



Annual Audit Letter 2017-18

NHS Calderdale Clinical Commissioning Group

12 June 2018

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A. Summary of our reports issued

This report is addressed to NHS Calderdale CCG (the CCG) and has been prepared for the sole use of the CCG. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.



Introduction

Introduction

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2017-18 audit at NHS Calderdale Clinical Commissioning Group (the CCG). Although this letter is addressed to the Members of the Governing Body of the CCG, it is also intended to communicate these issues to external stakeholders, such as members of the public. It is the responsibility of the CCG to publish this letter on the CCG's website.

In the letter we highlight areas of good performance and also provide recommendations to help the CCG improve performance where appropriate. We have reported all the issues in this letter to the CCG during the year and we have provided a list of our reports in Appendix A.

Scope of our audit

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. Our main responsibility is to carry out an audit that meets the requirements of the National Audit Office's Code of Audit Practice (the Code) which requires us to report on:

Financial Statements including the regularity opinion and Governance Statement	<p>We provide an opinion on the CCG's financial statements. That is whether we believe the financial statements give a true and fair view of the financial affairs of the CCG and of the income and expenditure recorded during the year.</p> <p>We are also required to:</p> <ul style="list-style-type: none">— form a view on the regularity of the CCG's income and expenditure i.e. that the expenditure and income included in the CCG's financial statements has been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them;— report by exception if the CCG has not complied with the requirements of NHS England in the preparation of its Governance Statement; and— examine and report on the consistency of the schedules or returns prepared by the CCG for consolidation into the Whole of Government Accounts (WGA) with our other work.
Value for Money arrangements	<p>We conclude on the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the CCG's use of resources.</p>

Introduction (cont.)

Adding value from the External Audit service

We have added value to the CCG from our service throughout the year through our:

- attendance at meetings with members of the Governing Body and Audit Committee to present our audit findings, broaden our knowledge of the CCG and provide insight into sector developments and examples of best practice;
- proactive and pragmatic approach to issues arising in the production of the financial statements to ensure that our opinion is delivered on time;
- incorporation of data analytics into our programme of work to, for example, identify high risk journals for testing; and
- strong and effective working relationship with Internal Audit to maximise assurance to the Audit Committee, avoid duplication and provide value for money.

Fees

Our fee for 2017-18 was £41,000 (£48,750 in 2016/17) excluding VAT. This fee was the same as the fee agreed at the start of the year with the CCG's Audit Committee.

We have not carried out any non-audit work this year.

Acknowledgement

We would like to take this opportunity to thank the officers of the CCG for their continued support throughout the year.



Headlines

Headlines

This section summarises the key messages from our work during 2017-18.

Financial Statements audit opinion	<p>We issued an unqualified opinion on the CCG's accounts on 25 May 2018. This means that we believe the accounts gave a true and fair view of the financial affairs of the CCG and of the income and expenditure recorded during the year.</p> <p>There was one unadjusted audit differences that were identified as part of the audit. This related to the difference between the CCGs estimated prescribing costs for February and March 2018 which were accrued into the account, and the actual prescribing costs once they were known (the actual costs were £726k lower than the accrued estimate).</p> <p>We did not raise any recommendations to the CCG as a result of our audit work on the financial statements.</p>
Financial statements audit work undertaken	<p>We are required to apply the concept of materiality in planning and performing our audit. We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. Our materiality for the audit was £5m (2016-17: £5m).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2017-18:</p> <ul style="list-style-type: none">— Accounting for delegated primary care co-commissioning expenditure: Our work did not identify any mis-statements in the accounts and we did not identify any control weaknesses at the CCG.— Agreements for Secondary Healthcare: Our work confirmed that the CCG's expenditure on secondary healthcare in the financial statements was materially correct, and there were no control weaknesses identified.
Regularity Opinion	<p>We are required to form a view on the regularity of the CCG's income and expenditure i.e. that the expenditure and income included in the CCG's financial statements has been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them.</p> <p>We reviewed the CCG's expenditure and income and in our opinion, in all material respects, it has been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.</p>

