



Annual Audit Letter 2016/17

NHS Calderdale Clinical Commissioning Group

July 2017

Contents

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Page

Introduction	3
Headlines	6
Appendices	
A. Summary of our reports issued	10

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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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tim Cutler, the engagement lead to the CCG, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 6948981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



Introduction

Introduction

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2016/17 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;
- monthly technical update report, presented to senior management and the Audit Committee, summarising sector issues and developments alongside items of thought leadership;
- 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, to 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 planned fee for 2016/17 was £48,750 excluding VAT (2015/16: £48,750). Our fees are set nationally by Public Sector Audit Appointments Ltd (PSAA). During the year, our planned financial statements audit work over the CCGs expenditure on delegated primary care co-commissioning had to be changed as we became aware of control weaknesses in the Capita/Exeter system. Our additional work was discussed and agreed with the CCG during our audit and reported to the CCG Audit Committee in May 2017. Consequently, we have requested an additional fee from PSAA of £2,300, the approval for which has not yet been received.

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 2016/17.

Financial Statements audit opinion	<p>We issued an unqualified opinion on the CCG's accounts on 25 May 2017. 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>There were no unadjusted audit differences, however, there were a small number of presentational changes to the Financial Statements and Annual Report which we agreed with Management. These mainly related to compliance with the Department of Health Group Accounting Manual 2016/17 and incorrect banding disclosures within the Remuneration Report.</p> <p>There were no other 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 £5m (2015/16: £5.5m).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2016/17:</p> <ul style="list-style-type: none">— Accounting for delegated primary care co-commissioning expenditure - given the national problems with service auditor reports in this area in 2015/16, accounting for the accuracy, completeness and existence of this new and material area of expenditure presented a risk of material misstatement in 2016/17. <p>Our work involved understanding and testing the CCG's in year processes, systems and controls associated with the commissioning of GP services. Our work confirmed that appropriate monitoring of spend against contract and budgets was taking place and we are satisfied that the CCG has appropriately accounted for co-commissioning values in their financial statements. We became aware during the year that our planned approach of relying on the Service Auditor Report for the Capita/Exeter system would not provide sufficient and appropriate assurance, due to the Auditor Report being qualified due to significant control weaknesses in the system. We revised our approach to obtain evidence from NHS England, and directly from the CCG, and reported this position to management and the Audit Committee.</p> <ul style="list-style-type: none">— Agreements for secondary healthcare – During the year, the CCG was forecasting a significant overtrade with Calderdale & Huddersfield NHS FT for acute care. While the secondary healthcare expenditure is subject to the Department of Health Agreement of Balances exercise there was an inherent risk that the over-trade could result in material disagreements between the CCG and secondary healthcare providers. <p>Our work involved reviewing the CCG's in year processes, systems and controls associated with the agreements for Secondary Healthcare. Our work confirmed that the CCG complied with the requirements of the Month 9 and Month 12 agreement of balances exercise and any mismatches were followed up appropriately. As a result of the outcomes of the exercise, we concluded that the CCG has materially accurately accounted for its secondary healthcare transactions in its financial statements and the majority of secondary healthcare spend was agreed by the CCG.</p>

Headlines (cont.)

