



Annual Audit Letter 2016-17

NHS Blackpool Clinical Commissioning Group

12 July 2017

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This report is addressed to NHS Blackpool 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, Tim Cutler 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 Blackpool 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; 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 2016-17 was £45,000 (2015-16: £45,000) excluding VAT. Our fees are set nationally by Public Sector Audit Appointments Ltd and the 2016-17 fee was in line with the fee agreed at the start of the year with the CCG's Audit Committee.

We are currently going through approval with the CCG, and the PSAA, to raise an additional fee of £2,300 in relation to the additional audit work on the co-commissioning balance due to the lack of assurance provided by the service auditor report.

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 30 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>
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 £4,500K (2015/16: £4,000K).</p> <p>We identified the following risk of material misstatement in the financial statements as part of our External Audit Plan 2016/17:</p> <ul style="list-style-type: none"> — Risk 1 - <i>Accounting for co-commissioning of GP services.</i> NHS Blackpool CCG selected full delegation of commissioning responsibilities, which is known as Model 3 from 1 April 2015. As such, the CCG accounted for the expenditure associated with commissioning GP services within their financial statements. In 2016/17 the budget for this expenditure was £22m. We reviewed the treatment of the co-commissioning arrangement and checked that it was accounted for in accordance with relevant guidance and accounting standards. As in 2015/16, an ISAE 3402 Type 2 Service Auditor Report on the Exeter/NHAIS system was commissioned by the Health and Social Care Information Centre (HSCIC) for 2016/17. The report did not provide assurance over the effectiveness of controls in operation that we were seeking. Therefore, we have completed additional substantive testing over primary care co-commissioning balance to gain assurance over the completeness, existence and accuracy of these payments. No issues were identified through our testing. — Risk 2 - <i>Fraud risk from revenue recognition.</i> We are required to consider this risk by International Auditing Standards. In our External Audit Plan 2016/17 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. Since we rebutted this presumed risk, there was no impact on our audit work. — Risk 3 - <i>Fraud risk from management override of controls.</i> We are required to consider this risk by International Auditing Standards. Our procedures, including testing of journal entries, accounting estimates and significant transaction outside the normal course of business did not identify any instances of fraud.
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

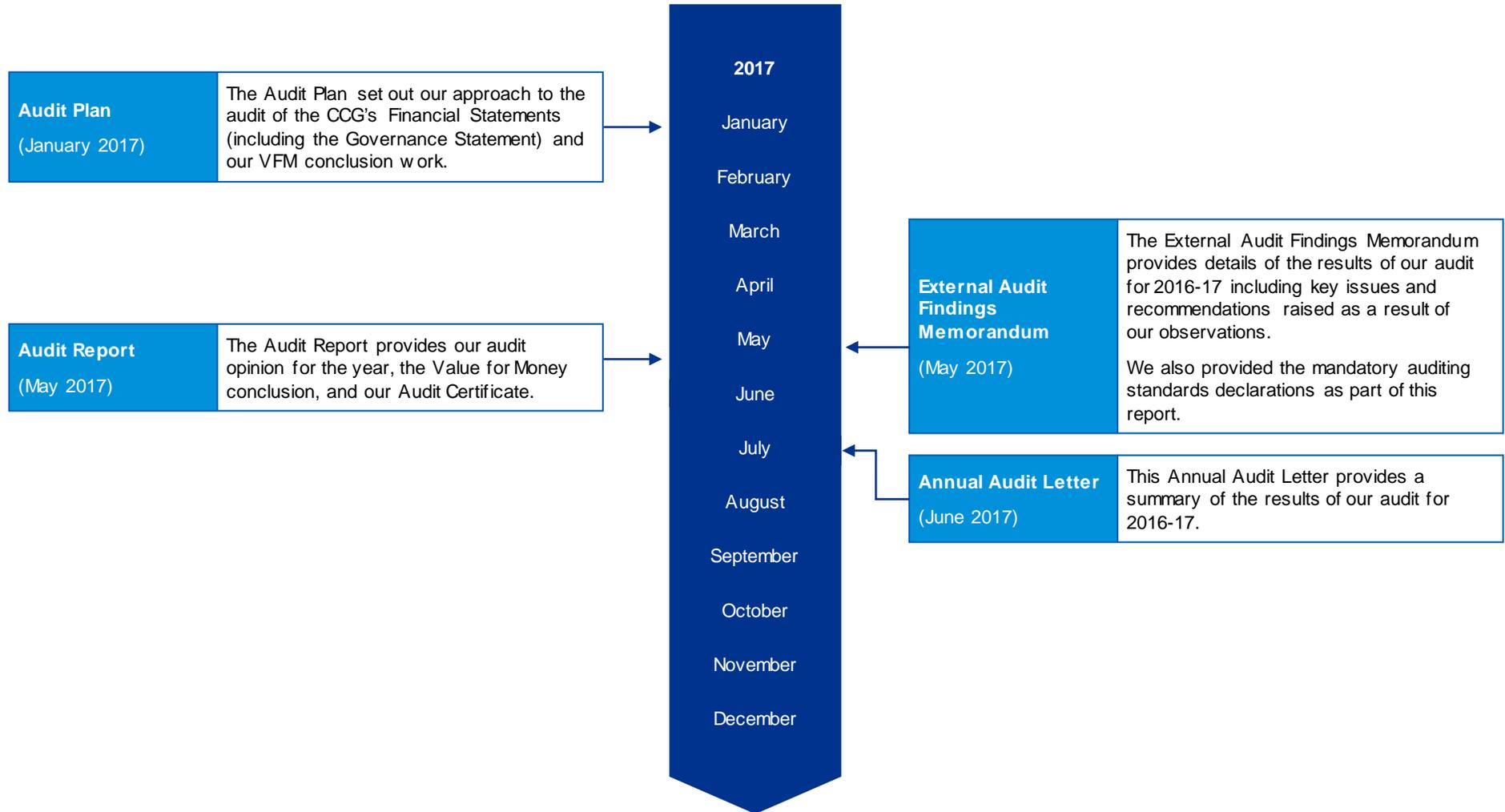
Governance Statement	<p>We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.</p>
Whole of Government Accounts	<p>We issued an unqualified Auditor Statement on the Consolidation Schedules prepared by the CCG for consolidation into the Whole 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. 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 risk:</p> <ul style="list-style-type: none"> — <i>Financial Sustainability:</i> Our work focussed on the arrangements that the CCG has put in place to enable them to deliver their financial targets at year end. Specifically, we focused on the arrangements in place to deliver recurrent cost improvements. We also reviewed how the shortfall in the planned QIPP was being managed by the CCG. By the end of the year the CCG had achieved £6.3m of their QIPP target (recurrent £4.5m, non-recurrent £1.8m). Through review of documentation and discussion with officers we gained assurance that the CCG had strengthened their arrangements to achieve their QIPP target, during the year, through the implementation of a PMO function with a strong focus on QIPP delivery. We note that the CCG has an even more challenging target over the next two years, and will need to reflect this challenge in their arrangements to ensure that they can deliver this target in 2017/18 on a recurrent basis. <p>Based on the findings of our work, we have nothing to report.</p>
Recommendations	<p>We are pleased to report that there are no high risk recommendations arising from our 2016-17 audit work</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 2016-17.</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.

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