

Agenda Item 11.0.

NHS MORECAMBE BAY CLINICAL COMMISSIONING GROUP (CCG)

AUDIT COMMITTEE MEETING 22 MAY 2018

ANNUAL REPORT AND ACCOUNTS 2017/2018

PURPOSE

1. The purpose of this report is to outline the process for completion of the CCG's Annual Report and Accounts for 2017/2018 and to highlight the key issues arising.

INTRODUCTION

2. The CCG's Annual Report and Accounts are drawn up in line with International Financial Reporting Standards (IFRS) and national guidance, primarily the Department of Health Group Accounting Manual 2017-18, and to a national completion deadline date.
3. The Annual Report was required to be prepared and uploaded onto the NHS England Sharepoint site by 12:00 on 20 April 2018 and the Accounts were required to be prepared and uploaded onto the NHS England Sharepoint site by 09:00 on 24 April 2018. The CCG met these deadlines.
4. The format of the Annual Report and Accounts is nationally prescribed, although the CCG can add further disclosures / notes, where necessary. This has been done in a number of areas to aid understanding and clarification for the reader.
5. In preparing the Annual Report and Accounts there has been a requirement to work closely with a number of other organisations, including:
 - a) NHS Midlands and Lancashire CSU.
 - b) North East CSU.
 - c) Business Services Authority, for the estimation of prescribing expenditure.
 - d) Other NHS organisations, for the agreement of payable and receivable and income and expenditure balances.
 - e) NHS England.

PROCESS

6. The CCG prepared an Annual Report and Accounts timetable earlier in the year, in conjunction with CSU colleagues, which identified key actions and lead staff.
7. Discussions were held with the CCG's auditors, KPMG, in relation to the CCG's process and to address the findings of the interim audit, undertaken in January 2018.

8. The Annual Report and Accounts were submitted on time to NHS England and KPMG.
9. KPMG conducted their audit of the Annual Report and Accounts during just over two weeks commencing 25 April 2017. This included discussions with the CCG and resulted in a number of presentational changes being agreed and actioned.

KEY ISSUES

10. The key issues arising from the Annual Report and Accounts are as follows:
 - a) Financial performance for the year is a deficit of £4,341k against a planned deficit of £909k, which is consistent with the year end forecast reported to the Governing Body. This deficit is comprised of; a £6,500k deficit against the CCG's original planned deficit of £909k; the release of the £2,500k 0.5% system risk reserve which was held as per instructions from NHS England; and the reimbursement of the £568k Category M drugs rebate, which had previously been withheld by NHS England.
 - b) The CCG drew down cash within its notified Maximum Cash Drawdown, and carried forward a minimal cash balance (less than £1k), which was within the tolerance limit of £486k.
 - c) Within the Accounting Policies note (Note 1), the CCG has added local detail to the nationally recommended accounting policies in respect of judgement and estimation and pooled budgets.
 - d) Note 5 "Operating expenses" details the CCG's total expenditure, analysed between Administration and Programme costs. The CCG underspent on its Running Cost Allowance of £7,667k.
 - e) Note 38 "Related party transactions" details the amounts spent by the CCG with other bodies in which members of the CCG's Membership Council and / or Governing Body have an interest. It should be noted that any payments listed were made to the relevant body, not to the individuals listed.
 - f) Note 42 "Financial performance targets" highlights the CCG's performance against its statutory financial duties.
11. 2016/2017 prior year comparator figures have been included in the Accounts to aid understanding and comparison. These relate to just NHS Lancashire North CCG as it was before the boundary change.

AMENDMENTS TO THE DRAFT ANNUAL REPORT AND ACCOUNTS

12. As part of the review of the Annual Report and Accounts by both NHS England and KPMG, a number of adjustments to the draft Annual Report submitted on 21 April 2017 and Accounts submitted on 26 April 2017 have been agreed. The changes are minor, mostly relate to presentational issues and are detailed in Appendix 1.

SUMMARY

13. 2017/2018 was a challenging financial year in which the CCG was unable to fulfil its statutory financial duties, resulting in a deficit £3,432k above the planned £909k deficit. Running costs have been contained within the set allowance. The Annual Report and Accounts have been completed according to the set timescales.

RECOMMENDATIONS

14. The Audit Committee is requested to:
 - a. Receive the 2017/2018 Annual Report and Accounts.
 - b. Receive and consider the Audit Memorandum (ISA 260) from KPMG.
 - c. Recommend to the Governing Body that:
 - i. The 2017/2018 Annual Report and Accounts are adopted.
 - ii. The Performance Report (contained within the Annual Report) be signed by the Accountable Officer.
 - iii. The Accountability Report (contained within the Annual Report) be signed by the Accountable Officer.
 - iv. The Statement of Accountable Officer's Responsibilities (contained within the Annual Report) be signed by the Accountable Officer.
 - v. The Annual Governance Statement (contained within the Annual Report) be signed by the Accountable Officer.
 - vi. The Remuneration and Staff Report (contained within the Annual Report) be signed by the Accountable Officer.
 - vii. The Statement of Financial Position (contained within the Accounts) be signed by the Accountable Officer.
 - viii. The KPMG Letter of Representation be signed.
 - ix. The Assurance Statement be signed.

Kevin Parkinson
Chief Finance Officer
22 May 2018