



*cutting through complexity*

# NHS Rotherham Clinical Commissioning Group

ISA 260 Audit Highlights Memorandum

2014/15

21 May 2015

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This report is addressed to NHS Rotherham Clinical Commissioning Group (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. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is applicable to 2014/15 audits and is available on the Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

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 Rashpal Khangura, 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, Trevor Rees (on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@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](mailto: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 3H.

## Background

International Standard on Auditing (ISA) 260 requires us to provide a summary of the work we have carried out to discharge our statutory audit responsibilities to those charged with governance at the time they are considering the financial statements. ISA 550 requires us to communicate with those charged with governance, unless they are all involved in managing the entity, significant matters arising during the audit in connection with the entity's related parties. This report summarises the key issues we have identified during our audit of the financial statements and will be presented to the Audit and Quality Assurance Committee on 22<sup>nd</sup> May 2015.

As auditors we have a responsibility for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

<b>Accounts</b>	<p>We audit the financial statements and give our opinion as to whether they give a true and fair view of the CCG's financial position and its expenditure and income. We also certify whether they have been prepared under applicable law and the accounting policies directed by the NHS England with the consent of the Secretary of State as relevant to Clinical Commissioning Groups in England. We are also required to give an opinion on regularity in which we report on whether, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.</p> <p>In addition, we give an opinion as to whether the content of the Annual Report is consistent with the statements and whether the part of the Remuneration Report that is required to be audited has been properly prepared. We also conduct a high level review of the Annual Governance Statement (AGS) and consider whether it is consistent with the financial statements and complies with relevant guidance.</p> <p>The CCG is responsible for putting into place systems of internal control to ensure the regularity and lawfulness of transactions, to maintain proper accounting records and to prepare financial statements that give a true and fair view of its financial position and its expenditure and income.</p>
<b>Use of resources</b>	<p>The CCG is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (UoR) and regularly reviewing their adequacy. Our responsibility is to satisfy ourselves that the CCG has proper arrangements in place by reviewing and, where appropriate, examining relevant evidence and reporting on your arrangements against the following two criteria:</p> <ul style="list-style-type: none"> <li>■ the organisation has proper arrangements in place for securing <b>financial resilience</b>; and</li> <li>■ the organisation has proper arrangements for challenging how it <b>secures economy, efficiency and effectiveness</b>.</li> </ul>
<b>Audit certification</b>	<p>We are also required to certify that we have completed the audit of the CCG's financial statements in accordance with the requirements of the Audit Commission Act and the Audit Commission's Code of Audit Practice (the Code). If there are any circumstances under which we cannot issue a certificate, then we must report this to those charged with governance.</p>

## Structure of report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 outlines our findings and conclusion on the UoR work.
- Section 4 sets out our findings on the audit of the financial statements.

The table below summarises the work we have completed throughout the year and the results of the audit.

<b>Accounts, unadjusted audit differences and management representations</b>	<ul style="list-style-type: none"> <li>■ We intend to issue an unqualified audit opinion on the accounts following the Governing Body adopting the accounts and receipt of the signed management representation letter.</li> <li>■ We have completed our audit of the financial statements. We have also read the content of the Annual Report (including the remuneration report) and reviewed the AGS.</li> <li>■ Our key findings are:             <ul style="list-style-type: none"> <li>– There are no unadjusted audit differences.</li> <li>– We agreed minor classification changes in the following note: Intra government and other balances (note 37). This now agree to the Agreement of Balances submission.</li> <li>– We have also agreed some presentational changes to the accounts and annual report with management.</li> <li>– Our work over the Agreement of Balances exercise identified one significant mismatch which has been disclosed in more detail within Appendix C.</li> <li>– We have not requested any specific representations from management.</li> </ul> </li> </ul>
<b>Use of resources</b>	<ul style="list-style-type: none"> <li>■ Based on the findings of our work, we have concluded that the CCG has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</li> </ul>
<b>Audit certification</b>	<ul style="list-style-type: none"> <li>■ We are required to certify that we have completed the audit of the CCG's financial statements in accordance with the requirements of the Code. If there are any circumstances under which we cannot issue a certificate, then we must report this to those charged with governance.</li> <li>■ There are no issues that would cause us to delay the issue of our certificate of completion of the audit.</li> </ul>
<b>Recommendations</b>	<ul style="list-style-type: none"> <li>■ We are satisfied that the CCG has addressed the recommendations we raised in our ISA260 report for 2013/14.</li> <li>■ We have made no recommendations as a result of our 2014/15 audit work.</li> </ul>

