



Annual Audit Letter 2018-19

NHS East Berkshire Clinical Commissioning Group

9 July 2019

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This report is addressed to NHS East Berkshire 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

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2018-19 audit at NHS East Berkshire 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

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;
- review of general IT controls in place at the CCG highlighting any control weaknesses and areas for improvement; 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 2018-19 was £90,000 excluding VAT. This fee was in line with the fee agreed at the start of the year with the CCG's Audit Committee. We have not received any non-audit fees during the year, however we anticipate being required to provide assurance over the statement made by the CCG relating to its compliance with the Mental Health Investment Standard for 2018-19 and the CCG has accrued £10,000 excluding VAT for this review.

Acknowledgement

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

This section summarises the key messages from our work during 2018-19.

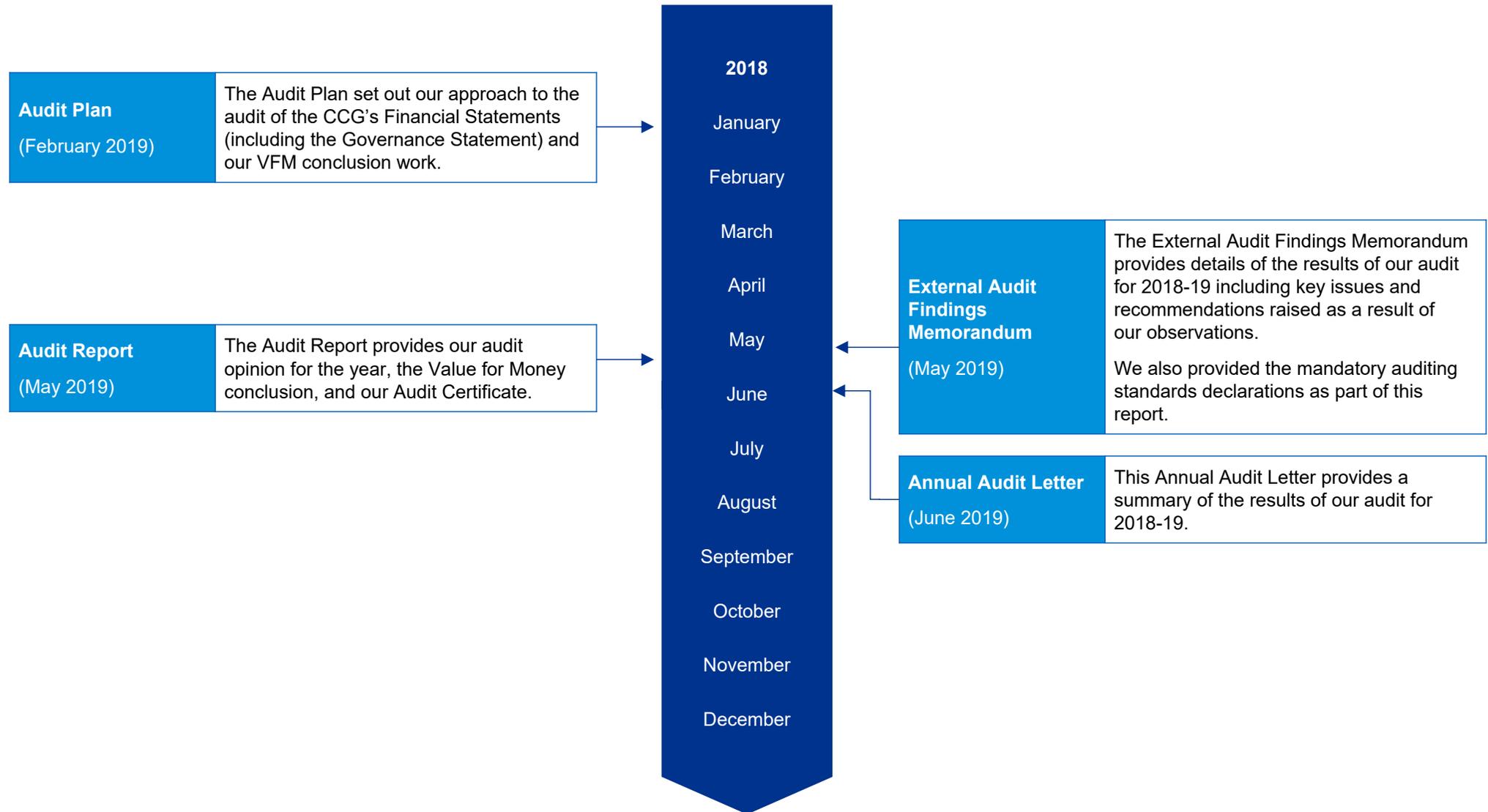
<p>Financial Statements audit opinion</p>	<p>We issued an unqualified opinion on the CCG's accounts on 24 May 2019. This means that we believe the accounts give a true and fair view of the financial affairs of the CCG and of the income and expenditure recorded during the year.</p> <p>There were no adjusted or unadjusted audit differences identified as part of the audit of the financial statements.</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 £11 million.</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2018-19:</p> <ul style="list-style-type: none"> — <i>Primary care delegated budgets</i> – the CCG has taken devolved responsibility for the commissioning budgets for primary care services from NHS England, with a total value of £59.4m in 2018-19. The amounts to be paid are calculated by a service organisation, Capita, for which we were unable to obtain assurance that controls had operated consistently. We therefore re-performed the calculation of values to be paid for a sample of payments to surgeries during the year to confirm they had been calculated correctly based on the number of patients registered. No exceptions were noted. — <i>Year end expenditure accruals</i> – the CCG is required to estimate the expenditure that has been incurred at the end of the year for which invoices have not been received. At 31 March 2019 the CCG had recorded £30.9m of accruals for these services. We reviewed payments after year end to assess whether they had been accrued for where required and compared the value of a sample of accruals made to the value of expenditure incurred. We have not raised any adjustments as a result of this work. — <i>Management override of controls</i> – we recognise the risk that there may be an incentive for management to manipulate the reported financial performance, for example to achieve its expenditure limits. We recognise an additional risk due to the shared nature of the role of the Director of Finance between the CCG and Frimley Health NHS Foundation Trust. We verified that interests had been appropriately declared and managed and reviewed journals with high risk criteria. No exceptions were noted. — <i>Fraudulent expenditure recognition</i> – we consider the risk that expenditure may be reduced in order to achieve the revenue resource limit. We reviewed expenditure incurred after the year end to confirm that it had been appropriately accrued for where it related to 2018-19. No exceptions were noted as a result of our testing.

Headlines

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>
Governance Statement	<p>We confirmed that the CCG complied with NHS England's requirements in the preparation of the CCG's Governance Statement. 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. We did not identify any significant risks relating to the CCG's arrangements for ensuring that value for money is achieved.</p>
Recommendations	<p>We are pleased to report that there are no high risk recommendations arising from our 2018-19 audit work. We have identified three prior year recommendations that still require further action by management, relating to recording of accruals, controls for managing primary care delegated budgets and aged payable invoices where the CCG validates payments on behalf of other CCGs.</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 2018-19.</p>

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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