



The Annual Audit Letter for NHS Enfield Clinical Commissioning Group

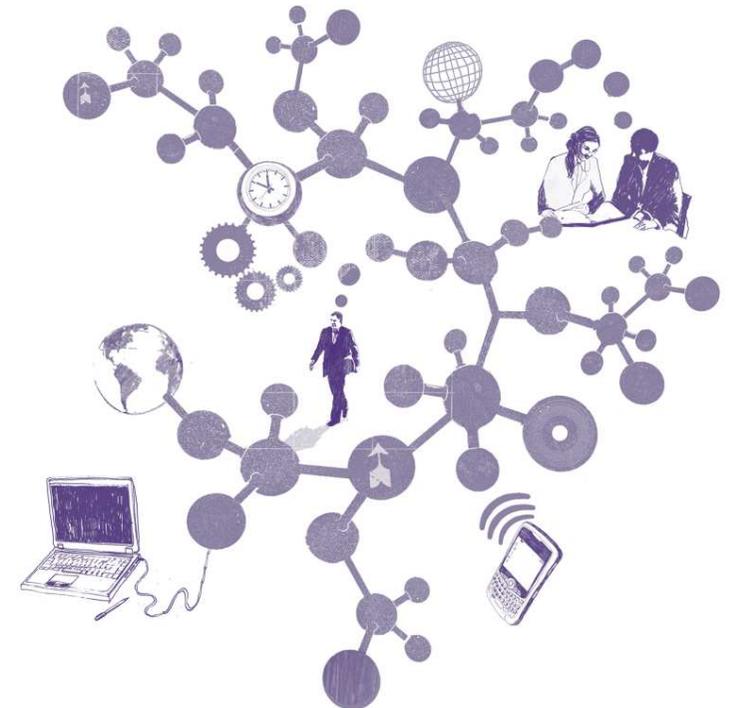
Year ended 31 March 2015

June 2015

Paul Hughes
Engagement Lead
T 020 7728 2256
E paul.hughes@uk.gt.com

Vaughan Matthews
Manager
T 020 7728 3309
E vaughan.c.matthews@uk.gt.com

Will King
Executive
T 020 7728 2819
E will.d.king@uk.gt.com



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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 NHS Enfield Clinical Commissioning Group (the CCG) for the year ended 31 March 2015, namely:

- 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 27 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).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with our Audit Plan issued in March 2015 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 we 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.

We issued an except for regularity opinion because the CCG incurred a deficit of £18.9m for the year, and therefore failed to comply with the statutory duty to break even. We issued a report on this matter to the Secretary of State under Section 19 of the Audit Commission Act 1998 on 21 May 2015.

Value for money (VfM)

Our review of the CCG's arrangements to secure economy, efficiency and effectiveness highlighted the following issues which gave rise to an adverse qualified VFM conclusion:

- The CCG reported a deficit of £18.9 million in its financial statements for the year ending 31 March 2015, thereby breaching its duty under the National Health Service Act 2006, as amended by paragraphs 223I (2) and (3) of Section 27 of the Health and Social Care Act 2012, to break even on its commissioning budget.
- The CCG set a deficit budget for the year ending 31 March 2016 and is anticipating an overspend of £14.4 million against its revenue resource limit for that year.
- In February 2015 the CGG and NHS England appointed Deloitte LLP to undertake a financial governance review which identified weaknesses with the CCG's arrangements for financial planning, financial control and financial governance. Management has responded positively to the recommendations arising, with all outstanding actions having an implementation date no later than 30 September 2015.

Key areas for the CCG's attention

Both the Governing Body and management are aware that the CCG needs to focus its attention on ensuring that sound arrangements are in place for financial governance, financial planning and financial control.

A Recovery Plan has been recently drafted by the Chief Finance Officer which covers a five year period. It sets out the recovery actions necessary and the resources required to deliver an improved financial position. The Recovery Plan will need to be approved by NHS England and the CCG's Governing Body.

Acknowledgments

This Letter has been agreed with the Chief Finance Officer.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the finance team, North & East London Commissioning Support Unit (the CSU) and other staff during our audit.

Grant Thornton UK LLP
June 2015

Section 2: Audit of the accounts

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Audit of the accounts

Financial Statements opinion

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.

We identified no adjustments affecting the CCG's comprehensive net expenditure position of £368.2m. We suggested a small number of adjustments to improve the presentation of the accounts.

The key messages arising from our audit of the CCG's financial statements are:

- given the tight timescale for preparation of financial statements the CCG and CSU responded well and prepared materially accurate financial statements; and
- the annual report and financial statements have been prepared to satisfy the requirements of NHS England guidance.

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.

Our review of the CCG's expenditure highlighted the following issue which will give rise to an except for regularity opinion. The CCG incurred a deficit of £18.9m for the year, and therefore it failed to comply with the statutory duty to break even. We issued a report to the Secretary of State under Section 19 of the Audit Commission Act 1998 on 21 May 2015.

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

We issued an unqualified opinion on the CCG's 2014/15 accounts on 29 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.

We qualified our regularity opinion making reference to our report to the Secretary of State in relation to the CCG's breach of its revenue resource limit in 2014/15.

Financial performance 2014/15

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

	Target	Actual	Surplus / (Deficit)
Expenditure not to exceed income	351,747	370,618	(18,871)
Capital resource use does not exceed the amount specified in direction	0	0	0
Revenue resource use does not exceed the amount specified in direction	349,344	368,215	(18,871)
Capital resource use on specified matters(s) does not exceed the amount specified in Directions	0	0	0
Revenue resource use on specified matters(s) does not exceed the amount specified in Directions	0	0	0
Revenue administration resource use does not exceed the amount specified in Directions	7,742	7,420	322

The CCG failed to meet the following targets:

- expenditure not to exceed income; and
- revenue resource use does not exceed the amount specified in direction.

We qualified our regularity opinion due to the CCG's breach of its revenue resource limit in 2014/15 and made reference to it in our report to the Secretary of State.

Looking forward

The CCG will need to focus on improving its financial performance for the year ahead in line with its agreed Recovery Plan.

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; 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 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; and
- financial control.

Our work highlighted that:

- the CCG reported a deficit of £18.9 million in its financial statements for the year ending 31 March 2015;
- the CCG set a deficit budget for the year ending 31 March 2016 and is anticipating an overspend of £14.4 million against its revenue resource limit for that year; and
- an external financial governance review has been completed that identified weaknesses with the CCG's arrangements for financial planning, control and governance, though management has responded positively to all the financial governance review's recommendations.

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 overall adequate arrangements are in place, but there is scope for improving procurement and data quality arrangements. There are also areas where arrangements are still developing, in particular, the Better Care Fund and the response to the NHS Five Year Forward View.

Overall VfM conclusion

On the basis of our work on securing financial resilience, and having regard to the guidance on the specified criteria published by the Audit Commission, we issued an adverse qualified conclusion.

Appendices

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Planned £	Actual fees £
Statutory audit	84,800	84,800
Total fees	84,800	84,800

Fees for other services

Service	Fees £
Section 75 agreement for pooling of Better Care Fund monies between the London Borough of Enfield and the CCG – focus for developing further arrangements	2,500

Reports issued

Report	Date issued
Audit Plan	March 2015
Audit Findings Report	May 2015
Annual Audit Letter	June 2015



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