<b>Public Interest Reporting</b>	<ul style="list-style-type: none"> <li>■ We have a duty to refer any matter to the Secretary of State if we have a reason to believe that the CCG is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency. We also have a duty to consider whether, in the public interest, to report any matter that comes to our attention in order for it to be considered by the CCG or brought to the attention of the public.</li> <li>■ There are no matters in the public interest that we wish to raise at this time.</li> </ul>
<b>Fraud</b>	<ul style="list-style-type: none"> <li>■ We have a responsibility to consider fraud and we addressed this in our assessment of your controls framework. We also reviewed your arrangements for the prevention and detection of fraud and corruption, alongside our use of resources work.</li> <li>■ This work is complete and has not identified any matters which we wish to draw to your attention.</li> <li>■ Management override of controls: Professional standards require us to communicate the fraud risk from management override of controls as management are typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records or override controls. In line with our audit methodology, we have performed appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and identify any significant transactions that are outside the normal course of business or otherwise unusual. Based on our work, we have not identified any specific instances of management override relating to this audit.</li> </ul>

### Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the CCG has proper arrangements in place for:

- securing financial resilience: looking at the CCG's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the CCG is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the CCG to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach and its relationship to our financial statements work are summarised in the diagram below.



### Proposed Value for Money Conclusion

We can conclude that the CCG has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	Yes
Securing economy, efficiency and effectiveness	Yes

### VFM risk assessment

As part of our audit planning, and throughout our financial statements audit work, we identified the VFM risks relating to the specified criteria. We then reviewed the high level controls in place to manage these VFM risks. Where our work identified a residual risk, we completed more detailed work before forming our VFM conclusion. The table below summarises the work we have completed against the two specified criteria as part of our risk analysis and assessment.

Specified criteria for VFM conclusion	Focus of the criteria	Work undertaken and key findings
<p>The organisation has proper arrangements in place for securing <b>financial resilience</b>.</p>	<p>The organisation has robust systems and processes to:</p> <ul style="list-style-type: none"> <li>■ manage effectively financial risks and opportunities; and</li> <li>■ secure a stable financial position that enables it to continue to operate for the foreseeable future.</li> </ul>	<p>We have reviewed the CCG's financial governance, financial planning and financial control arrangements. We also considered the development of appropriate arrangements in relation to co-commissioning and the Better Care Fund.</p> <p>This included reviewing the 2014/15 outturn against the original budget and reviewing the 2015/16 financial plan presented to the Governing Body against planning guidance from NHS England. The 2015/16 plan forecasts a surplus of £4m, this is 1% of allocation as per NHSE requirements. The plan includes a total drawdown of £5.1m against previous years surplus.</p> <p>As part of the changes to commissioning responsibilities, the CCG has opted for model 3 (delegated commissioning responsibility) and this is effective from 1 April 2015. This is a significant change from 2014/15 as it transfers financial accountability for this spend from NHSE to the CCG. The original indicative allocation for 2015/16 is £34m, although the local NHS England Team have confirmed that the allocation will be £34.7m as per the CCG submission in January 2015 which is forecast to cover the obligations transferred. The Governing Body has received an update stating that initial due diligence work has not identified any significant risks.</p> <p>We also considered the progress made by the CCG in relation to the governance arrangements relating to the Better Care Fund. The total value of the Rotherham Better Care Fund (BCF) is £23m, of which approximately £20m is the CCG contribution. A section 75 agreement was agreed by both parties in April 2015 and signed in May 2015, as per NHSE guidance and initial BCF governance arrangements have now been agreed in principle by the partners. All partner organisations will be represented on the BCF Task Group, and each individual fund will be overseen by a BCF sub-group. Decision making will be delegated to each group member by their host organisation except for certain significant decisions which will need approval from individual CCG governing bodies and the Council.</p> <p><i>The work we performed as part of this VFM and criteria did not identify any residual risks that affected our ability to form our VFM conclusion. As a result, we did not consider it necessary to perform further work in this area.</i></p>

