



Annual Audit Letter 2018-19

NHS Calderdale Clinical Commissioning Group

24 July 2019

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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 summarises the key issues arising from our 2018-19 audit at NHS Calderdale Clinical Commissioning Group. 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 which requires us to report on:

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| 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 2018-19 was £41,000 (2017-18: £41,000) excluding VAT. This fee was in line with the fee agreed at the start of the year with the CCG's Audit Committee.

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 2018-19.

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| Financial Statements audit opinion | <p>We issued an unqualified audit opinion on the CCG's accounts on 24 May 2019. This means that we believe that the accounts 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>There were no significant matters which we were required to report to those charged with governance.</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 £5.6m (2017-18: £5.0m).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2018-19:</p> <p>Agreements for Secondary Healthcare: In 2017/18 the CCG's expenditure with NHS FT's and Trusts amounted to over £187m, which is around 59% of total operating expenses. While the secondary healthcare expenditure is subject to the DH Agreement of Balances exercise, and this should confirm that Trust and CCG accounts contain the same value of income and expenditure, there is an inherent risk that the over-trade results in material disagreements between the CCG and secondary healthcare providers.</p> <p>Management override of control: Professional standards require us to communicate the fraud risk from management override of controls as significant. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identified expenditure recognition as an additional area of focus in relation to management override relating to this audit. In the public sector, auditors also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). Whilst we rebutted the fraud risk associated with expenditure recognition as part of this audit, we carried out specific procedures to address this area.</p> |
| 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> |
| Governance Statement | <p>We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.</p> <ul style="list-style-type: none"> - No significant adjustments were required to the Governance Statement. |

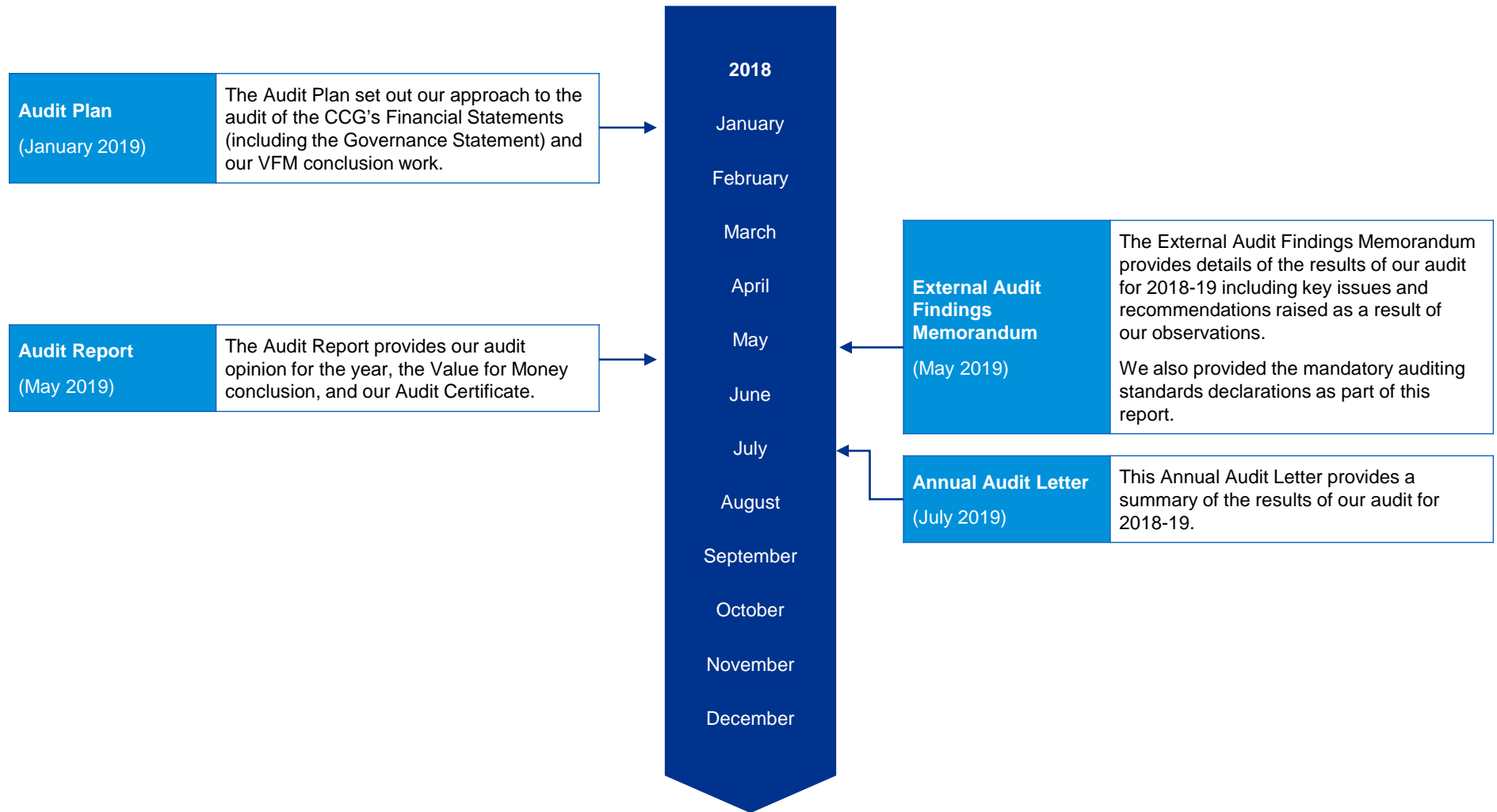
Headlines (cont.)

