



# Annual Audit Letter 2017-18

**NHS Waltham Forest Clinical Commissioning Group**

4 July 2018

# Contents

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	<b>Page</b>
<b>Introduction</b>	3
<b>Headlines</b>	6
<b>Appendices</b>	11
A. Summary of our reports issued	

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.



# Introduction

# Introduction

## Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2017-18 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:

<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; 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 the audit was £42,450 plus VAT (£59,625 in 2016/17). This fee was in line with that highlighted within our audit plan agreed by the Audit Committee in January 2018.

We have not completed 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

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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. 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 adjusted or unadjusted audit differences that were identified as part of the audit.</p> <p>There were no significant matters which we were required to report to 'those charged with governance'.</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 £7.7m (2016-17: £7.0m).</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>— 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 material fraud.</li> </ul> <p>Professional standards also 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 rebut this presumption and do not consider the risk of inappropriate revenue recognition to be a significant risk of material misstatement in the CCG's financial statements.</p>
<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. No significant adjustments were required to the Governance Statement as a result of our audit.
<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 with no exceptions.
<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>— Single Accountable Officer - On 6 November 2017 it was announced that seven CCGs in North East London (Tower Hamlets CCG, Waltham Forest CCG, Newham CCG, City and Hackney CCG, Barking and Dagenham CCG, Havering CCG and Redbridge CCG) had appointed a single accountable officer. We found that the CCG was appropriately represented on the Boards at the STP level, and that decisions are only taken with the approval of the CCG's Governing Body, meaning that the CCG as a sovereign entity is still fulfilling its statutory obligations by taking decisions in the interests of its local population.</li> <li>— North East London Risk Pooling - In 2016/17 all CCGs were required by NHS England to hold a 1% reserve to be released for investment in Five Year Forward View transformation priorities. Due to the deficit in the provider sector, this did not materialise, but the North East London CCGs pooled their 1% reserves to support deficits within the Barking and Dagenham, Havering and Redbridge CCGs. Waltham Forest CCG's did not contribute to this arrangement in 2017-18. This risk did therefore not materialise and did not impact our VFM conclusion.</li> <li>— Challenged provider (Barts NHS Trust) - The CCG's main acute provider is Barts Health NHS Trust has been in financial difficulty for years. In 2016/17 Barts incurred a retained deficit of £69.5m (after adjustments). We reviewed minutes from the Bart's Contract Review Group (which takes place on a monthly basis) and found that the meeting is attended by senior representatives of the CCG. The group monitors the Trust's financial and operational performance on a regular basis.</li> </ul>
<b>Recommendations</b>	We are pleased to report that there are no high priority recommendations arising from our 2017-18 audit work.
<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.

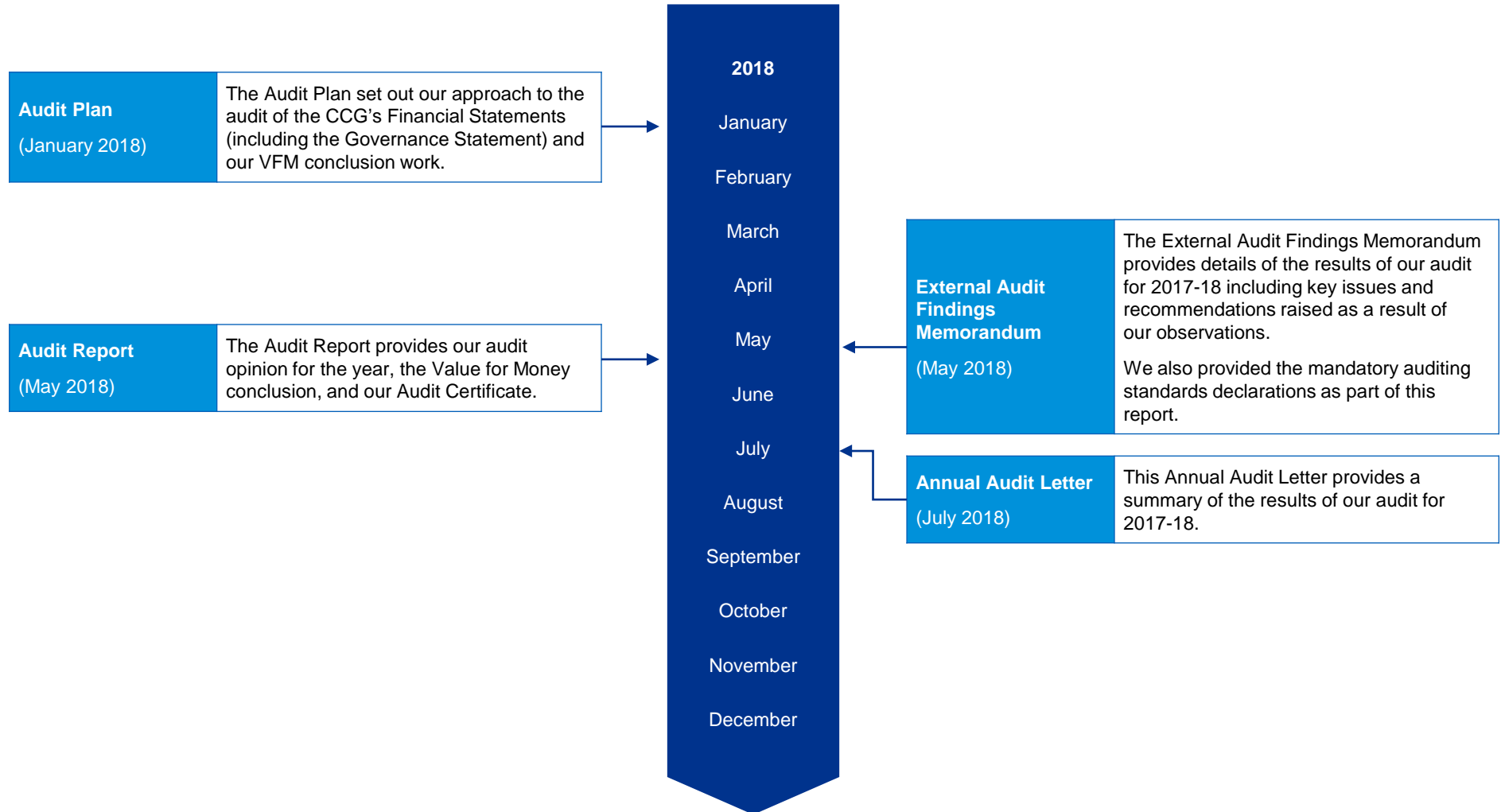




# Appendices

## 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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