Specified criteria for VFM conclusion	Focus of the criteria	Work undertaken and key findings
<p>The organisation has proper arrangements for challenging how it <b>secures economy, efficiency and effectiveness</b>.</p>	<p>The organisation is prioritising its resources within tighter budgets, for example by:</p> <ul style="list-style-type: none"> <li>■ achieving cost reductions; and</li> <li>■ improving efficiency and productivity.</li> </ul>	<p>We have reviewed the CCG arrangements for prioritising resources and improving efficiency and productivity. This has included consideration of the CCG's progress in developing and delivering its QIPP.</p> <p>The QIPP target for 2014/15 was £7.1m and this was spread across five schemes. The scheme in relation to non electives did not fully deliver the target savings, as a result the CCG delivered £6.3m against the target of £7.1m. The CCG has escalated this internally and with the Trust to minimise the impact into 2015/16.</p> <p>The 2015/16 QIPP target has three key elements:</p> <ul style="list-style-type: none"> <li>• The standard 3.8% tariff efficiency target set within the planning guidance for providers. This is approximately £8.8m and is built in to contracts with the main providers.</li> <li>• An additional £5.6m target for acute activity. The key elements are containing growth monies on out-patients; emergency; and elective activity. The Clinical Referrals Management Committee and System Resilience Group are responsible for overseeing these aspects, to contain the planned care and activity within the agreed limits.</li> <li>• £1.8m of medicines management schemes. Some of these schemes started in 2014/15 and continue to have impact in 2015/16.</li> </ul> <p>This brings the total QIPP to £16m approximately. The financial plan presented to the Governing Body included a potential downside risk of £6m which could arise from a number of scenarios during 2015/16. One of the challenges going forward will be managing provider performance to ensure the savings are delivered and activity / demand is contained within agreed limits.</p> <p><i>The work we performed as part of this VFM and criteria did not identify any residual risks that affected our ability to form our VFM conclusion. As a result, we did not consider it necessary to perform further work in this area.</i></p>

Overall, we identified no residual risks that would impact on our overall VFM conclusion. We did not therefore consider it necessary to perform further local risk based work in order to conclude our opinion on the CCG's use of resources in 2014/15.

To audit your financial statements we perform tasks split between those which are undertaken before, during and after the accounts production. These are summarised below:

Work Performed	Accounts production stage		
	Before	During	After
<b>1. Business Understanding:</b> review your operations.	✓	✓	–
<b>2a. Controls:</b> Assess the control framework (controls operated by the CCG)	✓	–	–
<b>2b. Controls:</b> Assess the control framework (controls operated by the CSU)	✓	–	–
<b>2c. Controls:</b> Assess the control framework (controls operated by other third parties)	✓	–	–
<b>3. Prepared by Client Request (PBC):</b> Issue our prepared by client request.	✓	–	–
<b>4. Accounting standards:</b> Agree the impact of any new accounting standards.	✓	✓	–
<b>5. Accounts Production:</b> Review the accounts production process	✓	✓	✓
<b>6. Testing:</b> Test and confirm material or significant balances and disclosures.	–	✓	–
<b>7. Representations and opinions:</b> Seek representations before issuing our opinions.	✓	✓	✓

We have completed the first six stages of the process. We report our key findings from each stage in the remainder of this section.

<b>Business Understanding</b>	<ul style="list-style-type: none"> <li>■ In our 2014/15 audit plan we assessed your current operations to identify significant issues that might have a financial consequence.</li> <li>■ We have provided an update on the key accounts audit issues on page 11 to 13.</li> </ul>
<b>Assessment of the Control Framework (CCG operated)</b>	<ul style="list-style-type: none"> <li>■ We have assessed the effectiveness of your key financial system controls in place that prevent and detect material fraud and error. We found that the financial controls on which we seek to place reliance are operating effectively.</li> <li>■ We reviewed the findings from Internal Audit's programme of work for 2014/15 and considered any control deficiencies identified and the impact on our work. We found that there were no significant control deficiencies that we needed to take into account within our work.</li> </ul>