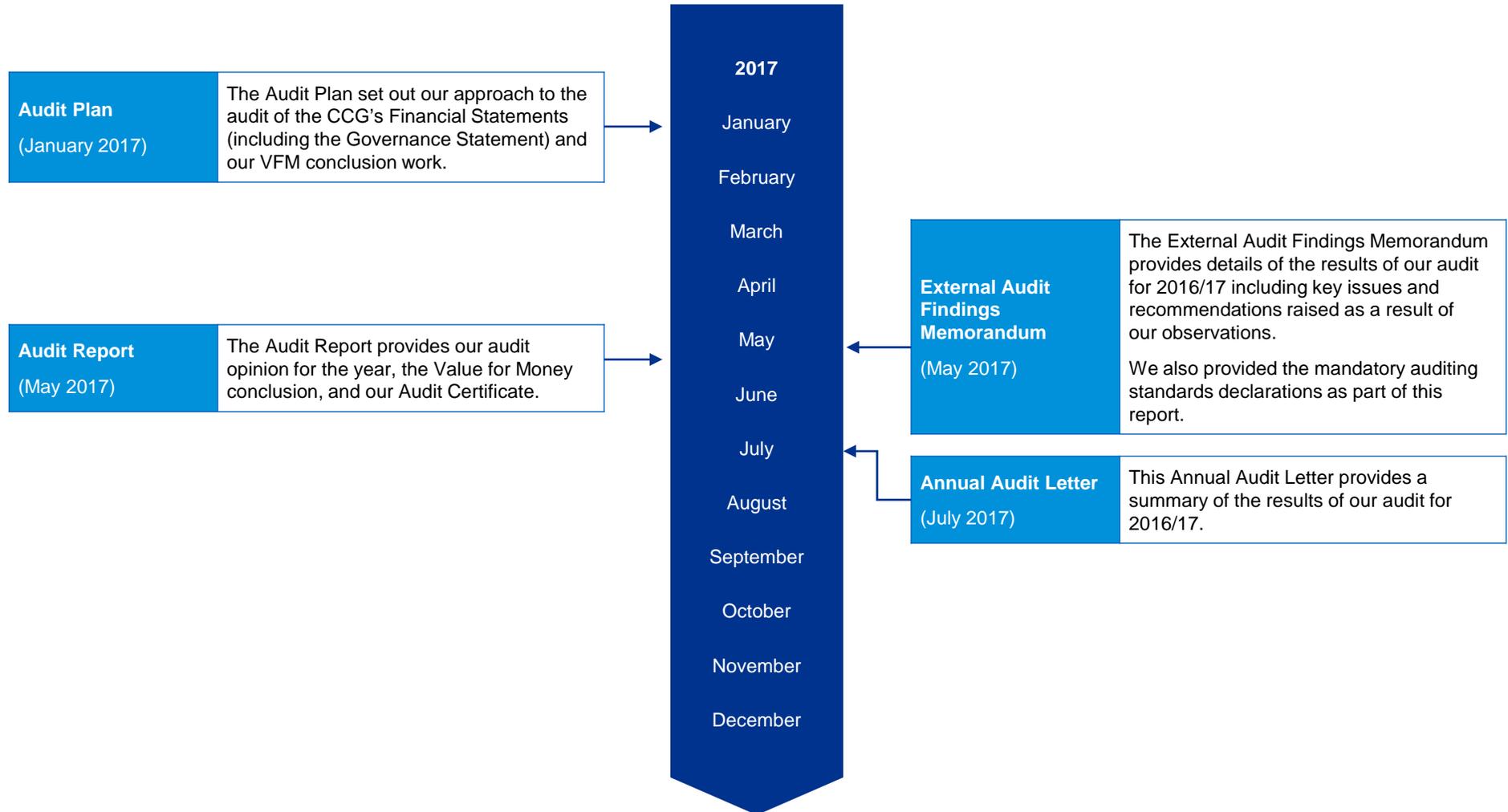
Regularity Opinion	<p>We are required to form a view on the regularity of the CCG's income and expenditure i.e. that the expenditure and income included in the CCG's financial statements has been applied to the purposes intended by Parliament and the financial transactions in the financial statements 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 its Governance Statement.</p>
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 risk:</p> <ul style="list-style-type: none"> — Financial Sustainability - NHS bodies submitted financial plans for 2016-17 that in aggregate totaled a £580 million deficit. The achievement of financial balance, whilst maintaining the quality of healthcare provision, is therefore a key objective of all NHS organisations. <p>During the year the CCG delivered a financial outturn of an operating surplus of £5.8m, after accounting for the return of £3.1m of 'system risk reserve'. The CCG also reported delivery savings (QIPP) in 2016/17 of £3.4m, which was £0.1m lower than planned.</p> <p>We reviewed the financial plan for 2017/18 and 2018/19, alongside the QIPP savings. This shows that there is a significant challenge for the CCG, however, it has established arrangements to plan, monitor, deliver and report against this appropriately.</p>
Recommendations	<p>We are pleased to report that there are no high risk recommendations arising from our 2016/17 audit work.</p>
Public Interest Reporting	<p>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 2016/17.</p>



Appendices

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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