



Annual Audit Letter 2018-19

NHS Wakefield Clinical Commissioning Group

4 July 2019

Contents

The contacts at KPMG in connection with this report are:

Rob Jones
Engagement Lead
KPMG LLP (UK)

Tel: + 44 7799 865451
rob.jones@kpmg.co.uk

Rachael Pearson
Manager
KPMG LLP (UK)

Tel: + 44 161 246 4138
Mob: + 44 7930 102265
rachel.pearson@kpmg.co.uk

Page

Introduction

3

Headlines

6

A. Key recommendations

B. Summary of our reports issued

This report is addressed to NHS Wakefield 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 Wakefield 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 did not identify any high risk recommendations in the financial year 2018-19. 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; and
- incorporation of data analytics into our programme of work to, for example, identify high risk journals for testing; 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 £37,356 (2017-18, £37,356) excluding VAT. This fee was in line with the fee agreed at the start of the year with the CCG's Audit Committee.

Audit related assurance services	Mental Health Investment Standard This fee relates to the Mental Health spend review for the 2018/19 financial year, but the work has not yet been delivered and will be performed during the 2019/20 financial year. In May 2019, we provided you with an estimated fee of £10,000, however, the final fee may vary once the scope of work has been agreed by the Department of Health.
---	--

Acknowledgement

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



Headlines

This section summarises the key messages from our work during 2018-19.

<p>Financial Statements audit opinion</p>	<p>We issued an unqualified audit opinion on the accounts following the Governing Body adopting them and receipt of the management representations letter.</p> <p>There were no unadjusted audit differences.</p> <p>We reviewed the annual report and had no matters to raise.</p> <p>No adjusted audit differences were identified during our audit.</p> <p>There were no issues that caused us to delay the issue of our certificate of completion of the audit.</p> <p>We did not identify any high risk recommendations in the financial year 2018-19.</p>
<p>Financial statements audit work undertaken</p>	<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 £11 m(2017-18: £8m).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2018-19:</p> <ol style="list-style-type: none"> 1. Management Override of Control <p>Professional standards communicate the fraud risk from management override of controls as significant.</p> <p>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.</p> <ol style="list-style-type: none"> 2. Expenditure Recognition <p>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.</p> <ol style="list-style-type: none"> 3. Completeness ,existence and accuracy of accounting for co-commissioning <p>Payments to GPs are highly material and complicated by nature, in addition to standard primary care commissioning payments.</p>

Headlines (cont.)

This section summarises the key messages from our work during 2018-19.

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>
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>

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 with no exceptions
Value for Money (VFM) conclusion	Based on the findings of our work, we have concluded that the CCG has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.
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> <p>Financial Sustainability (Sustainable Resource Deployment)</p> <p>Mid-year forecasts indicated that the CCG would meet its control total target of a £2m deficit. If so the CCG would receive £2m of CSF funding and as such achieve its breakeven duty.</p> <p>However, the local health economy faces significant financial challenge, with local providers and neighbouring CCGs facing significant cost pressures. If the CCG is required to provide additional financial support to providers it may breach its duties and find it more difficult for to achieve targets in future years.</p> <p>As part of our risk assessment we reviewed various matters, including:</p> <ul style="list-style-type: none"> — forecast run rate position; — core assumptions in the 2018/19 Annual Plan; — recurrent cost improvement schemes are identified and delivered; — current operational performance and provider relationships/contractual risks; — planned vs actual outturn; and — significant one-off items affecting the outturn position. <p>The CCG recognises that financial plans for 2019/20 are challenging, with the CCG facing a £12.2m efficiency target and similar levels required to deliver a 1% surplus by 2021/22. The CCG is now planning to hit this target one year later than originally planned.</p>

Headlines (cont.)

Recommendations	We are pleased to report that there are no high risk recommendations arising from our 2018-19 audit work. The CCG has been good at implementing agreed audit recommendations from prior years.
Public Interest Reporting	There were no matters in the public interest that we needed to report or refer to the Secretary of State in 2018/19.