<b>Assessment of the Control Framework</b>	<ul style="list-style-type: none"> <li>■ We have assessed the effectiveness of your key financial system controls in place that prevent and detect material fraud and error. We found that the financial controls on which we seek to place reliance are operating effectively.</li> <li>■ As part of our external audit work, we have considered the matters set out in ISAE 3402 'Assurance Reports on Controls at a Service Organisation' relating to the following organisations:             <ul style="list-style-type: none"> <li>– NHS Shared Business Services;</li> <li>– NHS Yorkshire and Humber Commissioning Support;</li> <li>– NHS Pensions Business Services Authority; and</li> <li>– NHS Business Services Authority.</li> </ul> </li> </ul> <p>There are no issues from this work which we wish to raise with you.</p>
<b>Prepared by Client Request</b>	<ul style="list-style-type: none"> <li>■ We produced this document to summarise the working papers and evidence we asked you to collate as part of the preparation of the financial statements.</li> <li>■ We discussed our request with the Head of Finance and this was issued as a final document to the finance team.</li> <li>■ The working papers provided were of good quality and were provided in a timely manner.</li> </ul>
<b>Accounting Standards and Accounting Policies</b>	<ul style="list-style-type: none"> <li>■ We worked with you to understand the changes to accounting standards and other technical issues.</li> <li>■ We reviewed your accounting policies and considered the extent to which the Annual Report and Accounts have been prepared in accordance with the directions issued by NHS England and the requirements laid out in the <i>Department of Health Group Manual for Accounts 2014-15</i>. The CCG have fully adopted the accounting policies as outlined by the DH.</li> <li>■ The key areas we have identified in relation to accounting standards and accounting policies which have been considered in detail in the audit are recorded on page 11 to 13.</li> </ul>

<b>Accounts Production</b>	<ul style="list-style-type: none"> <li>■ We received a complete set of draft accounts on 23 April 2015 in accordance with the Department of Health's deadline.</li> <li>■ The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the <i>Department of Health Group Manual for Accounts 2014-15</i>. Significant estimates have been made in relation to: Prescribing expenditure; Continuing Healthcare Care expenditure; and Healthcare contracts. Our work is detailed on page 13.</li> <li>■ Once the audit has been completed, we will debrief with the finance team to share views on the final accounts audit. Hopefully this will lead to further efficiencies in the 2015/16 audit process.</li> <li>■ The CCG's finance staff were available throughout the audit visit to answer our queries as they arose.</li> <li>■ We thank the finance team for their co-operation throughout the visit which allowed the audit to progress smoothly and complete within the allocated timeframe.</li> </ul>
<b>Testing</b>	<ul style="list-style-type: none"> <li>■ In accordance with ISA 260 we must communicate uncorrected misstatements to the Audit and Quality Assurance Committee. We have not identified any such misstatements in the accounts.</li> <li>■ We have not identified any issues that have adjusted the figures in the accounts. We have however, agreed some narrative and presentational changes in the notes to the accounts and altered the classification on two disclosure notes. This is summarised in Appendix A.</li> <li>■ Our findings related to areas of high audit risk are shown on page 11 to 13.</li> </ul>
<b>Representations and Opinions</b>	<ul style="list-style-type: none"> <li>■ You are required to provide us with representations on specific matters such as the CCG's financial standing and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Chief Finance Officer on 20 May 2015.</li> <li>■ We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us.</li> <li>■ Our representations letter is due to be formally considered by the Audit and Quality Assurance Committee on 22<sup>nd</sup> May 2015, followed by the Governing Body.</li> <li>■ Once we have received and reviewed your representations we will issue our audit opinions.</li> </ul>
<b>Other Matters</b>	<ul style="list-style-type: none"> <li>■ We are required under ISA 260 to communicate to you any matters specifically required by other auditing standards to be communicated to those charged with governance; and any other audit matters of governance interest.</li> <li>■ We have not identified any other matters to specifically report.</li> </ul>

In our *External Audit Plan 2014/15*, we highlighted the following areas as requiring specific audit focus. We have summarised our findings in the table below:

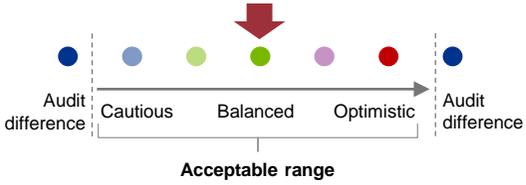
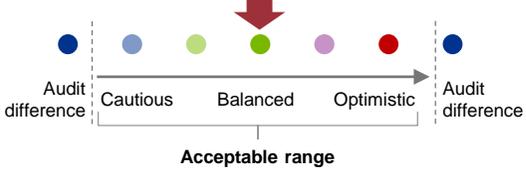
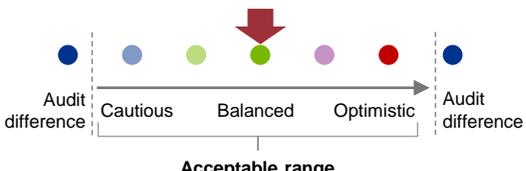
Areas of specific audit focus	Summary of findings
 <p data-bbox="472 396 692 422">Audit areas affected</p> <ul data-bbox="472 434 733 485" style="list-style-type: none"> <li data-bbox="472 434 733 485">■ Transactions with NHS organisations</li> </ul>	<p data-bbox="803 358 2001 415">We have reviewed NHS Rotherham CCG's Agreement of Balances submission as part of our audit work and the mismatch report from Department of Health to identify variances that needed following up.</p> <p data-bbox="803 425 1955 482">There was one significant mismatch with The Rotherham NHS Foundation Trust. Further detail is provided in appendix C.</p>

