



Annual Audit Letter 2016-17

**NHS North East Lincolnshire Clinical
Commissioning Group**

15 June 2017

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

John Prentice
Director, Leeds
KPMG LLP (UK)
Tel: 0113 231 3935
Mob: 07827 939020
John.prentice@kpmg.co.uk

Jackie Rae
Manager, Leeds
KPMG LLP (UK)
Tel: 0113 231 3643
Mob: 07767 790780
jackie.rae@kpmg.co.uk

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This report is addressed to NHS North East Lincolnshire Clinical Commissioning Group (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 John Prentice, 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 North East 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; no recommendations were needed to help the CCG improve performance. 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 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 have 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 England in the preparation of its Governance Statement. 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 Integrated Governance 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; and
- Building a strong and effective working relationship with Internal Audit to maximise assurance to the Integrated Governance and Audit Committee, avoid duplication and provide value for money.

Fees

Our fee for the audit was £46,516 plus VAT (£46,516 in 2015-16). This fee was in line with that highlighted within our audit plan agreed by the Integrated Governance and Audit Committee in March 2017. As in previous years, this figure includes an additional fee of £1,516 which has been approved by Public Sector Audit Appointments Limited relating to the adult social care contract with North East Lincolnshire Council.

Acknowledgement

As this is our final communication with the CCG through our PSAA external audit contract, we extend our thanks to officers and staff for their assistance to us in this and previous years. The CCG has always achieved its financial targets and demonstrated innovation and capability in its delivery of services and responding to the challenges facing the NHS. Should you feel that external support is required going forward, we would be very happy to work with you again in future.



Headlines

Headlines

This section summarises the key messages from our work during 2016-17.

Overall financial results and other key messages	<p>Financially, 2016-17 was another challenging year for the CCG but the CCG met its key financial targets for 2016-17 reporting a surplus of £6.740m including £2.209m released from the national strategic risk reserve. Savings were achieved in both health (£6.3m) and Adult Social Care (£1.9m).</p> <p>Looking ahead, the CCG has submitted a balance financial plan for 2017-18 but this is not without challenges across the local health community. The CCG is working with neighbouring CCGs and the local acute providers, as part of the wider Sustainability and Transformation Plan (STP), to balance the overall NHS resources in northern Lincolnshire. This may lead to changes in the provision of services locally. The CCG itself has to deliver savings of £7.1m in health and £3.2m in Adult Social Care (ASC). Plans are in place for £7.7m and the CCG working with partners to identify further plans.</p>
Value for Money (VFM) conclusion	<p>We concluded that the CCG has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. No value for money risks were identified during the audit.</p>
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> <p>No significant adjusted or unadjusted audit differences were identified as part of the audit. There were no significant matters which we were required to report to 'those charged with governance'</p> <p>The draft financial statements and supporting working papers and the draft annual report provided by the CCG were of a good quality. The CCG Finance staff responded promptly to any queries raised during our audit work.</p>

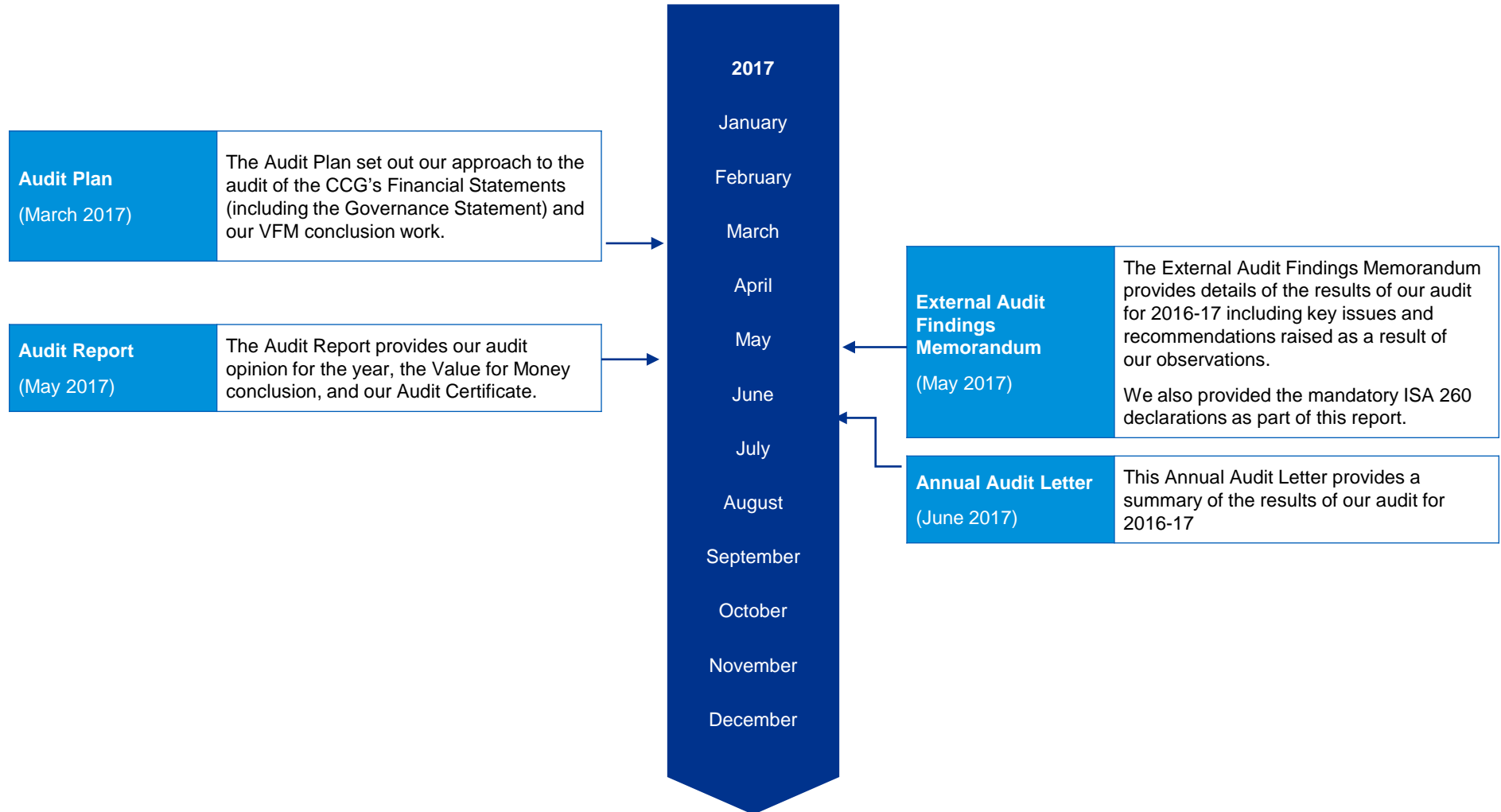
Headlines (cont.)

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 £4m (2015-16: £5m). The materiality level was reduced this year to reflect changes in key personnel in the Finance Department, the overall financial pressure on the NHS nationally and specifically locally at the CCG's main provider.</p> <p>We did not identify any risks of material misstatement in the financial statements as part of our External Audit Plan 2016-17.</p>
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 have 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>
Governance Statement	<p>We confirmed that the CCG complied with the NHS England requirements in the preparation of the CCG's Governance Statement.</p>
Recommendations	<p>We are pleased to report that there are no recommendations arising from our 2016-17 audit work.</p> <p>The CCG has been good at implementing agreed audit recommendations, when raised, 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 2016-17.</p>



Appendices

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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