The Annual Audit Letter
for Guildford and Waverley Clinical Commissioning Group

Year ended 31 March 2015
July 2015

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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 following work that we have carried out at Guildford and Waverley Clinical Commissioning Group (the CCG) for the year ended 31 March 2015:
- auditing the 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 26 May 2015.

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 issued by the Audit Commission in April 2014 (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).

Audit conclusions
The audit conclusions we have provided in relation to our 2014/15 audit 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 2015 and of net expenditure recorded by the CCG for the year.

We also provided a separate opinion on the Accounts Consolidation Template (ACT) which confirmed the consistency of the figures in the ACT with the audited financial statements.

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 provided an unqualified conclusion in respect of the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Key areas for the CCGs attention
The CCG has met its key financial target achieving a £3m surplus and not exceeded the revenue administration resource limit. The financial statements were prepared to a good standard and there were no adjustments impacting on the CCG’s financial position as a result of our audit.

The CCG has continued to strengthen its governance structures and risk management arrangements throughout the year and have embedded good systems of internal control and as a result achieved a positive Head of Internal Audit opinion.

The CCG has experienced considerable financial pressures in 2014/15 as a result of over performance of providers of acute services and slippage in its transformational programme. As a consequence of the challenging financial year, the CCG undertook some non recurrent measures in order to achieve its 1% surplus. These measures have created an underlying deficit position going into 2015/16.

The CCG has set a balanced budget for 2015/16 that includes an ambitious transformation programme target of £15.2m representing approximately 6% of the CCG’s resource limit.

We recognise that a transformational programme of 6% is a stretched target that is higher than most CCGs and that achieving a break even position in 2015/16 will be extremely challenging. The CCG does have a clear understanding of the pressures facing it now and in the future which are inbuilt into its financial models.

Acknowledgments
This Letter has been agreed with the Chief Finance Officer and Deputy chief Executive.

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 2015
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. Appropriate working papers were made available from the start of the audit fieldwork.

Issues arising from the audit of the accounts
The key messages arising from our audit of the CCG’s financial statements are:
• The financial statements were provided by the deadline and were supported by a full set of working papers.
• The quality of the working papers and documents supporting the balances within the financial statements were of a good standard.
• Our substantive testing of the balances within the financial statements did not identify any misstatements impacting on the CCG’s financial position.
• There were a small number of minor presentational issues that the CCG corrected for in the final set of financial statements.

Annual Governance Statement and Annual Report
The Annual Governance Statement and Annual Report provided for audit complied with the requirements of the Annual Reporting Guidance.

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 26 May 2015 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the CCG's 2014/15 accounts on 27 May 2015, 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 position as at 31 March 2015 and of the net expenditure recorded by the CCG for the year.
Financial performance 2014/15

The CCG's Performance against its financial targets is set out in the table below:

<table>
<thead>
<tr>
<th>Target £000s</th>
<th>Actual £000s</th>
<th>Met?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure not to exceed income</td>
<td>234,509</td>
<td>233,873</td>
</tr>
<tr>
<td>Capital resource use does not exceed the amount specified in direction</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Revenue resource use does not exceed the amount specified in direction</td>
<td>236,880</td>
<td>233,873</td>
</tr>
<tr>
<td>Capital resource use on specified matters(s) does not exceed the amount specified in Directions</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Revenue resource use on specified matters(s) does not exceed the amount specified in Directions</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Looking forward

The CCG has set a balanced budget for 2015/16. The key risks to the achievement of this include:

- The CCG has taken some non recurrent measures in order to achieve its 1% surplus in 2014/15 including support from Surrey CCGs and utilising all contingency and reserves. This has created an underlying deficit position going into 2015/16.
- Delivery of £15.2m transformation programme in 2015/6 remains a significant risk.
- Ensuring contracts are agreed within the available resources and that over performance by providers is not underestimated in the plan.
- Unforeseen cost pressures

The CCG will need to monitor the financial position, the progress of the transformational programme and performance of providers to ensure that its financial targets are achieved, whilst continuing to ensure good relationships with its key stakeholders are maintained.
Section 3: Value for Money

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Value for Money

Value for Money conclusion
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
• 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 the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code and the Act:

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
• Financial control.

Our work highlighted that the CCG has met its key financial target achieving a £3m surplus and not exceeded the revenue administration resource limit. The CCG has experienced considerable financial pressures in 2014/15 as a result of over performance of providers of acute services and slippage in its transformational programme. As a consequence of the challenging financial year, the CCG has taken some non recurrent measures in order to achieve its 1% surplus. These measures have created an underlying deficit position going into 2015/16.

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. Our work highlighted that the CCG is focused on working with providers to draw out efficiencies, optimise spend and deliver quality and shift care into the most appropriate settings. Therefore, it is considered that the CCG has adequate arrangements in place in respect of challenging economy, efficiency and effectiveness in prioritising resources and improving efficiency & productivity.

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.
Appendices
Appendix A: Reports issued and fees

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

**Fees**

<table>
<thead>
<tr>
<th>Service</th>
<th>Planned £</th>
<th>Actual fees £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory audit</td>
<td>61,800</td>
<td>61,800</td>
</tr>
<tr>
<td>Total fees</td>
<td>61,800</td>
<td>61,800</td>
</tr>
</tbody>
</table>

**Fees for other services**

<table>
<thead>
<tr>
<th>Service</th>
<th>Fees £</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**Reports issued**

<table>
<thead>
<tr>
<th>Report</th>
<th>Date issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Plan</td>
<td>10 March 2015</td>
</tr>
<tr>
<td>Audit Findings Report</td>
<td>26 May 2015</td>
</tr>
<tr>
<td>Annual Audit Letter</td>
<td>July 2015</td>
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</tbody>
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