In our *External Audit Plan 2014/15* we reported that we would focus on risk areas that are specifically required by professional standards. These risk areas were management override of controls and the fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
 <p>A teal oval containing the text "Management override of controls" has a grey arrow pointing to the right towards the text "Audit areas affected".</p> <p>Audit areas affected</p> <ul style="list-style-type: none"> <li>■ All areas</li> </ul>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.</p> <p>In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
 <p>A teal oval containing the text "Fraud risk of revenue recognition" has a grey arrow pointing to the right towards the text "Audit areas affected".</p> <p>Audit areas affected</p> <ul style="list-style-type: none"> <li>■ None</li> </ul>	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our <i>External Audit Plan 2014/15</i> we reported that we do not consider this to be a significant risk for NHS bodies, and the CCG in particular, as there is unlikely to be an incentive to fraudulently recognise revenue. This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.</p>

During the audit we have considered a number of significant judgements and estimates affecting the CCG this year and have summarised our findings below to give the Audit and Quality Assurance Committee a view as to whether we believe these judgements are reasonable and where within the acceptable range they sit:

Areas of significant audit judgment	Summary of findings
<p><b>Healthcare contracts</b></p> 	<ul style="list-style-type: none"> <li>■ The CCG's primary activity is to purchase secondary healthcare on behalf of local residents. This process is managed through healthcare contracts, which include elements of over/under performance. At year end the CCG considers the need to accrue for partially completed spells of care in its accounts.</li> <li>■ The main tool for agreeing NHS healthcare spend is the intra NHS balances process (agreement of balances exercise) which highlights any significant variances between NHS organisations. Our review of the agreement of balances process has not highlighted any significant variances which indicate the CCG's accounting estimates in this area are unreasonable.</li> </ul>
<p><b>Prescribing expenditure</b></p> 	<ul style="list-style-type: none"> <li>■ The full year expenditure for prescribing included within Operating Expenses in the Statement of Comprehensive Net Expenditure includes an estimate for the final two months of the year, based upon the spend for the first 10 months of the year. The estimated accrual is recorded within trade and other payables: non-NHS accruals and deferred income.</li> <li>■ We have examined the accrual and found the estimate to be reasonable and consistent with previous years.</li> </ul>
<p><b>Continuing Health Care expenditure</b></p> 	<ul style="list-style-type: none"> <li>■ The figures for the expenditure on patients in continuing care settings are within the operating expenditure: purchase of healthcare from non-NHS bodies, within the the Statement of Comprehensive Net Expenditure.</li> <li>■ The estimated accrual is based on committed expenditure based on care packages agreed for each patient.</li> <li>■ A review of the data included within this amount was completed by a CCG staff member to identify and remove any inappropriate committed expenditure.</li> <li>■ The accrual agrees to the CCG workings and supporting papers. We have no issues to report in relation to this balance.</li> </ul>

#### Next Steps

Following consideration of the issues highlighted in this report, the Audit and Quality Assurance Committee will be recommending the documents to the Governing Body sign the management representations letter at the Governing Body meeting on 22<sup>nd</sup> May 2015.

Once we have received your representations we issue our audit opinion. For 2014/15 this provides confirmation that:

- your financial statements present a true and fair view;
- you have complied with the disclosure requirements set out in NHS England's guidance in the preparation of your Annual Governance Statement and we are not aware of any inconsistencies with the information that you have recorded within this statement and our other work;
- we have read your Annual Report and in our view it does not contain information which is inconsistent with your financial statements; and
- the numerical part of your Remuneration Report has been presented in a way which complies with the accounting requirements as set out in NHS England and Department of Health guidance.

