

Annual Audit Letter 2015

NHS Vale of York Clinical Commissioning Group

July 2015



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July 2015

The Audit Committee
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Dear Audit Committee Members

Annual Audit Letter 2014/2015

I am delighted to present to you our Annual Audit Letter for the 2014/15 audit year. The purpose of this document is to summarise the outcome of the audit of NHS Vale of York Clinical Commissioning Group's (CCG) 2014/15 annual accounts and our work on the value for money conclusion.

We carried out our audit in accordance with the Code of Audit Practice for NHS bodies as issued by the Audit Commission and delivered all expected outputs in line with the timetable established by NHS England.

I would like to express my thanks for the assistance of the CCG finance team as well as management and the Governing Body.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6300.

Yours faithfully

Mark Kirkham
Mazars LLP

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Our reports are prepared in the context of the Audit Commission’s ‘Statement of responsibilities of auditors and audited bodies’. Reports and letters prepared by appointed auditors and addressed to Governing Body members, Non-Executive Directors, Directors or managers are prepared for the sole use of the audited body and we take no responsibility to any Governing Body member, Non-Executive Director, Director or Manager in their individual capacity or to any third party.

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01 Key messages

In 2014/15 our audit of the CCG included the following main elements:

- auditing your financial statements including a review of the Annual Governance Statement and Annual Report including auditing certain sections of the Remuneration report; and
- assessing arrangements for achieving value for money (VfM) in your use of resources.

We reported the detailed findings from our audit work to the Governing Body in our Audit Completion Report on 27 May 2015. We also confirmed that your consolidation information was consistent with the audited financial statements.

The key conclusions for each element are summarised below:

Audit of the financial statements

We issued an audit report including an unqualified opinion on the CCG's financial statements on 27 May 2015. The audit progressed smoothly and did not identify any material errors which required adjustment. We did not identify any differences between the accounts consolidation template and the financial statements. We issued our auditors report on CCG accounts consolidation template on the 27May 2015.

Value for money

We carried out sufficient, relevant work, in line with the Audit Commission's guidance, so that we could conclude on whether you had in place, for 2014/15, proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We were required to consider two specified criteria:

- the CCG has proper arrangements in place for securing financial resilience; and
- the CCG has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 27 May 2015.

02 Financial statements

Audit of the financial statements

We audited the CCG's financial statements in line with auditing standards and we reported the detailed findings of the audit to the 27 May 2015 Audit Committee in our Audit Completion Report. We issued an audit report including an unqualified opinion on the CCG's financial statements and the remuneration report on 27 May 2015. This enabled the CCG to submit its audited annual report and accounts to NHS England by the 29 May 2015 deadline.

Preparation of the accounts

The CCG presented us with draft accounts in accordance with the national deadline. Working papers and other supporting evidence were produced on a timely basis throughout the audit.

Issues arising from the audit of the accounts

The audit progressed smoothly. The draft financial statements were of a good quality as was the standard of supporting working papers. We did not identify any material errors which the CCG needed to amend.

The draft accounts were amended for a number of disclosure changes identified during the audit.

Annual Report

We reviewed the draft of the CCG's annual report and did not highlight any significant issues. A few amendments were made to the Remuneration Report.

Annual Governance Statement (AGS)

The AGS is drafted by the CCG to provide assurance to the reader over how it is managed and how it has dealt with risks in the year. We reviewed the AGS to see whether it complied with relevant guidance and whether it was misleading or was inconsistent with what we know about the CCG. We found no areas of concern to report in this context.

Regularity opinion

We give our opinion on whether you have used the CCG's money as Parliament intended and whether you have done so in accordance with the various authorities governing the transactions. Our work did not identify any issues and we issued an unqualified regularity opinion on 27 May 2015.

Weaknesses in internal control

Our work on the CCG's financial systems identified no significant weaknesses in internal control.

Consistency report

On 27 May 2015 we reported to the CCG that no differences had been identified with consolidation template and the audited accounts.

03 Securing economy, efficiency and effectiveness – value for money conclusion

Value for money

For 2014/15, we were required to give a statutory conclusion on the CCG's arrangements to secure value for money (VfM) in its use of resources, based on the two specified reporting criteria.

Criteria	Focus of the criteria
The CCG has proper arrangements in place for securing financial resilience.	Systems and processes to manage financial risks and opportunities effectively, 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.	Prioritising resources within tighter budgets, for example, by achieving cost reductions and by improving efficiency and productivity.

As part of our work, we also:

- review your annual governance statement;
- review the work of other relevant regulatory bodies or inspectorates to the extent the results of the work have an impact on our responsibilities (none in 2014/15); and
- carry out any risk-based work we determined to be appropriate.

