



# Annual Audit Letter 2017-18

**NHS Bury Clinical Commissioning Group**

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# Contents

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**Page**

**Introduction**

3

**Headlines**

6

**Appendices**

11

A. Summary of our reports issued

This report is addressed to NHS Bury 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 Bury 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:

<b>Financial Statements including the regularity opinion and Governance Statement</b>	<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"><li>— 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;</li><li>— report by exception if the CCG has not complied with the requirements of NHS England in the preparation of its Governance Statement; and</li><li>— 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.</li></ul>
<b>Value for Money arrangements</b>	<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 £37,907 (2016-17: £45,000) 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

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

<p><b>Financial Statements audit opinion</b></p>	<p><b>We issued an unqualified opinion on the CCG's accounts on 25 May 2018.</b></p> <p>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. There were no significant matters which we were required to report to 'those charged with governance'.</p>
<p><b>Financial statements audit work undertaken</b></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 £5.8m (2016-17: £4.5m).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2017-18: <b>Accounting for the commissioning of GP services.</b></p> <p>Given national issues with service auditor reports covering co-commissioning expenditure in 2016/17, and indications that these were to continue into 2017/18, assurance over the completeness, existence and accuracy of this material area of expenditure presented a significant risk to the CCG's financial statements in 2017/18.</p> <p>As part of our audit we substantively tested the expenditure included within the CCG's financial statements in relation to the commissioning of GP services for accuracy, completeness and existence by agreeing the payments to contract schedules held by NHS England, and by carrying out analytical procedures of the component elements of the primary care expenditure.</p> <p>The Service Auditor Report relating to the Capita 'Exeter' system was again qualified in 2017/18 in respect of exceptions relating to 7 out of 16 control objectives which largely relate to inconsistencies in the operating effectiveness of controls. However, the report did evidence that strong progress had been made in addressing the control weaknesses highlighted in the 2016/17 report. We adapted our audit approach to obtain assurance on the expenditure through direct testing, and not relying on the third party audit report.</p> <p>Our testing has confirmed that:</p> <ul style="list-style-type: none"> <li>• The amounts included in the CCG ledger reconciled to the data provided by NHS England, providing assurance that the amounts included in the CCG Financial Statements are materially complete; and</li> <li>• The actual expenditure reported in the financial statements was materially in line with our expected value taking into account the agreed contract prices and average list sizes across each practice.</li> </ul> <p>No exceptions have been noted from the work we have conducted.</p>

# Headlines (cont.)

<b>Regularity Opinion</b>	<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><b>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.</b></p>
<b>Governance Statement</b>	<p>We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement. No adjustments were required to the Governance Statement.</p>
<b>Whole of Government Accounts</b>	<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>
<b>Recommendations</b>	<p>We are pleased to report that there are no recommendations arising from our 2017-18 audit work.</p>
<b>Public Interest Reporting</b>	<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 2017-18.</p>

# Headlines (cont.)

<b>Value for Money (VFM) conclusion</b>	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.
<b>VFM conclusion risk areas</b>	<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: <b>Delivery of QIPP</b>. The CCG had a Quality, Innovation, Productivity and Prevention (QIPP) savings target of £5.4m for 2017/18 and was forecasting an under-achievement of over £4.9m. Whilst the CCG met its statutory breakeven duty and delivered a surplus of £1.6m at 31 March 2018 its underachievement of QIPP meant non-recurrent mitigations were needed to meet the required year end position.</p> <p><b>In addition to the specific risk above, we also conducted work across the three lines of enquiry referenced in the VFM guidance issued by the National Audit Office:</b></p> <p><b>1) Sustainable resource deployment</b></p> <p>The CCG submitted a plan to NHSE on 30 April 2018 forecasting delivery of its statutory duty and 0.5% contingency in 2018/19. However, this is dependent on meeting a stretching QIPP target (£8.5m) and mitigations being fully recognised. Currently, £5.6m of QIPP has been identified, most of which are recurrent savings. There is however a £2.3m risk against the identified schemes and unidentified QIPP currently amounts to £2.9m. The Greater Manchester Health &amp; Social Care Partnership (representing NHS England locally) have requested the CCG produce an improvement plan to address the identified risk.</p> <p>Our work focused on the arrangements in place to deliver the 2017/18 year end position and manage the delivery of QIPP. Looking ahead to 2018/19 we also reviewed how planned QIPP has been identified and the risk presented by the residual amount as yet unidentified. We achieved this through:</p> <ul style="list-style-type: none"><li>• Reviewing the CCG's 2017/18 financial monitoring reports and discussion with management to understand the challenges facing the CCG;</li><li>• Reviewing the CCGs 2018/19 financial plans and supporting information and consider the extent to which the CCG had applied a robust process, had considered the reasonableness of the assumptions it made and had reviewed the comprehensiveness of the plan;</li><li>• Reviewing the minutes of the CCG's Governing Body and consider the appropriateness of the governance and reporting arrangements in place; and</li><li>• Reviewing the arrangements in place to deliver the 2018/19 QIPP targets.</li></ul> <p>The CCG have taken a number of actions to address the underlying financial gap and continue to seek further solutions to close the resource gap.</p> <p style="text-align: right;"><i>(continued overleaf)</i></p>

# Headlines (cont.)

## VFM conclusion risk areas

### 2) Informed Decision Making

A Financial Planning Task and Finish Group, with representations from CCG senior management and NEDs, was set up in January 2018. They have identified £5.1m of QIPP in the first wave of reviews, with a second wave of review currently underway. Their recommendation to Governing Body at the end of March was the CCG has a clear strategy of reducing activity and spend in acute settings and increasing investment and activity in the community and primary care.

