



Annual Audit Letter 2015-16

**NHS Waltham Forest Clinical Commissioning
Group**

26 July 2016

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**The contacts at KPMG
in connection with this
report are:**

Neil Hewitson
Engagement Lead
KPMG LLP (UK)

Tel: 07909 991009
neil.hewitson@kpmg.co.uk

Ali Azam
Manager
KPMG LLP (UK)

Tel: 07879 667682
ali.azam@kpmg.co.uk

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This report is addressed to NHS Waltham Forest 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 Neil Hewitson, 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 Waltham Forest 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.

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;
- A proactive and pragmatic approach to issues arising in the production of the financial statements to ensure that our opinion is delivered on time;
- Building a 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 2015-16 was £55,650 excluding VAT. Our fees are set nationally by Public Sector Audit Appointments Ltd 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.

We have submitted a fee variation to the PSAA of £3,422 excluding VAT. This was caused by the extra work relating to primary care commissioning. This amount has been agreed with the CFO and is pending approval with the PSAA.

We also completed the following pieces of work at the CCG during the year:

Community Health Services

In addition to our audit fee our advisory colleagues generated fees of £4,000 exc. VAT in relation to a jointly commissioned piece of work led by Tower Hamlets CCG in respect of procurement of Community Health Services.

Acknowledgement

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



Headlines

Headlines

This section summarises the key messages from our work during 2015-16.

<p>Overall financial results and other key messages</p>	<p>The CCG met its key financial targets for 2015/16, reporting a surplus of £8.6m, and achieved a net QIPP saving of £9.1m against a £9.5m target. The CCG also took on delegated responsibility for primary care commissioning, for which overall spend for the year was £36m, which was in line with budget.</p> <p>Looking ahead, the CCG has submitted a financial plan for 2016/17 that meets its statutory financial duties and aims to deliver a surplus of £8.6m. In 2016/17 the CCG has planned QIPP savings of £9.5m. The plan does recognise risks to the achievement of this position including a continuation of increased demand and cost of services. Delivery of the financial plan and the associated cost reduction and productivity targets represents a significant challenge to the CCG.</p>
<p>Value for Money (VFM) conclusion</p>	<p>We concluded that the CCG has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>
<p>VFM conclusion risk areas</p>	<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"> — Barts Health NHS Trust – Around 37% of the CCG’s total expenditure goes to Barts Health NHS Trust (£136.4m, 2015/16), which was placed in special measures in March 2015 following a report by the CQC. We reviewed the level of formal communication between the CCG and the Provider and the level of control in place at the CCG over distribution of financial resources to Barts. We found appropriate arrangements to be in place in both cases. — Better Care Fund - This is a new arrangement with Waltham Forest, which is covered by an s75 agreement. We reviewed the governance arrangements in place and minutes from relevant committees, and found appropriate arrangements to be in place. — Co-Commissioning - This is another new arrangement for the CCG, and a Primary Care Co-commissioning Committee has been set up to oversee the project. We reviewed the minutes and finance reports from this committee, and discussed the arrangements in place for working with NHS England with management. We found appropriate arrangements to be in place.
<p>Financial Statements audit opinion</p>	<p>We issued an unqualified opinion on the CCG’s accounts on 26 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 significant matters which we were required to report to ‘those charged with governance’.</p>

Headlines (cont.)

