



Annual Audit Letter 2019/20

NHS Calderdale Clinical Commissioning Group

30 June 2020

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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

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2019/20 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 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. We report by exception if the CCG has not complied with the requirements of NHS England in the preparation of its Governance Statement. We also 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.</p>
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>

Fees

Our fee for 2019/20 was £41,000 (2018/19: £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.

Our fee for the work completed in relation to the 2018/19 Mental Health Investment Standard, completed during the 2019/20 financial year, was £15,500.

Acknowledgement

As this is our last year as the CCG's auditors, we would like to take this opportunity to thank the officers of the CCG for their support throughout the year and throughout the duration of our contract.

Headlines

This section summarises the key messages from our work during 2019/20.

Financial Statements audit opinion	<p>We issued an unqualified opinion on the CCG's accounts on 23 June. This means that we believe 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>We identified 1 unadjusted audit difference with a net impact of £1.8m on the CCG's reported year-end position. These audit difference was in relation to the overstatement of the prescribing accrual which is required to be calculated at the time of submission of the draft financial statements as actual prescribing expenditure data in the form of 'Prescribing Payment Reports' for February and March are not available.</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 £6m (2018/19: £5.6m).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2019/20:</p> <ul style="list-style-type: none">– Agreement of Secondary Healthcare Expenditure - In 2018/19 the CCG's expenditure with NHS FTs and Trusts amounted to £191 million, which is around 60% of its total operating expenditure. This expenditure is recognised when the activity has been performed, with accruals raised at the year-end for completed activity for which an invoice has not been issued. 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. As part of our work we discussed with management the approach to the Agreement of Balances at month 9 and month 12. We understood the CCG's in-year processes, systems and controls associated with the agreements for Secondary Healthcare, and tested relevant controls to provide assurance over their operating effectiveness. We reviewed the financial reporting implications of the arrangements in place as well as the outcomes of the Month 9 Agreement of Balances to establish the scale of any contract variations/disagreements. We substantively audited the output from the Month 12 Agreement of Balances, considering whether Month 9 disagreements had been resolved, and established the extent to which the Month 12 exercise provided assurance over the completeness and accuracy of the CCG's secondary healthcare expenditure. We did not identify any issues as a result of our work.– Expenditure Recognition - 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). This may arise due to the audited body manipulating expenditure to meet externally set targets. As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition and so the auditor has regard to this when planning and performing audit procedures.

