



# Annual Audit Letter 2017-18

**NHS Tameside and Glossop Clinical Commissioning Group**

17 July 2018

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This report is addressed to NHS Tameside and Glossop 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 Tameside and Glossop 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 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;
- review of general IT controls in place at the CCG highlighting any control weaknesses and areas for improvement; 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 2017-18 was £37,907 excluding VAT. This fee was in line with that highlight within our audit plan, agreed by the CCG's Audit Committee in January 2018.

## Acknowledgement

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



# Headlines

This section summarises the key messages from our work during 2017-18.

<p><b>Financial Statements audit opinion</b></p>	<p>We issued an unqualified opinion on the CCG's accounts on 25 May 2018. 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>We are required by ISA (UK and Ireland) 260 to communicate to the Audit Committee all unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those that we believe are clearly trivial. We identified one unadjusted audit difference during the course of our audit:</p> <ul style="list-style-type: none"> <li>▪ In 2017/18, as in the prior year, the CCG calculated the prescribing accrual by using the full year spending profile obtained from the NHS Business Services Authority (BSA) website, and applying this profile to the year-to-date spend to calculate the anticipated spend for months 11 and 12. Actual figures for months 11 and 12 were received prior to submission of the audited accounts, with the accrual established by the CCG found to be £1.1m overstated. Consequently, while within our acceptable range, this misstatement exceeded our reportable threshold of £300k, therefore we reported the Audit Committee on 23 May 2018.</li> </ul> <p>We are pleased to report that we did not identify any adjusted audit differences over our reporting threshold of £300k.</p> <p>Alongside the Finance team we have identified a number of minor presentational differences within the financial statements which have been adjusted during the audit process</p> <p>There were no significant matters which we were required to report to 'those charged with governance'.</p>
<p><b>Financial statements audit work undertaken</b></p>	<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 £7.5 million.</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>— Accounting for primary care commissioning – We reviewed controls in the CCG relating to primary care commissioning; assessed the level of expenditure against the allocated budget from NHSE; reviewed whether any payments have been made to practices outside of the CCG's constitution; performed substantive sample testing of GPMS/SPMS and PCTMS transactions throughout the year; reviewed the year end accrual made in respect of primary care expenditure; and reviewed transactions with Governing Body members who are GPs at local practices as part of our related parties work. Our testing did not identify any issues or misstatements that we would like to highlight.</li> <li>— Fraud risk from revenue recognition - In our External Audit Plan we reported that we do not consider the fraud risk from revenue recognition to be a significant audit opinion risk for CCGs. 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. Since we rebutted this presumed risk, there has been no impact on our audit work.</li> <li>— Fraud risk from management override of controls - Our procedures, including testing of journal entries, accounting estimates and significant transactions outside the normal course of business, identified no instances of fraud.</li> </ul>

# Headlines (cont.)

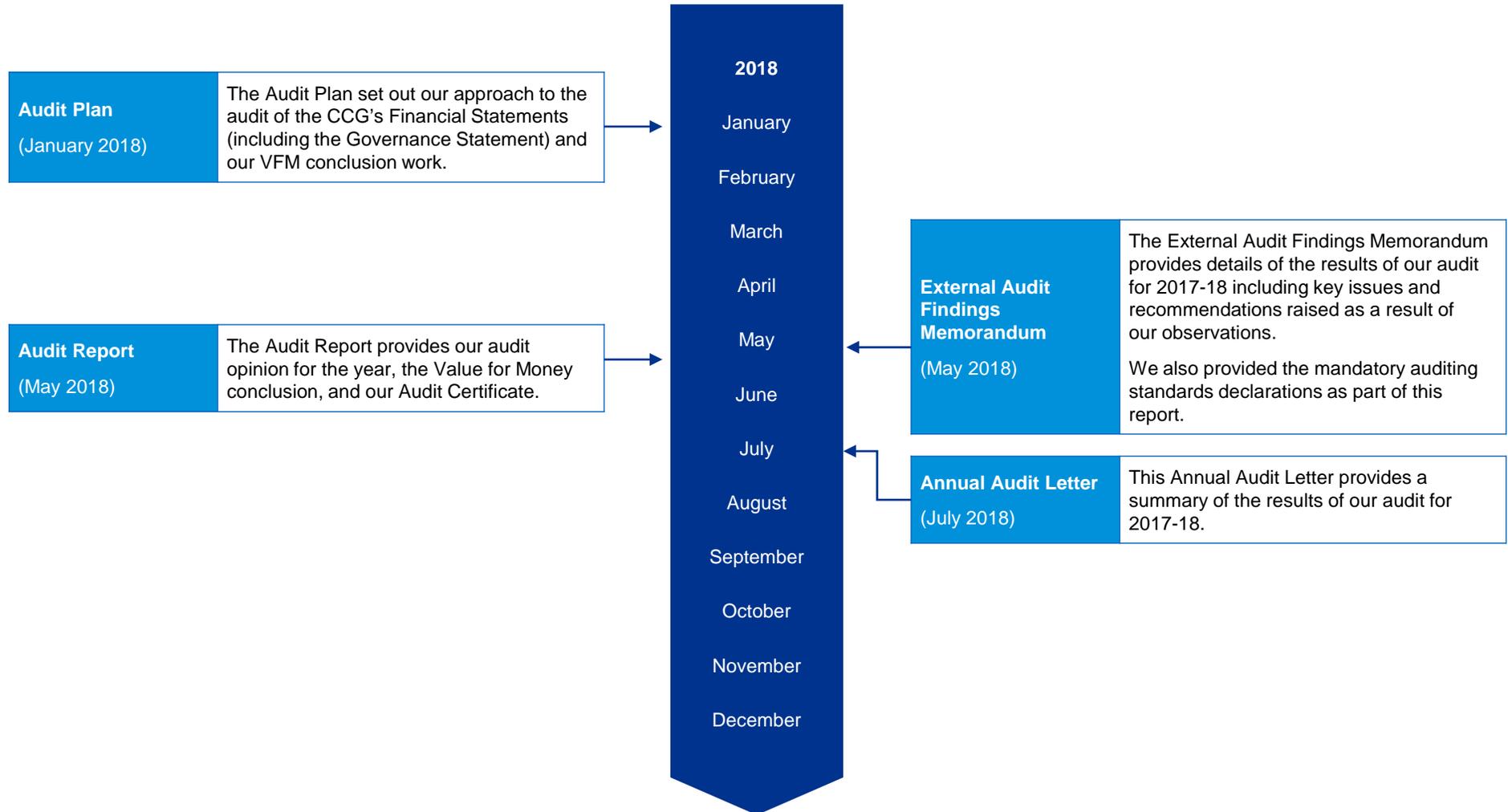
<b>Regularity Opinion</b>	<p>We are required to form a view on the regularity of the CCG's income and expenditure i.e. that the expenditure and income included in the CCG's financial statements has been applied to the purposes intended by Parliament and the financial transactions in the financial statements 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>
<b>Governance Statement</b>	<p>We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.</p>
<b>Whole of Government Accounts</b>	<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>
<b>Value for Money (VFM) conclusion</b>	<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>
<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>We reviewed various matters as part of this risk assessment, including the CCG's 2017/18 and 2018/19 annual plans; the CCG's latest risk register and governing body assurance framework reports; and recurrent cost improvement schemes identified and delivered during 2017/18. We did not identify any significant VFM risks.</p>
<b>Recommendations</b>	<p>We are pleased to report that there are no high risk recommendations arising from our 2017-18 audit work.</p>
<b>Public Interest Reporting</b>	<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 2017-18.</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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