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| Whole of Government Accounts | <p>We issued an unqualified Auditor Statement on the Consolidation Schedules prepared by the CCG for consolidation into the Whole of Government Accounts with no exceptions.</p> |
| Value for Money (VFM) conclusion | <p>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 findings of our work, we have nothing to report.</p> |
| 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"> - Mid to Long Term Financial Sustainability: Achievement of financial balance, whilst maintaining the quality of healthcare provision, is a key risk for all NHS organisations. As commissioning organisations, CCGs are responsible for controlling expenditure on contracts while achieving savings through QIPP. During the year the CCG was forecasting a surplus of £4.6m in 2018/19 and 2019/20. This meant the CCG would achieve its statutory break-even position. As financial challenges continue, we considered this risk to be reflected in the medium to long term. This included the reduction in capital funding relating to the proposal for continued A&E facilities in the Calderdale area, which has led to an increased need for in the community care, expected to cost an additional £6m per year. - Findings from the Audit: As part of our work we have reviewed the various in-year reporting and assurance arrangements the CCG has in place to help us understand any challenges facing the CCG during 2018/19 and beyond. Overall we have seen that via the arrangements in place, the CCG has been able to monitor and report on its 18/19 position throughout the financial year. The CCG has regularly reported and monitored its progress against its in-year break even target which it has achieved. We determined that there have been sufficient arrangements in place to facilitate the delivery of the 18/19 QIPP plan. Despite the fact the CCG did not manage to secure its £8.1m target (achieved £7.5m), the CCG had arrangements in place from the beginning of the year to understand, document and report the risk to the achievement of this and have appropriate mitigations in place. We have reviewed the CCG's 2019/20 financial plan and supporting information and considered the extent to which the CCG has applied a robust process, has considered the reasonableness of the assumptions it made and has reviewed the comprehensiveness of the plan. Our findings have not identified any issues which would impact negatively on our VFM conclusion. We reviewed the CCG's commissioned independent review to determine the actions that need to be taken in order to provide a stronger community care offering in replacement of the reduced capital spend. Our work in this area has shown that the commissioned report has provided a number of recommendations in order for the CCGs to be able to provide a stronger offering in this area. Our review of secondary healthcare expenditure, via the Agreements of Balances exercise has not highlighted that the reduction in capital has had a detrimental effect on current spending. We obtained and reviewed the letter of support for CHFT's Strategic Outline Case on behalf of Calderdale CCG. We have also reviewed the update submitted to the Secretary of State which shows progress made against the delivery of the final Strategic Outline Case over: community care; hospital capacity; and capital financing which has shown progress is being made across all 3 areas. Our review has determined that the Strategic Outline Case has been reviewed for reasonableness and the CCG is satisfied that: the plans will improve the financial position of the health economy; the CCG agrees with the key assumptions made in relation to both finance and activity; and the plans are affordable to the CCG. |
| Recommendations | <p>We are pleased to report that there are no high risk recommendations arising from our 2018-19 audit work.</p> |
| Public Interest Reporting | <p>There were no matters in the public interest that we needed to report or refer to the Secretary of State in 2018/19.</p> |



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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