



Annual Audit Letter 2016-17

NHS Waltham Forest Clinical Commissioning Group

5 July 2017

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in connection with this
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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

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2016-17 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.

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	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. We are also required to: <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	We conclude on the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the CCG's use of resources.

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; and
- 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 2016-17 was £55,650 (2015-16: £55,650) excluding VAT. This was in line with the fee reported in our External Audit Plan 2016/17, presented to the Audit Committee in January 2017.

Acknowledgement

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

Financial statements audit opinion	<p>We issued an unqualified opinion on the CCG's accounts on 26 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 £7m.</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2016/17:</p> <ul style="list-style-type: none"> — NHS and non NHS expenditure accruals: Accruing expenditure inherently involves a significant degree of judgement. Identifying and determining areas of expenditure which have been incurred but not yet invoiced at year end relies upon a robust purchasing system, and the knowledge of operations and finance staff from across the CCG to ensure that all liabilities relating to the financial year are correctly recorded in the financial statements. The omission or miscalculation of significant accruals has the potential to cause a material misstatement within the financial statements. Our retrospective review of a sample of prior year accruals, as well as our detailed sample testing over 2016/17 expenditure accruals, did not identify any matters for reporting. — Fraud risk from management override of controls: Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our procedures, including testing of journal entries, accounting estimates and significant transaction outside the normal course of business, did not identify any instances of management override of controls. — Primary care commissioning: we reviewed controls at the CCG to monitor primary care expenditure of £35.3m (PY: £36m) and the controls at service organisations (NHS Digital and Capita PCSE) to ensure that transactions are processed correctly. Controls at the CCG were designed effectively, although we were unable to reach this conclusion for the respective service organisations. We therefore increased the level of audit procedures around this balance, which included agreeing a sample of items to source documentation, reviewing the year end accrual and performing procedures over the completeness and existence of the balance. We did not identify any significant issues as a result. <p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. 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. We therefore do not consider fraudulent recognition of revenue to be a significant risk.</p>

Headlines (cont.)

