



Annual Audit Letter 2017-18

NHS Rotherham Clinical Commissioning Group

18 June 2018

Contents

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Page

Introduction

3

Headlines

6

Appendices

9

A. Summary of our reports issued

This report is addressed to NHS Rotherham 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 Rotherham 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.

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;
- 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 £36,370 (2016-17: £56,250) excluding VAT. This fee was in line with the fee agreed at the start of the year with the CCG's Audit Committee.

We have not completed any non-audit work at the CCG during the year.

Acknowledgement

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



Headlines

Headlines

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

Financial Statements audit opinion	<p>We issued an unqualified opinion on the CCG's accounts on 23 May 2018. 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>As a part of the audit, we identified one unadjusted audit difference in relation to the prescribing accrual. The CCG made an accrual for the final two months' of prescribing costs. Following the audit of the draft accounts, and prior to these being signed, the CCG received confirmation of its final prescribing balances for the year. This figure was £407K lower than the value accrued for. This was less than our performance materiality and the CCG chose not to adjust its accounts for this difference. We did not identify any concerns with regards to the calculation and methodology of this accrual.</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 £6,000,000 (2016-17: £7,000,000).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2017-18:</p> <p>Risk 1 - Fraud risk from revenue recognition. We recognised that the incentives in the NHS differ significantly to those in the private sector which have driven the requirement to make a rebuttable presumption that this is a significant risk. These incentives in the NHS include the requirement to meet regulatory and financial covenants, rather than broader financial reporting or share based management concerns. We did not consider the fraud risk from revenue recognition to be a significant audit opinion risk for CCGs. As the CCG receives a revenue resource allocation from the Department of Health, and has very little direct income, there was unlikely to be an incentive to fraudulently recognise revenue. Since we rebutted this presumed risk, there was no impact on our audit work.</p> <p>Risk 2 - Fraud risk from management override of controls. Our procedures, included testing of journal entries, accounting estimates and significant transaction outside the normal course of business. No instances of fraud were identified.</p>
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>

Headlines (cont.)

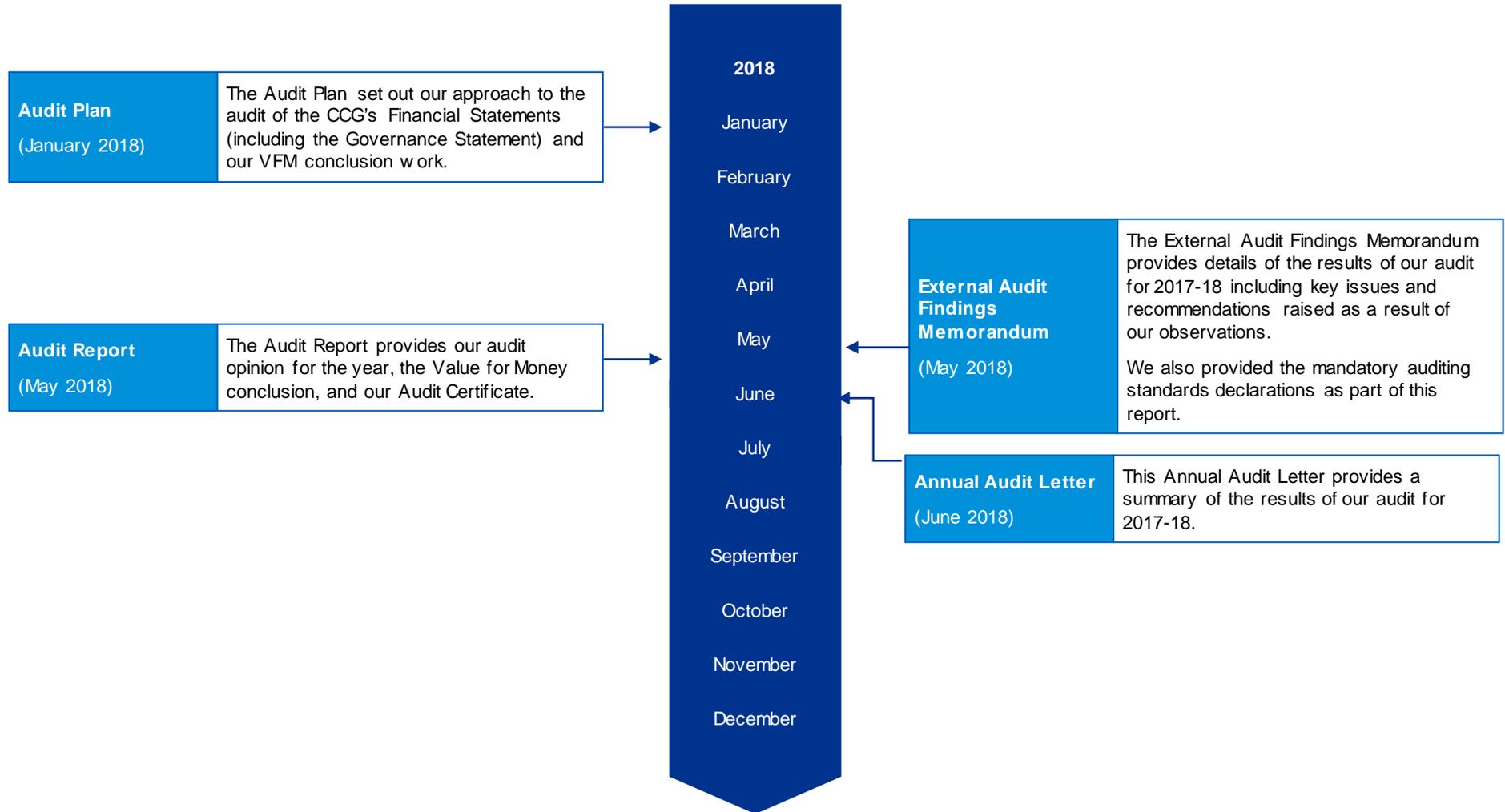
Governance Statement	We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.
Whole of Government Accounts	We issued an unqualified Auditor Statement on the Consolidation Schedules prepared by the CCG for consolidation into the Whole of Government Accounts with no exceptions.
Value for Money (VFM) conclusion	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 had put in place to mitigate these risks.</p> <p>Our work identified the following significant risks:</p> <p>Risk 1 – Financial resilience into the future. We spoke with key officers to understand how budgets were set and how QIPP savings monitored. We confirmed how the CCG had performed against the 2017/18 budget, and looked at the budget plans for 2018/19 and assessed them for reasonableness. Budgets are set in February of each year. Savings are identified through discussions with place based groups, which are multi-disciplinary teams across the key Rotherham organisations. These groups discuss how to produce savings whilst still delivering good quality service. Each group is responsible for monitoring their own savings and reporting to governing body on a monthly basis.</p> <p>For 2017/18, 98% of schemes have been delivered. The main QIPP to not deliver was the waste reduction scheme in care homes, however this has been offset by some of the greater than anticipated savings found elsewhere.</p> <p>For 2018/19, savings of £9.314m have been identified. For each area of saving identified, a quality impact assessment has been produced which forms the basis of the QIPP saving plan. These are then taken forward by the relevant groups.</p>
Recommendations	<p>We are pleased to report that there are no high risk recommendations arising from our 2017-18 audit work.</p> <p>The CCG has been good at implementing agreed audit recommendations from prior years.</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 2017-18.



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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