



Annual Audit Letter 2015-16

NHS Doncaster Clinical Commissioning Group

5 July 2016

Contents

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in connection with this
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Page

Introduction

3

Headlines

6

Appendices

A. Summary of our reports issued

10

This report is addressed to NHS Doncaster 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.

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 Clare Partridge, 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 2015-16 audit at NHS Doncaster 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 (where relevant) 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 Annual 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 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 also confirm whether the CCG has complied with the requirements of the NHS Commissioning Board in the preparation of its Annual Governance Statement (AGS). We also confirm whether the balances you have prepared for consolidation into the Whole of Government Accounts (WGA) are not inconsistent with our other work.</p>
Value for Money conclusion	<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 to provide insight from sector developments and examples of best practice;
- A proactive and pragmatic approach to issues arising in the production of the financial statements to ensure that our opinion is delivered on time; and
- Building a 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 2015-16 was £67,500 excluding VAT (2014-15: £90,000). Our fees are set nationally by Public Sector Audit Appointments Ltd and reflect significant 25% reductions made nationally to scale fees. This 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

Headlines

<p>VFM conclusion</p>	<p>We concluded that the CCG has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <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>Risk 1 - The CCG's main acute provider is dealing with some significant financial issues and as such, the CCG's performance is adversely affected by the performance of its main provider, Doncaster and Bassetlaw Hospitals NHS Foundation Trust. We have discussed with management and considered the actions that the CCG is taking to work with its main provider to address this risk. We are satisfied with the arrangements we have seen which shows the CCG holding the provider to account but being supportive to aid the continued healthcare provision to the local population.</p> <p>Our discussions with management and review of arrangements in respect of contract management and performance monitoring provided us with sufficient assurance to conclude that the CCG has satisfactory arrangements in place in this area.</p> <p>The CCG itself faces some significant financial challenges in the future and will work within the Sustainability and Transformation Plan (STP) framework to address these.</p>
<p>Financial Statements audit opinion</p>	<p>We issued an unqualified opinion on the CCG's accounts on 26 May 2016. 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 significant adjusted or unadjusted audit differences that were identified as part of the audit.</p> <p>There were no significant matters which we were required to report to 'those charged with governance'.</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 £8,000k (2014/15: £8,000k).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2015/16:</p> <p>Risk 1 - The Better Care Fund (BCF) came into operation on 1 April 2015 for the 2015/16 financial year, with £3.46 billion of NHS England's funding to CCGs ring-fenced for the establishment of the fund.</p> <p>To administer the fund, CCGs were required to establish joint arrangements with local authorities to operate a pooled budget to deliver more integrated health and social care. Guidance on accounting for the BCF is included within the <i>MfA Chapter 3 – Annex 1 Accounting for the Better Care Fund</i>.</p> <p>The 'model' BCF agreement, is a pooled budget with joint control. It will follow <i>IFRS 11 Joint Arrangements</i>, with each member accounting for its share of income, expenditure, assets and liabilities.</p> <p>The risk is that BCF arrangements are not accounted for within CCGs accounts in accordance with MfA and accounting standards requirements. There are wider risks to both the NHS England and DH consolidated accounts if transactions and balances within the NHS are not consistently treated and recorded, and cannot be properly eliminated in national consolidations.</p>

Headlines (cont.)