Appendices

Appendix A

Key recommendations

Recommendations raised in 2018-19

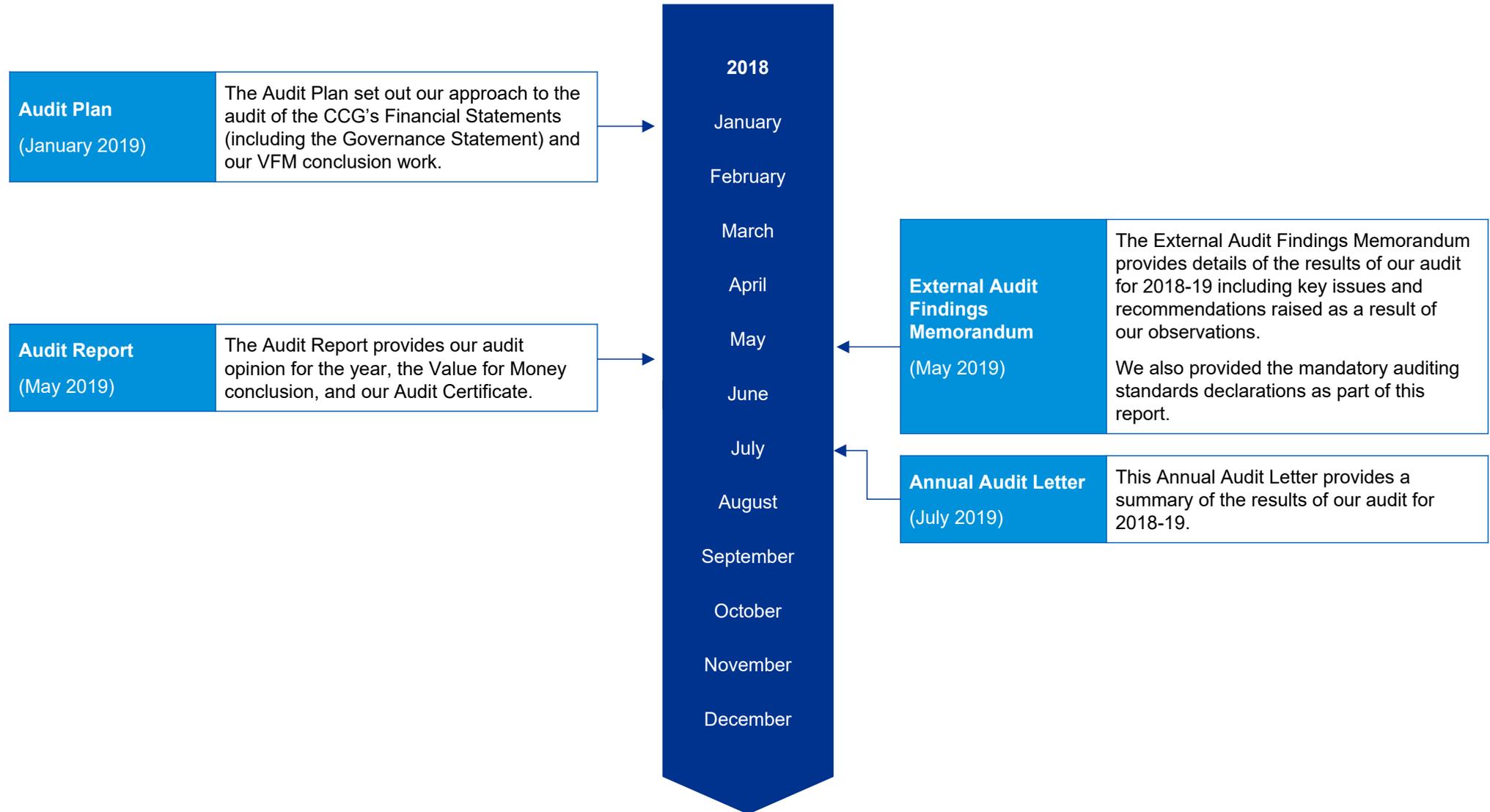
There were no recommendations in current year.

Recommendations from previous years

There were no recommendations arising from previous year.

Appendix B

Summary of our reports issued





© 2019 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.