



# Annual Audit Letter 2017-18

**NHS Doncaster Clinical Commissioning Group**

July 2018

# Contents

The contacts at KPMG in connection with this report are:

**Clare Partridge**  
*Engagement Lead*  
KPMG LLP (UK)

Tel: 0113 231 3922  
clare.partridge@kpmg.co.uk

**James Boyle**  
*Senior Manager*  
KPMG LLP (UK)

Tel: 0161 246 4604  
james.boyle@kpmg.co.uk

	<b>Page</b>
<b>Introduction</b>	3
<b>Headlines</b>	6
<b>Appendices</b>	11
A. Summary of our reports issued	

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.



# Introduction

# Introduction

## Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2017-18 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:

<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 £36,370 (2016-17: £69,800) 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

# Headlines

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

<b>Financial Statements audit opinion</b>	We issued an unqualified opinion on the CCG's accounts on the 24 <sup>th</sup> of 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.
<b>Financial statements audit work undertaken</b>	<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 (2016-17: £7m).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2017-18:</p> <ul style="list-style-type: none"><li>— Risk 1 – Fraud Risk from Revenue Recognition: Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. We found no issues with the CCG. In our External Audit Plan we reported that we do 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 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.</li><li>— Risk 2 – Fraud risk from management override of controls: Management is in a typically 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 audited a sample of journals that we deemed to be high risk, and tested controls at interim, as well as our substantive testing at year end. We did not find any indications of management override of controls in any phase of our audit.</li></ul>
<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>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.)

<b>Governance Statement</b>	<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>
<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>Value for Money (VFM) conclusion</b>	<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>
<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 risks:</p> <p>Risk 1 – Financial Planning and Delivery of QIPP Plans: Financial planning and the successful delivery of QIPP plans continues to be a key issue for the CCG and the sector in general. We reviewed the CCG's performance against its 2017/18 QIPP target and identified that the CCG achieved in-year QIPP savings of £12,677k - £1,017k ahead of their agreed target – of which £12,653k related to recurring savings.</p> <p>We also considered how the CCG is working with key stakeholders to help ensure the achievability of its financial plan in 2018/19. The CCG's submitted plan shows that it is forecasting to breakeven in 2018/19 but that there is risk involved in its achievement.</p> <p>We reviewed how the CCG has developed its 2018/19 QIPP programme and the arrangements it has in place to manage its delivery. The CCG has a QIPP target of approximately £10.5 million for the 2018/19 financial year. The main element of the CCG's QIPP programme for 2018/19 relates to various schemes with Doncaster and Bassetlaw Hospitals NHS Foundation Trust (DBHT) (£3,854k), all of which has been built into DBHT's contract offer. The CCG has also identified a further £3,520k relating to prescribing. The CCG has RAG rated each scheme and has considered £8,784k to be AMBER (i.e. may be some slippage but likely to achieve &gt; 50%) and £1,719k as GREEN (i.e. Likely to achieve in full).</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.)

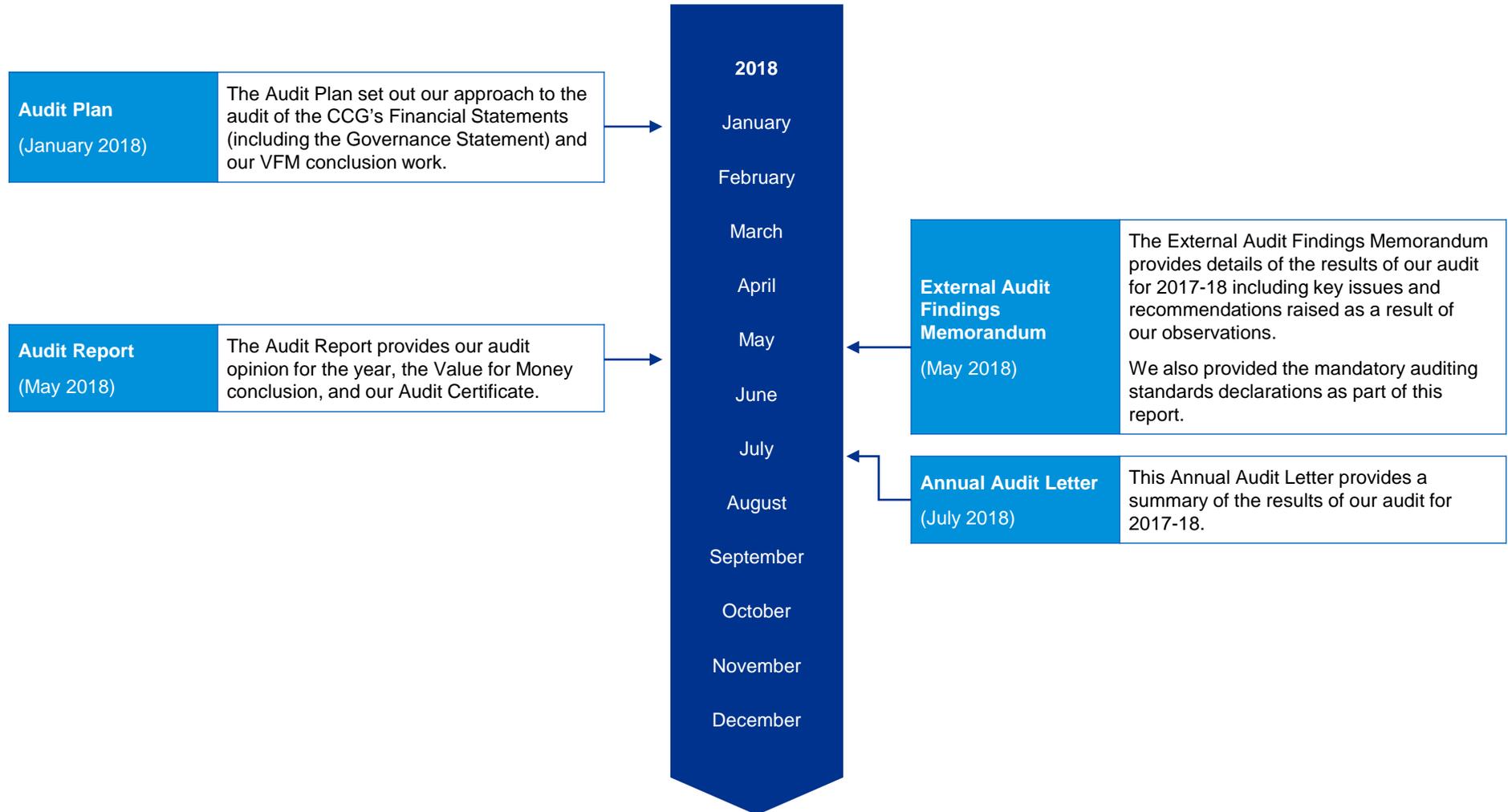
<b>Recommendations</b>	<p>We are pleased to report that there are no high risk recommendations arising from our 2017-18 audit work.</p> <p>The CCG has been good at implementing agreed audit recommendations from prior years. There were no prior year recommendations that required action by management.</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>



# 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.

© 2018 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International. | Create Graphics: CRT061249A