Like other public sector bodies, the CCG faces a number of challenges and in light of these we reviewed the CCG's arrangements for managing financial risks and securing a stable financial position. We included the results of our review of arrangements for securing value for money in the Audit Completion Report to the Audit Committee on the 27 May 2015. This gave further details of our assessment of the CCG arrangements to secure value for money.

Annual Governance Statement

We reviewed the CCG's Annual Governance Statement (AGS) to identify if there were any issues disclosed by the CCG that would lead us to consider the CCG did not have proper arrangements in place for securing economy, efficiency and effectiveness. Our review did not identify any such issues.

Overall conclusion

We satisfied ourselves 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 and we issued an unqualified VfM conclusion.

04 Future challenges

Financial challenges

The CCG delivered its break even target for 2014/15 and achieved a surplus of £3.851 million (compared with the planned figure of £2.094 million). Allocated running costs were £8.625 million and the CCG underspent that allocation by £1.574 million.

The Quality, Innovation, Productivity and Prevention (QIPP) target was £9.4 million for 2014/15 and the CCG achieved £5 million (£2.9m through QIPP schemes and the remainder through other mitigations) which is a shortfall of £4.4 million or 47% of the plan.

In 2015 /16, the CCG's funding allocation increased by £9.448 million 2.54% (equal to the national average) and the NHS National Framework guidance requires CCGs to achieve a 1% surplus. As well as QIPP delivery, successful financial performance in 2015/16 and beyond will require projects developed as part of partnership arrangements under the Better Care Fund (BCF) to prevent hospital admissions.

The CCG contributes to three BCF plans across three local authority areas which each have clearly articulated and agreed visions but there remain significant risks that the savings and outcomes required are not realised because investment in each scheme may not sufficiently reduce hospital activity.

The CCG's 2015/16 detailed financial plan was presented to the Governing Body in June 2015 and includes unallocated QIPP savings of £9.665 million over and above savings already identified through QIPP or BCF plans. Mitigations and contingencies have been identified to meet some of the additional requirement but the CCG needs to deliver these savings if it is to achieve its 1% surplus target for 2015/16.

QIPP and BCF schemes are at different stages of development and while some are well advanced and the risk to delivery is low, others are still being developed and may not achieve the expected savings. The CCG has recently completed a number of procurement exercises which should address some issues.

Other Challenges

The CCG faces a number of other challenges in the coming year which we will take account of in our audit plans. These challenges include:

- **Primary care co-commissioning:** these are significant new responsibilities applying from April 2015. The CCG has recognised the importance of having appropriate arrangements in place so that it can work in much closer partnership with primary care in achieving better health care services for patients. It will have influence over services, finances and contracts in a way that was not possible previously. This will drive much closer working between primary and hospital care as the CCG can ensure the vision for health services in the Vale of York is disseminated across all parts of the system and now has the influence to drive the necessary changes.
- **Commissioning Support:** the failure of NYHCS to gain Lead Provider Framework status has led to continuity risks to the CCG and also the need for the CCG to find alternative providers. The CCG is working with other North Yorkshire CCGs to identify the best value for money alternatives, including in house provision.

With a financial outlook that is increasingly challenging, to develop locally responsive services that maintain standards of access and quality, the CCG will need to:

- carefully forecast and effectively monitor budgets;
- identify and address financial pressures as they emerge;
- deliver a long term financial strategy that addresses immediate pressure while allowing scope for the strategic service change;
- maintain effective arrangements for public engagement;
- use constructive relationships with care providers and social care commissioners to safeguard quality.

05 Fees

We can confirm the final audit fee for 2014/15 was £80,000 plus VAT.

We have discussed this letter with the Chief Finance Officer and intend to present it to the Audit Committee in July 2015.

During the audit year we have continued to support the CCG in other ways, including:

- Attendance at Audit Committees where we inform the Committee about progress on the audit, report our key findings and update it about developments in the NHS, CCGs, and the wider environment.
- Hosting events for staff, such as our NHS Accounts workshops and the Better Care Fund seminar.

Further detailed findings, conclusions and recommendations in the areas covered by the audit are included in the reports issued to the CCG during the year, which are summarised below

Report	Date issued
2014/15 Audit Fee Letter	April 2014
Audit Strategy Memorandum	March 2015
Director declarations	March 2015
Progress reports to Audit Committee	To each Audit Committee meeting
Audit Completion Report, including review of VfM arrangements	May 2015
Audit Opinion on the Financial Statements	May 2015

The CCG has taken a positive and constructive approach to our audit and we wish to thank the Governing Body, Audit Committee, and officers for the support and co-operation provided during our audit.

We are committed to supporting the CCG move forward with clarity of purpose and strong governance and accountability arrangements. Mazars currently audits a further ten CCGs and advises many other NHS bodies across the country. We will meet with the CCG to learn lessons from the 2014/15 audit and will continue to share our insights from other CCGs, across the NHS and relevant knowledge from the wider public and private sector.

Mark Kirkham

Director

July 2015.