scheme
- the CCG had proper arrangements in all significant respects.

Value for Money arrangements

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial Position</p> <p>At the time of our planning the CCG faced a significant financial challenge in 2018/19 with a Quality, Innovation, Productivity and Prevention Plan (QIPP) requirement of £23.2m to meet its statutory duty of in-year breakeven.</p> <p>The CCG's 3 year Financial Recovery Plan 2018/19 to 2020/21 set out the requirement to deliver cumulative savings of £45m over the period to meet the NHS business rules of 2% surplus.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> ▪ reviewed the CCG's 2018/19 financial outturn position and performance during the year. ▪ examined the CCG's Financial Plan from 2019/20 onwards which included considering savings and efficiency plans, mitigating actions and contingencies. ▪ considered the steps the CCG has taken to seek to manage the situation and whether it is engaging with partners to help develop longer-term solutions. 	<p>The CCG agreed a breakeven plan for 2018/19 and submitted a financial recovery plan to GMHSCP setting out how it would address its historic deficit of £3.9m and return to meeting business rules of a cumulative 2% surplus by 2020/21. The Financial Plan 2018/19 required savings of £23.2m to deliver breakeven of which the CCG originally identified £10.3m and delivered £7.5m.</p> <p>The CCG reported the Financial Plan position in finance reports to the Governing Body throughout the year. It has held ongoing discussions with GMHSCP on levels of non-recurrent support and received £14m to enable it to breakeven. This support is repayable and the CCG has included it in its initial 2019/20 Financial Plan.</p> <p>The Financial Plan 2019/20 outlines significant financial challenges with a gross savings target of £23.9m (before the inclusion of £7m CSF). The CCG has identified £15.5m QIPP schemes to date from initial plans, including £10.8m of recurrent savings. This leaves £1.4m unidentified net savings with no schemes attached.</p> <p>The CCG recognises that there is a significant risk in achieving the required level of QIPP and risks associated with commissioned services not aligning to the views of providers. It has recently set up a Business Delivery Group with responsibility for overseeing progress on QIPP savings schemes and managing the overall delivery of these.</p> <p>Trafford CCG continues to discuss its financial position with GMHSCP as part of its 3 year Financial Recovery Plan. Whilst we are satisfied that the CCG has set priorities for transforming the delivery of health and social care services in Trafford and is working to achieve future financial sustainability, there is ongoing uncertainty with respect to achieving financial balance.</p> <p>We therefore concluded that there are weaknesses in setting a sustainable budget with sufficient capacity to absorb emerging cost pressures to deliver its strategic priorities.</p>

Value for Money arrangements

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Informed decision making with respect to Altrincham Health and Wellbeing Centre</p> <p>The CCG originally planned to use the Altrincham Health and Wellbeing site as a community hub with GP and community services for the delivery of primary and community care. At the time of our planning the CCG was re-visiting its long term strategy on health provision due to concerns over the rental costs of the property and resultant lack of NHS organisations making use of the facility.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> ▪ examined the CCG's decision making arrangements and project planning in relation to the development and usage of the Altrincham Hub. ▪ considered whether the CCG made informed decisions to manage the situation and whether it is engaging with partners to help develop longer-term solutions 	<p>The CCG originally decided in 2014 to establish a health and wellbeing hub on the site of the old Altrincham General Hospital commencing in 2016. The plan was for the hub to integrate health, social and community services, bringing together two GP practices and incorporating a library, pharmacy, minor operating suite and café.</p> <p>In October 2018 the development was completed. However, the only tenant to move in was Trafford Council's Altrincham Library. An independent review was commissioned by Greater Manchester Health and Social Care Partnership to examine how decisions were made concerning the development of the building. This concluded that there were repeated failures in the governance processes of the CCG in relation to the Altrincham Hub, from inception of the programme in September 2014 through to July 2018. The failings included:</p> <ul style="list-style-type: none"> • Inadequate analysis and information within the outline and final business cases which were recognised as being only 80% complete • Lack of robust challenge on the choice of location • Weak financial analysis • An unreasonably optimistic risk assessment, and • A completely inappropriate balance of risk and reward. <p>It was reported that the Governing Body failed to assess the commercial risks and rewards as unfavourable with poor commercial outcomes for the CCG. Fundamental questions were not asked in relation to the size of the development and the commercial terms agreed. There was little evidence to support decisions and there was limited challenge and risk management shown by the Governing Body with respect to the scheme.</p> <p>The report pointed out that the scheme has left the CCG with a potential annual liability of over £2m, although efforts are underway to mitigate these annual costs.</p>

Value for Money arrangements

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Informed decision making with respect to Altrincham Health and Wellbeing Centre</p> <p>The CCG originally planned to use the Altrincham Health and Wellbeing site as a community hub with GP and community services for the delivery of primary and community care. At the time of our planning the CCG was re-visiting its long term strategy on health provision due to concerns over the rental costs of the property and resultant lack of NHS organisations making use of the facility.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> ▪ examined the CCG's decision making arrangements and project planning in relation to the development and usage of the Altrincham Hub. ▪ considered whether the CCG made informed decisions to manage the situation and whether it is engaging with partners to help develop longer-term solutions 	<p>The CCG has recognised the findings of the review and has started to address the issues raised. The Governing Body has adopted a new constitution and is reviewing all of its governance arrangements. A Programme Board has been created to work with partners to ensure the best use of the building. It has responsibility for ensuring that the recommendations in the independent report are responded to appropriately.</p> <p>The Programme Board has established a risk log and action plan with allocated responsibilities and due dates. It is currently developing risk management arrangements to mitigate against the identified financial and delivery risks for the scheme.</p> <p>Although we are satisfied that the CCG and partners are now taking appropriate action to address the identified risks there are some identified gaps in controls that the Programme Board is working to close. These include:</p> <ul style="list-style-type: none"> • Developing detailed occupancy plans to address the underutilisation of the building • Refreshing the detailed programme for all activities to give assurance on key milestones (including GP relocation, marketing and communications) with named leads and due dates • Establishing a working group to support the delivery of the programme plan • Providing update reports to the Board • Finalising and agreeing a Board-owned risk and issues log <p>On the basis of the areas outlined above we therefore issued a qualified 'except for' VFM conclusion to reflect the weaknesses in proper arrangements for informed decision making, specifically in relation to the Altrincham hub development that supports the delivery of strategic priorities.</p>

A. Reports issued and fees

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

Reports issued

Report	Date issued
Audit Plan	April 2019
Audit Findings Report	23 May 2019
Annual Audit Letter	June 2019

Fees

	Planned fees £	Actual fees £	2017/18 fees £
Statutory audit	38,050	38,050	38,050
Mental Health Investment Standard	TBC	TBC	N/A
Total fees	TBC	TBC	38,050

Fees for non-audit 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 confirms that no non-audit services were identified.



© 2019 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.