We do not have any other matters that we wish to draw to your attention prior to issuing this opinion.

#### Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors. We have provided this declaration at Appendix B.

#### Audit Fees

Our fee for the audit in 2014/15 was £75,000 plus VAT. This fee was inline with that highlighted within our audit plan issued in December 2014. We have not completed any other work at the CCG during the year.

We are required by *ISA (UK and Ireland) 260 Communication of Audit Matters to Those Charged with Governance* to communicate all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance. As part of our planning process we agreed a definition of trivial with you which reflected balances below £250,000. We are also required to report all material misstatements that management has corrected but that we believe should be communicated to the Audit and Quality Assurance Committee to assist it in fulfilling its governance responsibilities.

This appendix sets out the audit differences that we identified following the completion of our audit of the CCG for the year ended 31 March 2015.

**Unadjusted audit differences**

We are pleased to report that there were no unadjusted audit differences.

**Adjusted audit differences**

We are pleased to report that there were no adjusted audit differences.

**Presentational Issues**

We identified a number of minor presentational issues during our audit and these have all been amended by the CCG.

**Other Matters**

We also agreed minor classification changes in the following note: Intra government and other balances (note 37). This now agree to the Agreement of Balances submission.

The Department of Health mismatch report on the Agreement of Balances submission highlighted a £1.138m difference in relation to a debtor that the CCG had recorded against the Rotherham NHS Foundation Trust, but there was no corresponding creditor amount. This is due to the Foundation Trust not including the maternity prepayment figures. We have seen email correspondence confirming the Foundation Trust will amend its final submission. See further detail in appendix C.

The purpose of this Appendix is to communicate all significant facts and matters that bear on KPMG LLP's independence and objectivity and to inform you of the requirements of *ISA 260 (UK and Ireland) Communication of Audit Matters to Those Charged with Governance*.

**Integrity, objectivity and independence**

We are required to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

We have considered the fees paid to us by the CCG for professional services provided by us during the reporting period. We are satisfied that our general procedures support our independence and objectivity.

**General procedures to safeguard independence and objectivity**

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail. There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Governing Body Members.

**Audit matters**

We are required to comply with *ISA (UK and Ireland) 260 Communication of Audit Matters to Those Charged with Governance* when carrying out the audit of the accounts.

ISA 260 requires that we consider the following audit matters and formally communicate them to those charged with governance:

- Relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement lead and audit staff.
- The general approach and overall scope of the audit, including any expected limitations thereon, or any additional requirements.
- The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the CCG's financial statements.
- The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.
- Audit adjustments, whether or not recorded by the entity that have, or could have, a material effect on the CCG's financial statements.
- Material uncertainties related to event and conditions that may cast significant doubt on the CCG's ability to continue as a going concern.
- Disagreements with management about matters that, individually or in aggregate, could be significant to the CCG's financial statements or the auditor's report. These communications include consideration of whether the matter has, or has not, been resolved and the significance of the matter.

**Audit matters (continued)**

- Expected modifications to the auditor's report.
- Other matters warranting attention by those charged with governance, such as material weaknesses in internal control, questions regarding management integrity, and fraud involving management.
- Any other matters agreed upon in the terms of the audit engagement.

We continue to discharge these responsibilities through our attendance at Audit and Quality Assurance Committees, commentary and annual audit letter and, in the case of uncorrected misstatements, through our request for management representations.

**Auditor Declaration**

In relation to the audit of the financial statements of the CCG for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and the CCG, its officers and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards in relation to independence and objectivity.

## Appendix C: National Audit Office Group Assurance

As auditors of NHS Rotherham Clinical Commissioning Group we are required to report to the NAO auditors in connection with the audit of the Department of Health Departmental Account, NHS Summarised Accounts and Whole of Government Accounts.

We are required to report any inconsistencies greater than £250,000 between the signed audited accounts and the consolidation data and details of any unadjusted errors or uncertainties in the data provided for intra-group and intra-government balances and transactions. We have provided details of the inconsistencies below:

Counter party	Type of balance/ transaction	Balance as per Rotherham CCG (£'000)	Balance as per counter party (£'000)	Difference (£'000)	Comments on Difference
The Rotherham Foundation Trust	Receivables	1,138	0	1,138	The Rotherham Foundation Trust has agreed this is an error on their returns. It relates to a prepayment for maternity services which the FT has omitted.



*cutting through complexity*

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