Review of Governing Body and Finance, Contract and Procurement Committee minutes evidence that leadership are sighted on the financial challenges, and have received regular updates on the progress of the Task and Finish Group. We are satisfied that there are appropriate arrangements in place to remain informed.

### 3) Working with partners

The CCG have communicated that GM are keen for more devolved powers in a year's time and therefore would want to manage planned deficits within GM. They have also suggested there are strong incentives to help bridge the gap via slippage in other areas.

The CCG continue to work closely with the Local Authority through Health and Social Care Partnership Board and associated governance arrangements and through the formal BCF pooled budget arrangements.

Transformation schemes have been approved by GM, with oversight from Transformation Programme Board. Similarly, locality plans continue to be refreshed and implemented.

### Conclusion

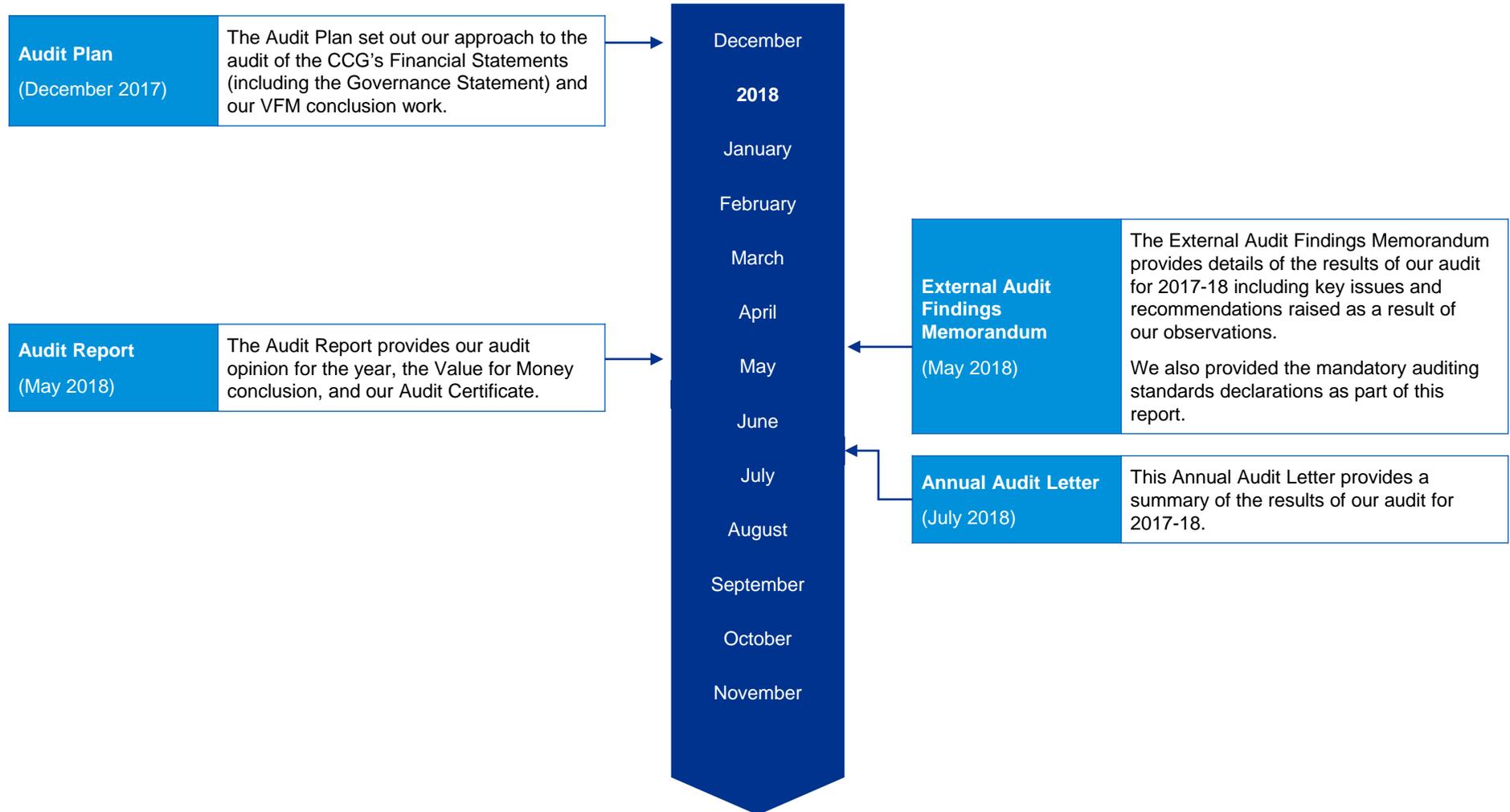
Looking forward, the CCG is working to identify sufficient non-recurrent mitigations to support delivery of a balanced position, however, given the risk of slippage on identified schemes there is a risk additional support will be required. We are satisfied the CCG has appropriate arrangements in place to manage this position in 2018/19.



# 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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