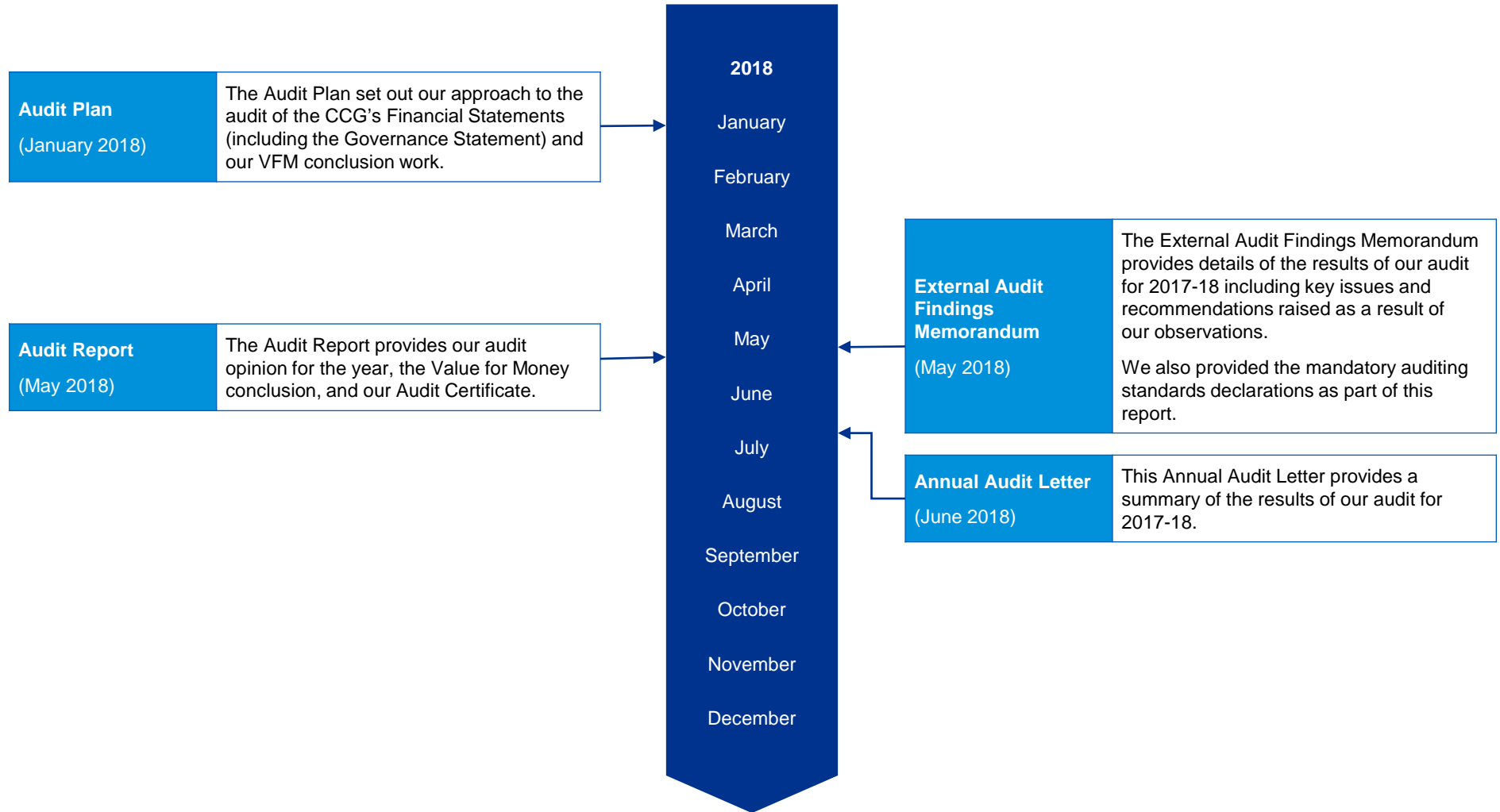
Headlines (cont.)

Governance Statement	We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.
Whole of Government Accounts	We issued an unqualified Auditor Statement on the Consolidation Schedules prepared by the CCG for consolidation into the Whole of Government Accounts (WGA). Through this work, we are required to report to the National Audit Office any balances with other NHS organisations where there is a mismatch between the reported balance at the CCG and at the other NHS organisation. We reported one such mismatch, between the CCG and Calderdale & Huddersfield NHS FT (value of £510,000) where the CCG reported more expenditure in its WGA submission than the FT reported as income in its submission.
Value for Money (VFM) conclusion	We are required to report to you if we are not satisfied that the CCG has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Based on the work carried out we have nothing to report.
VFM conclusion risk areas	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>Our work identified the following significant risks:</p> <ul style="list-style-type: none"> — Financial sustainability: The CCG has delivered its forecast position of an in year deficit of £3.1m, before the return of the 0.5% system risk reserve and the rebate from NHS England relating to national savings on the drugs budget. The position after accounting for those two values is an in-year deficit of £1.2m. The CCG has sufficient brought forward resources from prior year surpluses to cover the in year deficit, and the closing cumulative surplus at the end of 2017/18 is £4.5m. The monitoring and reporting of the financial position was clear and timely through the year, enabling prompt and informed decision making. The CCG reported delivering savings (QIPP) in 2017/18 of £7.2m. These were less than the planned QIPP savings of £11.5m, but this was as reported through the year internally and to NHS England. The 2018/19 financial plan submitted to NHS England shows the CCG planning a break-even position in 2018/19.
Recommendations	We are pleased to report that there are no recommendations arising from our 2017-18 audit work.
Public Interest Reporting	We have a responsibility to consider whether there is a need to issue a public interest report or whether there are any issues which require referral to the Secretary of State. We did not issue a report in the public interest or refer any matters to the Secretary of State in 2017-18.



Appendices

Summary of our reports issued





The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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