The Annual Audit Letter
for NHS Kernow Clinical Commissioning Group

Year ended 31 March 2015
21 July 2015

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**Appendices**

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Section 1: Executive summary

01. Executive summary
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03. Value for Money
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 Kernow CCG 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).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with our Audit Plan issued on 17 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 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.
Whole of Government Accounts (WGA)
We issued a group assurance certificate to the National Audit Office, in respect of Whole of Government Accounts, which did not identify any issues for the group auditor to consider.

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.

Acknowledgments
This Letter has been agreed with the Acting Chief Finance Officer.

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

01. Executive summary
02. Audit of the accounts
03. Value for Money
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.

We did not identify any adjustments affecting the CCG’s comprehensive net expenditure position. The audited financial statements show a comprehensive net expenditure of £712.5m.

Issues arising from the audit of the accounts
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.

Regularity opinion - 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 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.

Agreement of Balances and Whole of Government Accounts (WGA)
Our audit work has not identified any variances in the NHS agreement of balances (AoB) process.

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 26 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</th>
<th>Actual</th>
<th>Met?</th>
</tr>
</thead>
<tbody>
<tr>
<td>£,000k</td>
<td>£,000k</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditure not to exceed income</th>
<th>726,713</th>
<th>722,707</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital resource use does not exceed the amount specified in direction</td>
<td>190</td>
<td>188</td>
<td>Yes</td>
</tr>
<tr>
<td>Revenue resource use does not exceed the amount specified in direction</td>
<td>716,477</td>
<td>712,473</td>
<td>Yes</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>
<td>Yes</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>
<td>Yes</td>
</tr>
<tr>
<td>Revenue administration resource use does not exceed the amount specified in Directions</td>
<td>13,780</td>
<td>11,645</td>
<td>Yes</td>
</tr>
</tbody>
</table>

The CCG did not meet its QIPP targets in 2014/15 and has agreed a reduced target for its surplus in 2015/16, this highlights the potential risk that savings targets will not be met over the life of the recovery plan.

The CCG has a robust reporting system that reflects good control. Performance is reported and actions are put in place where weaknesses or shortfalls are identified.

### Looking forward

Kernow CCG has put in place a recovery plan to deliver improvements to healthcare and delivery of financial targets by 2018/19. However, these still remain challenging. Delivery will be dependent on providers being able to meet their improvement programmes.
Section 3: Value for Money

01. Executive summary
02. Audit of the accounts
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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

Governance arrangements at the CCG are measured, monitored and reported. The constitution and policies follow accepted national practice.

Overall our work highlighted that the CCG has an agreed recovery plan that covers the period to 2018/19. This details how it will achieve the expected delivery targets by 2018/19.

The CCG has a robust reporting system that reflects good control. Performance is reported and actions are put in place where weaknesses or shortfalls are identified.
Appendices
Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit.

### Fees

<table>
<thead>
<tr>
<th></th>
<th>Planned £</th>
<th>Actual fees £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total audit fees (excluding VAT)</td>
<td>95,000</td>
<td>95,000</td>
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</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>17 March 2015</td>
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<tr>
<td>Audit Findings Report</td>
<td>26 May 2015</td>
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<td>Annual Audit Letter</td>
<td>21 July 2015</td>
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