Headlines

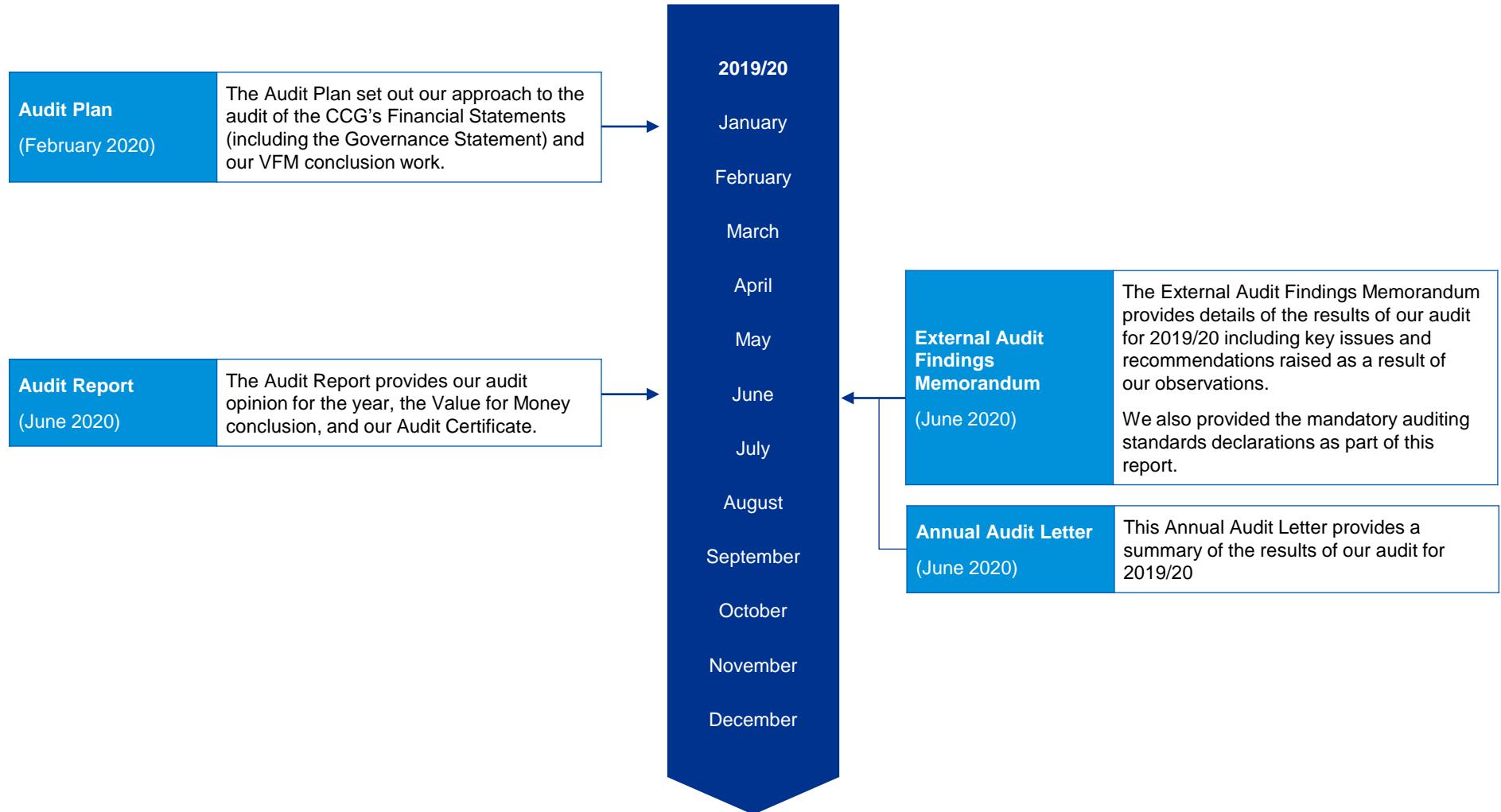
<p>Financial statements audit work undertaken</p>	<ul style="list-style-type: none"> – As part of our work we assessed the pressure upon the CCG to achieve a particular year end outturn position. We considered the extent to which budgetary controls had been in operation throughout the year and had been found to operate effectively. We considered the application of appropriate segregation of duties between those responsible for monitoring budgets (e.g. Commissioning Managers) and those preparing the financial statements (Finance Team) which helps to prevent fraudulent manipulation of expenditure. We also tested that senior staff are not remunerated based upon financial results, nor is the funding made available to the CCG based upon the results presented in the financial statements. We understood the judgements management reach when booking year end entries with providers, including accounting judgements which impact the reported outturn position. We reconciled the year end outturn to in-year financial reports to ensure that divergence in performance can be justified and reviewed the year end cut-off processes to ensure that revenue and expenditure items have been reflected in the correct period. We did not identify any issues as a result of our work. – Specifically, in relation to the impact Covid-19 has had on our financial statements audit, we have considered how our audit procedures should be revised. This means we have updated our procedures, for example considering a longer period for post date events, extending the sample period we considered for our cut off procedures, specifically considering whether Covid related income and expenditure from the final weeks of the year were correctly included in the financial statements, whether the CCG has made pre-payments to providers as a result of anticipated increased expenditure relating to COVID and how the prescribing accrual may have been impacted by increased COVID related prescribing. We have not identified any issues that require adjustment or disclosure in relation to this area.
<p>Regularity Opinion</p>	<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>
<p>Governance Statement</p>	<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.)

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 with no exceptions.
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 findings of our work, 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 did not identify any specific significant risks:</p> <p>Specifically, in relation to the impact Covid-19 has had on our VFM work, we have conducted additional procedures to assess the impact of Covid-19 on the CCG's ability to deliver economy, efficiency and effectiveness. By way of reminder our value for money responsibilities are focused on understanding the arrangements you have put in place up to the 31 March and to consider the disclosures you have made within your annual governance statement. Based on our considerations, we do not believe this constitutes a significant risk in relation to our VFM conclusion. Therefore we have no matters to report.</p>
Recommendations	<p>We are pleased to report that there are no high risk recommendations arising from our 2019/20 audit work.</p> <p>The CCG has been good at implementing agreed audit recommendations from prior years. We have not identified any prior year recommendations that still require further action by management.</p>
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 2019/20.

Appendix A

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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