



Annual Audit Letter 2015-16

NHS Nottingham North & East Clinical Commissioning Group

—

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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 Tony Crawley, 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 Nottingham North & East 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.

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;
- Holding an Audit Committee workshop to discuss the new VFM conclusion and best practice we have seen nationally and with other South Nottinghamshire CCGs; and
- A proactive and pragmatic approach to issues arising in the production of the financial statements and new aspects of the accounts such as the Better Care Fund (BCF), including the Annual Governance Statement (AGS), to ensure that our opinion is delivered on time.

Fees

Our initial fee for 2015-16 was £45,000 excluding VAT (2014-15: £60,000). Our fees are set nationally by Public Sector Audit Appointments Ltd (PSAA) 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.

Our final expected fee for 2015-16 is £47,300 excluding VAT (2014-15: £60,000) which, as reported in our External Audit Findings 2015-16 report to 'those charged with governance' is above the agreed fee at the start of the year because we incurred additional time to complete our work on primary care co-commissioning, and have incurred additional fees of £2,300. The fee variation is subject to final determination by the PSAA and we will continue to discuss the additional fee with the Chief Finance Officer.

Acknowledgement

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



Headlines

Headlines

Financial statements audit opinion	<p>We issued an unqualified opinion on the CCG's accounts on 27 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 unadjusted audit differences.</p> <p>There were no significant matters which we were required to report to those charged with governance.</p> <p>We are pleased to report that the draft financial statements and working papers were of good quality. Throughout the year, both sides have proactively engaged to ensure potential issues are identified and resolved early, specifically in relation to the Annual Governance Statement, the accounting treatment for the BCF, key accounting policies, and related party transactions.</p>
Financial statements audit work undertaken	<p>We issued an unqualified audit opinion on the financial statements following their adoption by the Audit Committee and receipt of the management representations letter.</p> <p>Our key findings are:</p> <ul style="list-style-type: none">• The remuneration report presented for audit required substantial re-writing with the majority of numbers needing to be restated. Some information has not been included within the final remuneration report due to concerns management have with its accuracy. As this is not consistent with the Department of Health Group Manual for Accounts 2015/16 (MFA) we have referred to this omission in our opinion as an 'other matter'.• we agreed a number of minor presentational changes to the accounts with the Finance team, mainly related to compliance with the MFA.• we read the annual report and have no matters to raise with you.• we reviewed the AGS and have no matters to raise with you.• we had no matters to raise with you in relation to the regularity of transactions.
Value for Money (VFM) conclusion	<p>We concluded that the CCG has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We did not raise any significant risk areas as part of our Audit Plan for 2015-16.</p>

Headlines (cont.)

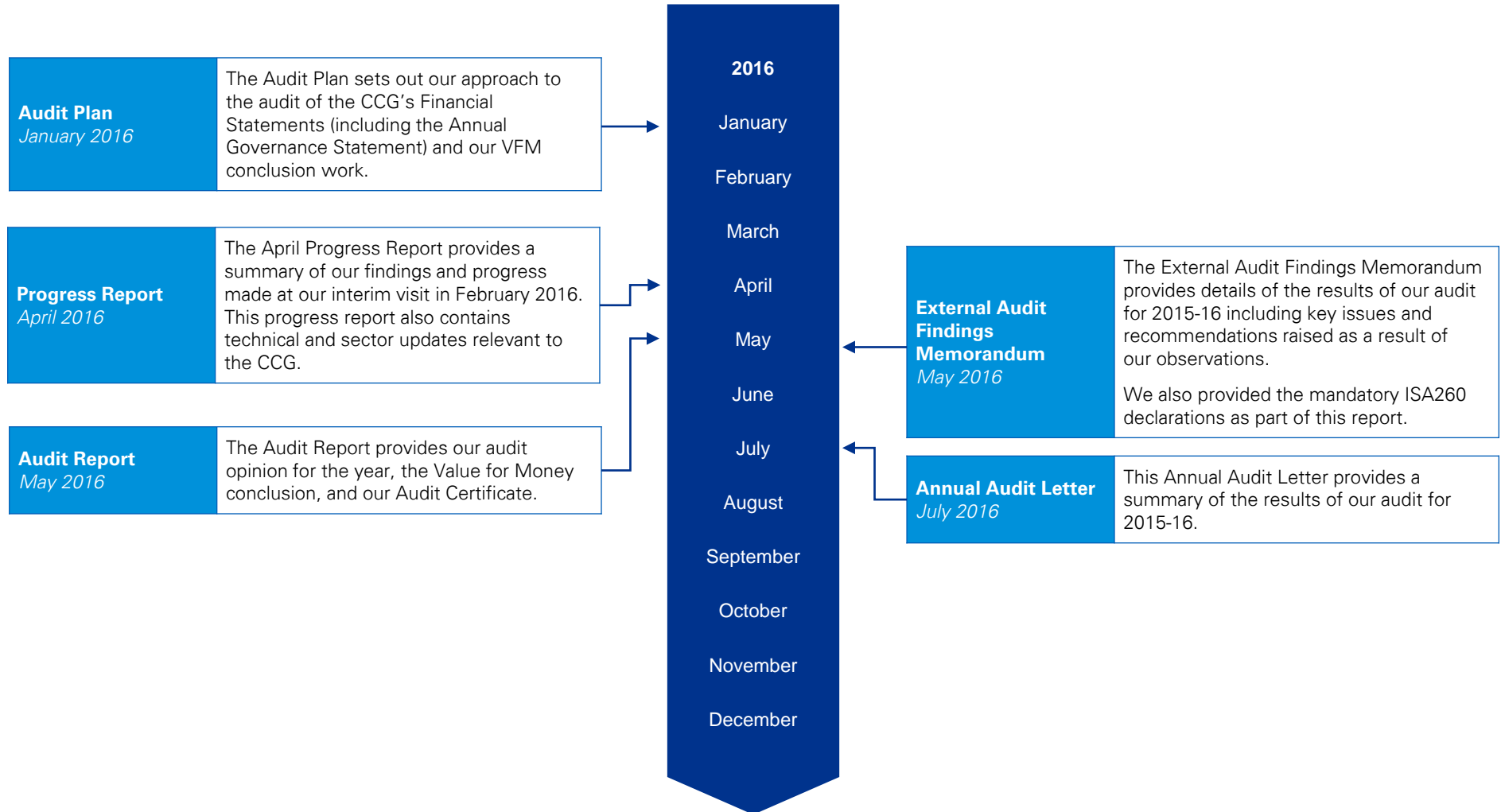
Regularity Opinion	We have formed our regularity opinion on whether, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. We have also read the content of the Annual Report (including the Remuneration Report) and reviewed the Annual Governance Statement (AGS).
Annual Governance Statement	We confirmed that the CCG complied with the NHS Commissioning Board requirements in the preparation of the CCG's Annual Governance Statement. We raised a medium-level recommendation that the CCG should improve the controls in place governing the preparation of the remuneration report. The CCG has accepted this recommendation. There were two medium risk recommendations in relation to the Remuneration Report.
Recommendations	We are pleased to report that there are no high risk recommendations arising from our 2015-16 audit work. The CCG has fully-implemented agreed audit recommendations from prior years and agreed two medium risk recommendations reported to you as part of our ISA 260 report.
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 2015-16.



Appendices

Appendix A

Summary of our reports issued





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