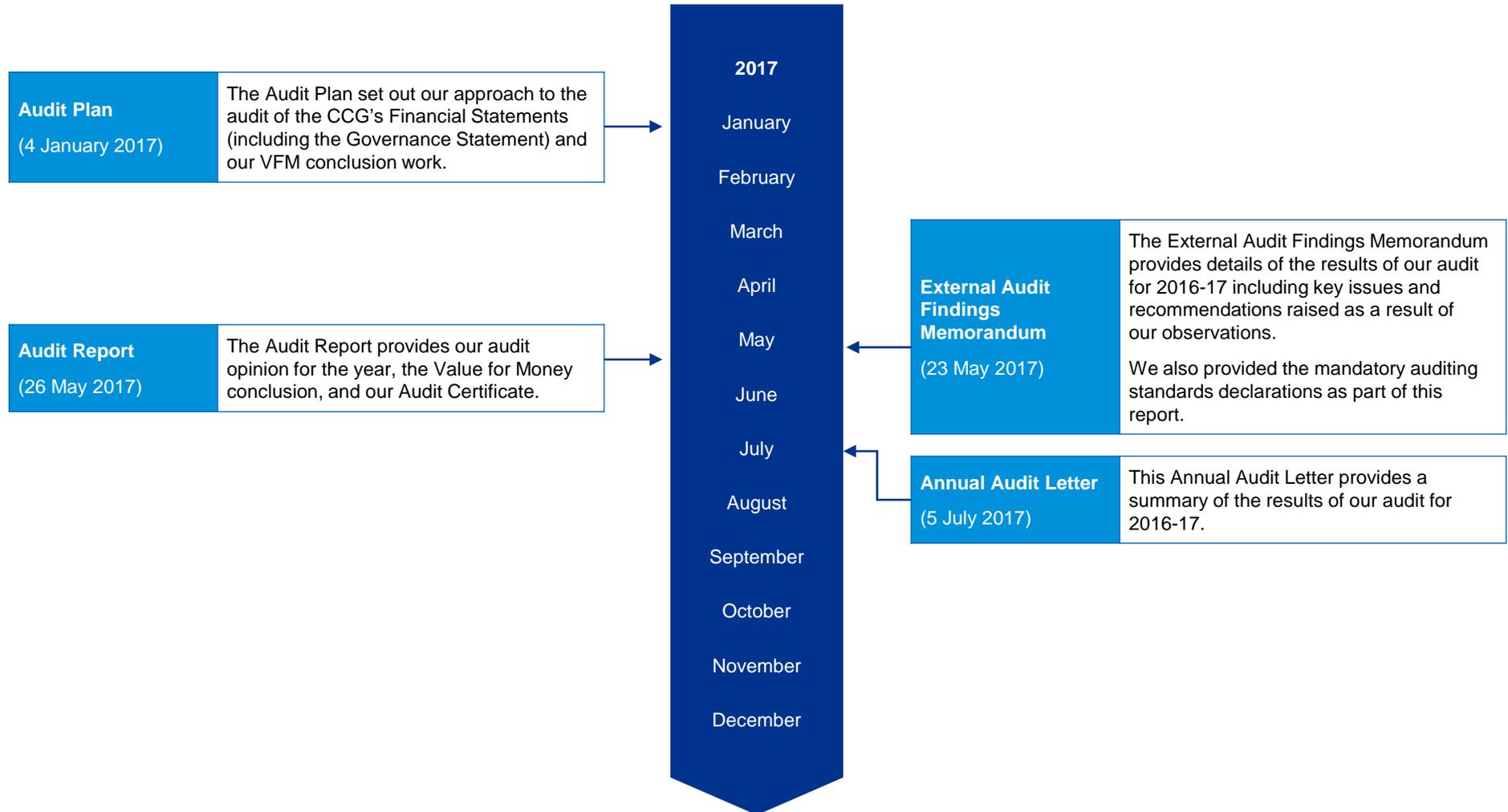
Value for Money (VFM) conclusion	We concluded that the CCG has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
VFM conclusion risk areas	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements to mitigate these risks. Our work identified the following significant risks:</p> <ul style="list-style-type: none">— Sustainability and Transformation Plan: as this is new we reviewed the arrangements for monitoring the STP. We examined processes in the CCG including the governance arrangements to produce and monitor delivery plans. We reviewed arrangements to determine how resources are allocated to STP delivery and mechanisms to monitor financial outlays. We did not identify any significant issues.— Primary care commissioning: the CCG opted to take on delegated commissioning responsibilities for primary care. We considered the potential risk that the CCG had not established robust controls to ensure appropriate governance and oversight for primary care commissioning therefore cannot assure whether value for money was being achieved. We assessed the effectiveness of the CCG's arrangements for working in partnership with NHS England and making informed decisions. We reviewed the CCG's governance arrangements, policy and procures to monitor conflicts of interests and safeguards in place to ensure effective use of resources. Our testing did not identify any issues to report.— Financial sustainability (focus on Barts Health NHS Trust): there were cost pressures experienced by the CCG in year, especially from Barts, which accounts for 37% of the CCG's expenditure and continues to struggle financially. We reviewed the CCG's financial performance and position in 2016/17 and its planning and budgeting for 2017/18. This included reviewing its QIPP target and contractual position for 2017/18 and considering Management's assessment of the CCG's ability to continue as a going concern. We assessed the mechanisms in place to enable the CCG to monitor and manage Barts performance. We have no significant findings to report in respect of this work.

Headlines (cont.)

Regularity Opinion	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. 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.
Governance Statement	We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.
Whole of Government Accounts	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.
Recommendations	We are pleased to report that there are no recommendations arising from our 2016/17 audit work. The CCG has been good at implementing agreed audit recommendations from prior years. There are no prior year recommendations that require further action by management.
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 2016/17.

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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