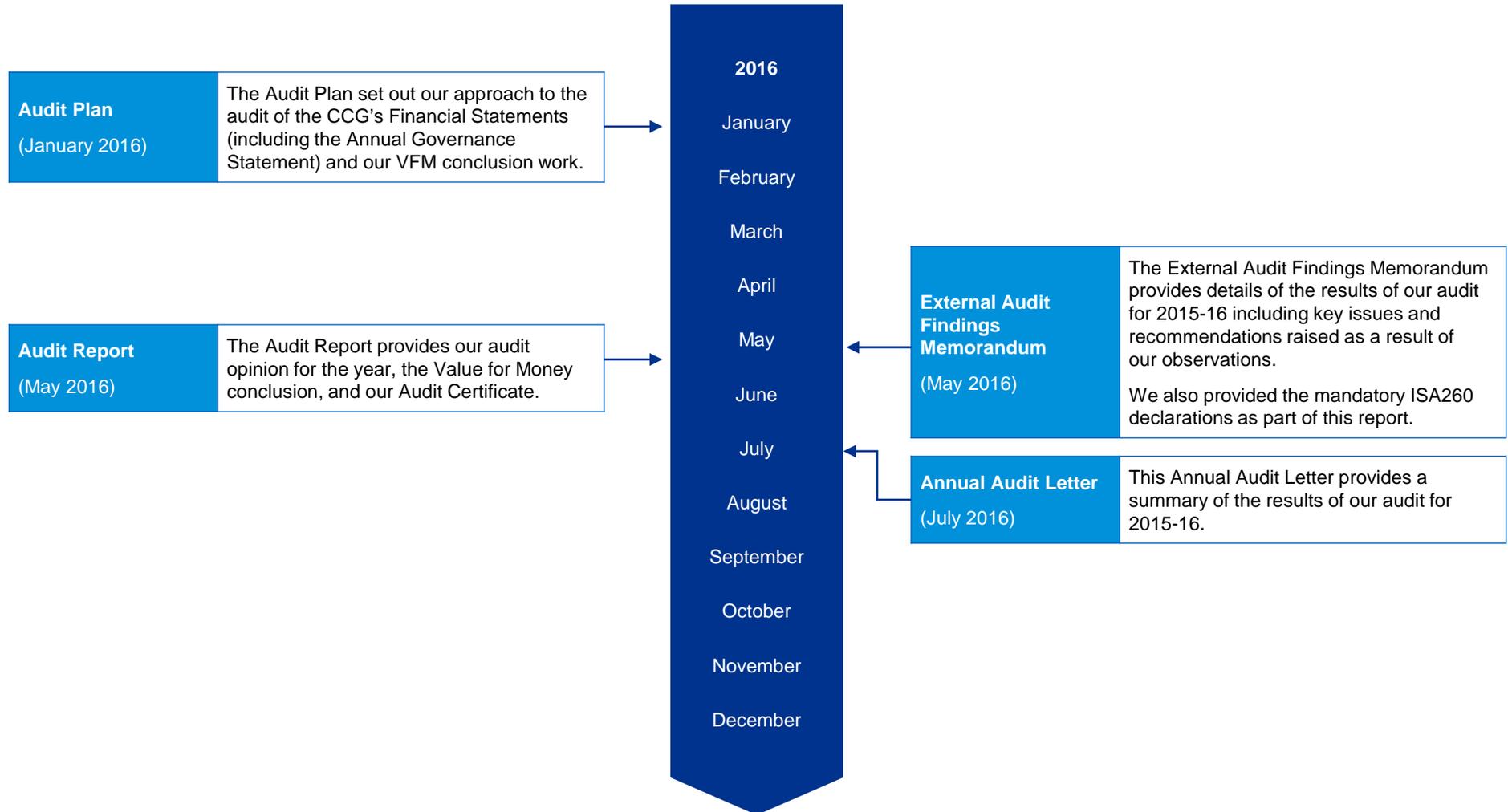
Financial statements audit work undertaken (cont.)	<p>We have reviewed the treatment of the BCF arrangements within the CCG's accounts to ensure they are in accordance with the requirements of the MfA and accounting standards. More specifically we have:</p> <ul style="list-style-type: none"> • Reviewed the financial reporting implications of the arrangements in place; • Considered the processes in place to ensure the information requirements of the parties involved are met (particularly financial reporting timing differences between NHS bodies and local authorities) and that these support the accurate and timely production of the CCG's financial statements; • Assessed how the funds operate, ensuring that gross or net accounting arrangements are fully agreed and understood by all parties and correctly applied in practice by the CCG; • Checked that the BCF arrangements in place are correctly accounted for within the CCG's financial statements and that appropriate disclosure of pooled budget arrangements are made (in line with IFRS 12 Disclosure of Interests in Other Entities). <p>We have not identified any issues in this area.</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>
Annual Governance Statement	<p>We confirmed that the CCG complied with the NHS Commissioning Board requirements in the preparation of the CCG's Annual Governance Statement.</p> <p>— No significant adjustments were required to the Annual Governance Statement.</p>
Recommendations	<p>We are pleased to report that there are no high recommendations arising from our 2015-16 audit work.</p> <p>The CCG has been good at implementing agreed audit recommendations from prior years.</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 2015-16.</p>
Fraud	<p>Our work has not identified any matters which we wish to draw to your attention.</p>



Appendices

Appendix B

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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