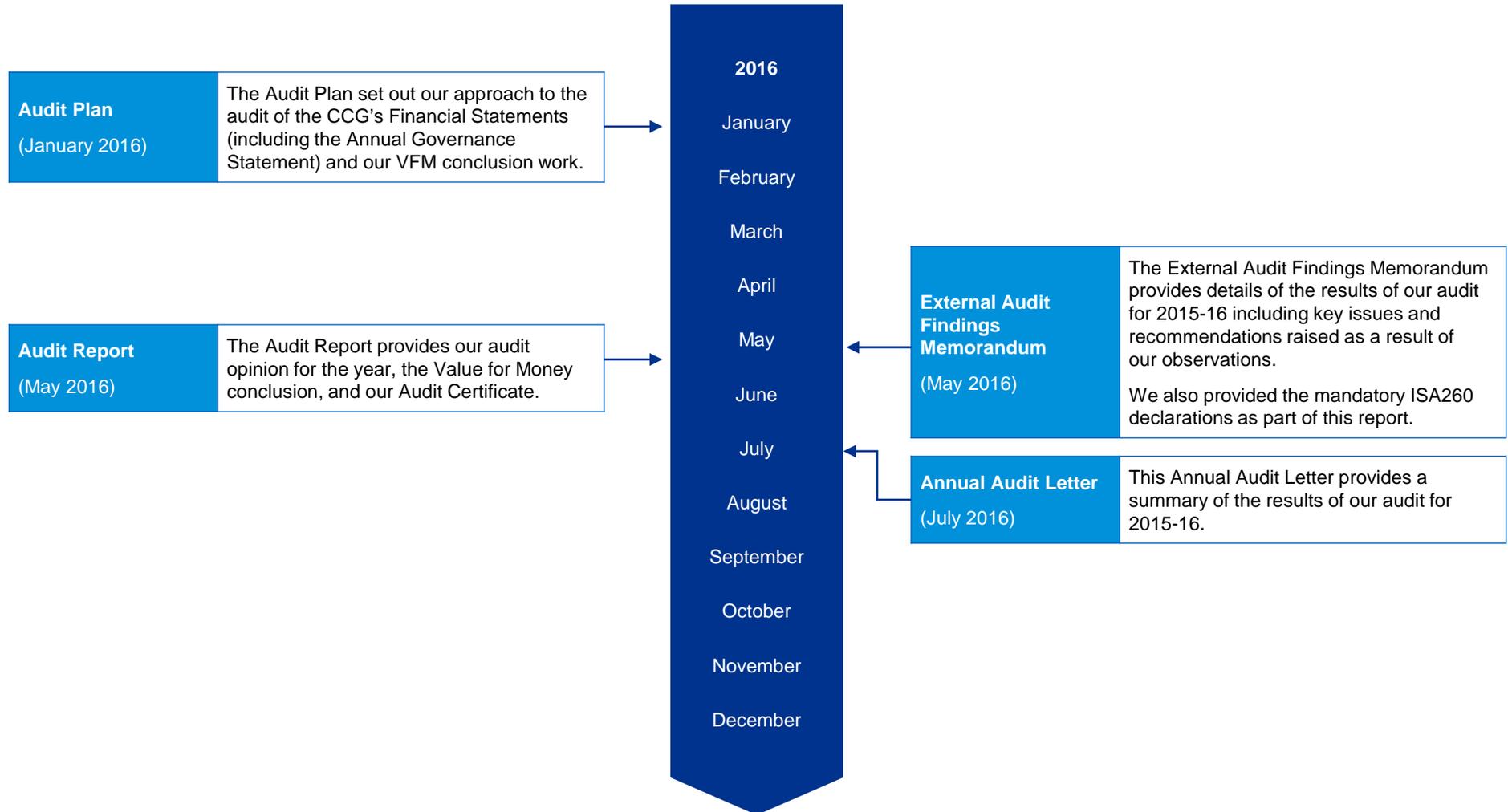
Financial statements audit work undertaken	<p>We are required to apply the concept of materiality in planning and performing our audit. We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. Our materiality for the audit was £7.6m.</p> <p>We identified the following risks of material misstatement:</p> <ul style="list-style-type: none"> — Accounting for the Better Care Fund – We reviewed the arrangements in place to account for the Better Care Fund, which involved sample testing and review of the s75 agreement. No issues were noted. — Accounting for co-commissioning – We reviewed the payments made to GPs on a sample basis, and obtained reports from several service organisations (NHS SBS, HSCIC). No issues were noted.
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>
Annual Governance Statement	<p>We confirmed that the CCG complied with the NHS Commissioning Board requirements in the preparation of the CCG's Annual Governance Statement. No significant adjustments were required to the Annual Governance Statement.</p>
Whole of Government Accounts	<p>We issued an unqualified Group Audit Assurance Certificate to the National Audit Office regarding the Whole of Government accounts submission with no exceptions.</p>
Recommendations	<p>We are pleased to report that there are no high priority recommendations arising from our 2015-16 audit work.</p> <p>The CCG has implemented agreed audit recommendations from prior years.</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 2015-16.</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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