



# Annual Audit Letter 2017-18

**NHS Nottingham North and East Clinical  
Commissioning Group**

August 2018

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A. Summary of our reports issued	

This report is addressed to NHS Nottingham North and East 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 Nottingham North and 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.

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;
- 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 £34,163 (2016-17: £49,159) excluding VAT. This fee was in line with the fee agreed at the start of the year with the CCG's Audit Committee.

However, we have had to carry out additional work for the VFM conclusion in respect of the Treatment Centre contract, and we have agreed a total additional fee of £2,000 for that work across the four Greater Nottingham CCGs.

We have not carried out 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 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>	<p>We issued an unqualified opinion on the CCG's accounts on 25 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>
<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 £4.0m (2016-17: £4.0m).</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 - Agreement of Balances with Providers. The valuation of balances with providers, including disputed balances, is a key judgement area. We reviewed management's arrangements over the agreement of balances with other NHS organisations, the identification and tracking of disputes, correspondence with counterparties and any other information that supports the position reflected in the financial statements. We agreed the primary statements in the consolidation schedule to the underlying statutory accounts on a line by line basis and carried out a high level reasonableness check on each tab in the schedule. We considered whether any of the findings from these two tests should be communicated to the DoH Group audit team. We were satisfied that there were no issues to raise.</li> <li>— Risk 2 - Fraud risk from management override of controls. We carried out controls testing and substantive procedures, accounting estimates and significant transactions that are outside the CCG's normal course of business, or are otherwise unusual. There were no matters arising from this work.</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>	We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.
<b>Whole of Government Accounts</b>	We issued an unqualified Auditor Statement on the Consolidation Schedules prepared by the CCG for consolidation into the Whole of Government Accounts. You correctly make a prior year adjustment in your accounts due to a national accounting policy change, but also correctly the change was not made to the prior year figures in the Consolidation Schedules. We were required to highlight this difference in our report for information.
<b>Value for Money (VFM) conclusion</b>	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.
<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> <ul style="list-style-type: none"> <li>— Risk 1 – Delivery of your savings plans. For the CCG, delivery of the 2017-18 plan included the achievement of £12.3 million of QIPP savings. Although the CCG achieved £12.3 million of savings recurrently it was necessary to rely on non-recurrent mitigations to bridge the shortfall, by using the investment and contingency reserves held by the CCG. The procurement of the Treatment Centre contract has been halted, and a 12 month extension awarded to Circle, the existing provider. This followed Circle's legal challenge to the original procurement process. We have not identified any issues in our work which would give rise to a modification of our value for money conclusion. In respect of the Treatment Centre procurement, this includes the discussions with officers and review of the information provided.</li> <li>— Risk 2 - Closer working. During the year the CCG has undertaken a re-structure in order to work closer with NHS Nottingham City CCG (building on the arrangements already in place with NHS Nottingham West CCG and NHS Rushcliffe CCG. We have reviewed the new arrangements in place in order to assess compliance with ongoing requirements for each statutory body to maintain appropriate governance arrangements. We have not identified any issues in our work which would give rise to a modification of our value for money conclusion.</li> </ul>



# Headlines (cont.)

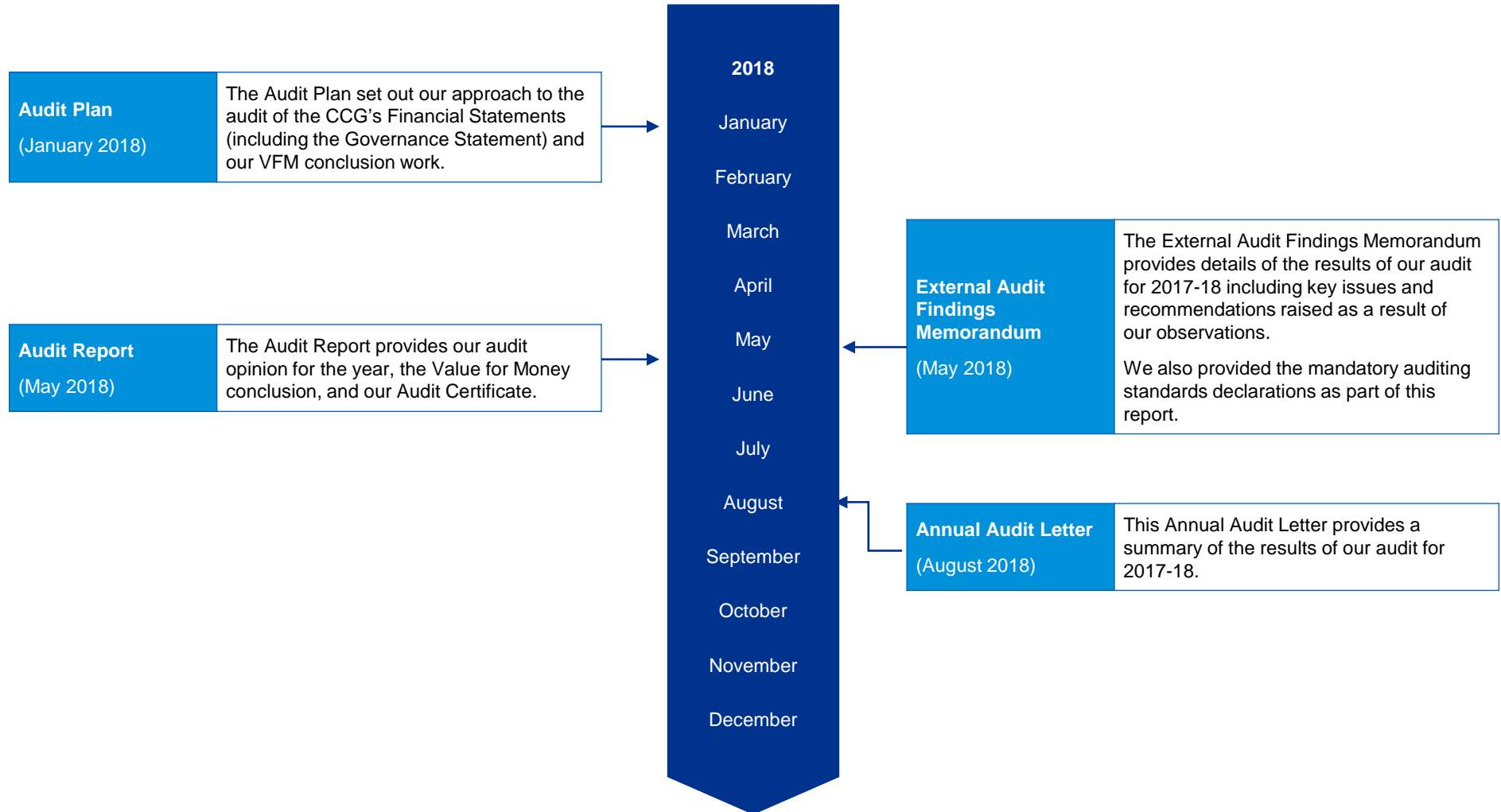
<b>Recommendations</b>	We are pleased to report that there are no high risk recommendations arising from our 2017-18 audit work. There are no recommendations from previous years that are outstanding.
<b>Public Interest Reporting</b>	We have a responsibility to consider whether there is a need to issue 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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