



Annual Audit Letter 2016-17

NHS Doncaster Clinical Commissioning Group

July 2017

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in connection with this
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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 2016-17 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 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 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;
- 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 2016-17 was £69,800 (2015-16: £67,500) excluding VAT. Our fees are set nationally by Public Sector Audit Appointments Ltd and the 2016-17 fee was above the fee agreed at the start of the year with the CCG's Audit Committee.

The additional £2,300 fee is due to the additional local substantive work we were required to complete around GP co-commissioning, which included review and consideration of GP practice list sizes and associated spend. We were required to undertake this additional work as we obtained and reviewed the ISAE 3402 Type 2 Service Auditor Report on the Exeter/NHAIS system and determined that we are unable to rely on the controls in operation at Capita due to the adverse opinion given by the service auditor.

The additional fee is currently subject to approval by the PSAA.

Acknowledgement

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



Headlines

Headlines

This section summarises the key messages from our work during 2016-17.

Financial Statements audit opinion	<p>We issued an unqualified opinion on the CCG's accounts on 26 May 2017. 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 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 £7m (2015/16: £7m).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2016/17:</p> <p>Accounting for co-commissioning - as this was year one of this new responsibility for Doncaster CCG and given the national problems with service auditor reports in this area, accounting for the accuracy, completeness and existence of this new and material area of expenditure presented a risk of material misstatement in 2016/17. We have understood and tested the CCG's in-year processes, systems and controls associated with the commissioning of GP services. We have substantively tested the expenditure included within the CCG's financial statements for the commissioning of GP services, including consideration of list sizes and associated spend, for accuracy, completeness and existence. We did not identify any issues as part of our work.</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	<p>We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.</p> <p>No significant adjustments were required to the 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>
Value for Money (VFM) conclusion	<p>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.</p>
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>Medium Term Financial Planning - medium term financial planning continues to be a key issue for the CCG and the sector in general. The CCG has budgeted for a balanced plan in 2017/18 but this is predicated on assumptions relating to the achievement of efficiency savings. The CCG recognises the opportunities to make the required savings in areas including planned care, prescribing and demand management schemes. The CCG is aware that cash releasing efficiency savings are required and whilst they are working towards building elements of these savings into key contracts, they are aware that certain identified efficiency savings need to be developed further to determine their achievability. Furthermore, the CCG recognises the risks relating to HRG4+ on their medium term financial planning and are currently working to understand the methodology associated with this and the how it will impact on the CCG going forward.</p> <p>We have considered the arrangements that the CCG has in place to identify and deliver recurrent cost improvements going forward. We have reviewed how the CCG's financial plans are developed and managed to ensure delivery of the CCG's QIPP programme. We have considered how the CCG is working with key stakeholders to help ensure the achievability of its financial plans, including the impact of HRG4+ on the CCG's financial plans. The CCG has submitted a balanced plan for the 17/18 and 18/19 financial years. In order to achieve their financial plan in 17/18, the CCG has a QIPP target of £11.6m, which includes the adverse impact of £3m on the CCG's allocation due to moving to HRG4+. The CCG has identified a number of recurrent schemes to achieve its QIPP target in 17/18.</p> <p>We have not identified any issues as part of our work which would lead us to issue a non-standard VFM conclusion.</p>

Headlines (cont.)

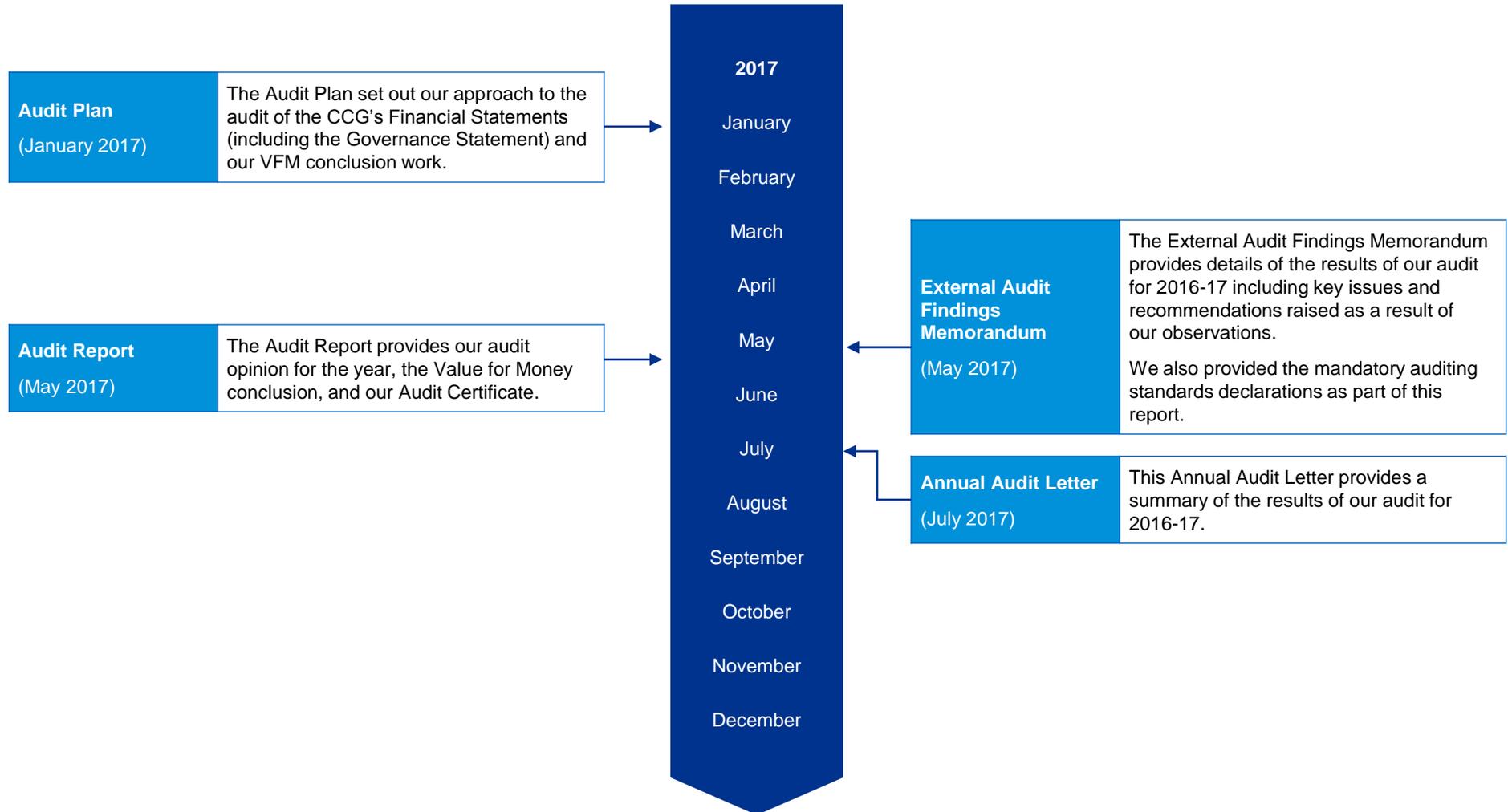
Recommendations	We are pleased to report that there are no recommendations arising from our 2016-17 audit work. The CCG has been good at implementing agreed audit recommendations from prior years. There were no recommendations arising from our prior year audit work.
Public Interest Reporting	We have 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 2016-17.



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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