



Annual Audit Letter 2018/19

NHS South Lincolnshire Clinical Commissioning Group

18 June 2019

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This report is addressed to NHS South Lincolnshire 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 2018/19 audit at NHS South Lincolnshire 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 not identified any key recommendations in 2018/19 as noted in Appendix A. 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 B.

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 2018/19 was **£40k** (which includes an additional fee of £2k for work on IFRS) (2017/18: £38k) excluding VAT. This fee was in line with the fee agreed at the start of the year with the CCG's Audit Committee.

We are also due to complete the following piece of work at the CCG during the year:

Mental Health Investment Standard compliance review	The scope of this work has not yet been confirmed The fee for this work is to be agreed on confirmation of the scope of the work.
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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 2018/19.

Financial Statements audit opinion	<p>We issued an unqualified opinion on the CCG's accounts on 28 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 significant adjusted or unadjusted audit differences 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>
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 £4.6m (2017/18: £3.5m).</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">— Risk 1 – Agreement of balances -The agreement of balances exercise is a key area of the final accounts production process and provides us with a large part of our assurance. We reviewed management's arrangements over the agreement of balances with other NHS organisations. We had no issues to note.— Risk 2 – Management override of controls - Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We did not identify any evidence of management override of controls/fraud as a result of our audit work.— Risk 3 – Fraudulent expenditure recognition - In the public sector, auditors also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). This may arise due to the audited body manipulating expenditure to meet externally set targets. We did not identify any evidence of fraud as a result of our audit work.
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 (cont.)

Governance Statement	<p>We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.</p> <p>— 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.</p> <p>Our work identified the following significant risks:</p> <ul style="list-style-type: none"> — Risk 1 – Meeting Statutory financial duties, delivering savings, and medium term financial sustainability - There are challenges for the CCG and the wider health community with the delivery of budgets that are under increasing pressure. Overspending against your budget and not achieving the statutory financial duties would be a key issue for us to take into account in considering the arrangements for sustainable resource deployment as part of the value for money conclusion assessment. The CCG has maintained its focus on the actions required to meet its in year targets and secure its medium term financial standing. The CCG reported that it has spent within its 2018/19 revenue resource allocations for programme and administration costs, so it has met its statutory financial duties. During the year £2.7m of resources were allocated to South West CCG. The CCG delivered £6.7m (73%) of the £9.2m planned QIPP for 2018/19. £1.9m of this under achievement was in respect of Acute Services. We have not identified any issues in our work relating to this aspect which would give rise to a modification of our value for money conclusion. — Risk 2 – Lincolnshire Sustainability and Transformation plan - The CCG needs to be able to demonstrate it is effectively engaged in the STP process and is taking the expected steps with the Lincolnshire health partners and third parties to address the matters identified in the STP. We reviewed the steps you have taken to date to engage with the STP process and take into account the arrangements established by you and your Lincolnshire health partners to take forward the actions required over the life of the STP. We noted, overall the CCG has demonstrated appropriate progress in respect of its arrangements for working with partners and we have not identified any issues in our work relating to this aspect which would give rise to a modification of our value for money conclusion.
Recommendations	<p>We are pleased to report that there are no high risk recommendations arising from our 2018/19 audit work.</p> <p>We did not raise any prior year recommendations.</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>
Fraud	<p>This work is complete and has not identified any matters which we wish to draw to your attention.</p>



Appendices

Appendix A

Key recommendations

Recommendations raised in 2018/19

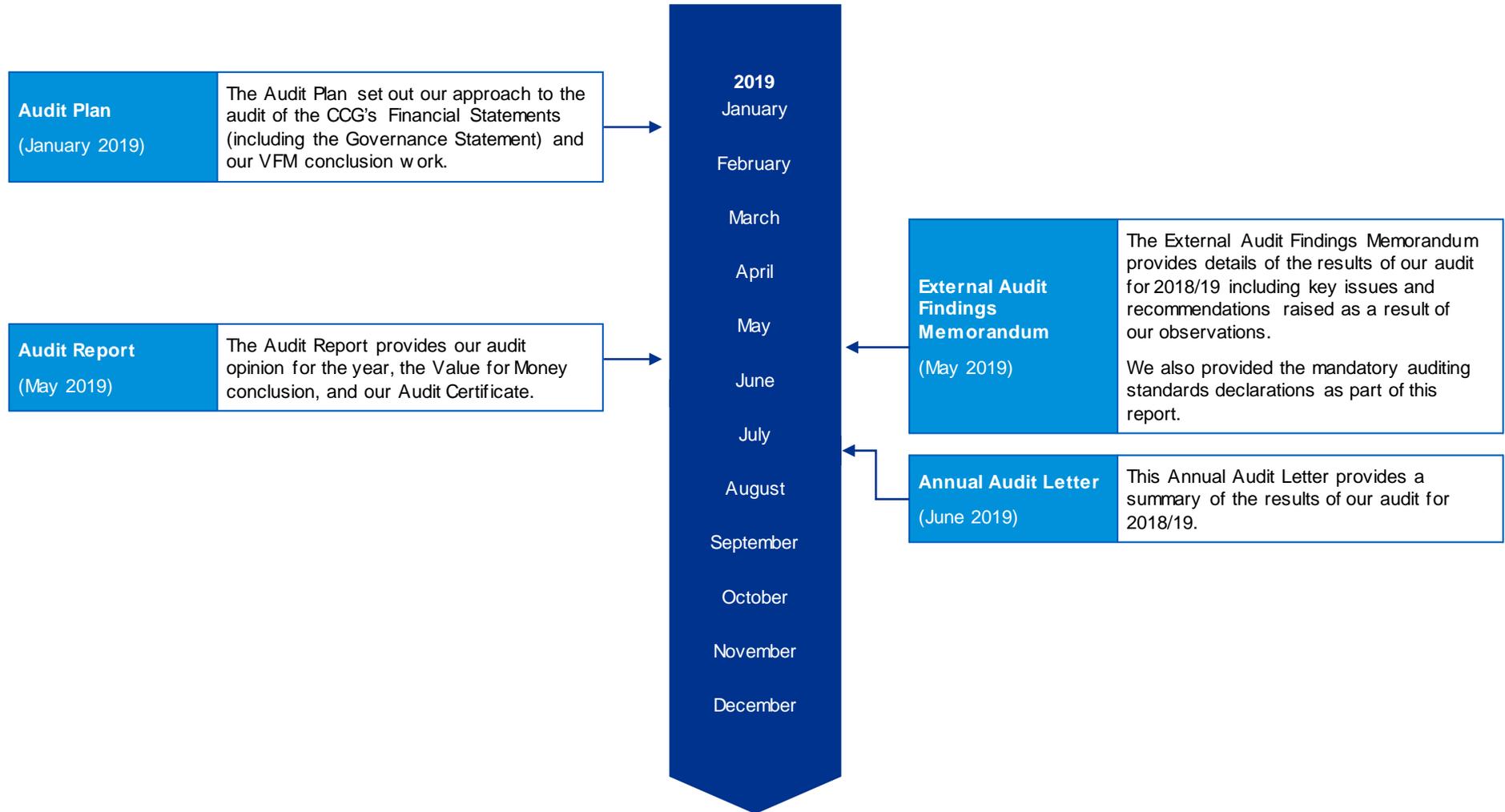
We are pleased to report that there are no recommendations arising from our 2018/19 audit work.

Recommendations from previous years

We are pleased to report that there are no recommendations arising from our 2017/18 audit work.

Appendix B

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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