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in connection with this  
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**Report sections**

■ Section One: Introduction	2
■ Section Two: Headlines	3
■ Section Three: Use of Resources	5
■ Section Four: Accounts	6

**Appendices**

A. Key issues and recommendations	13
B. ISA 260 Communication of Audit Differences	15
C. ISA 260 Declaration of Independence and Objectivity	16
D. National Audit Office Group Assurance	18

This report is addressed to NHS Sheffield CCG ('the CCG') and has been prepared for your use only. We accept no responsibility towards any member of staff acting on their own, or to any third parties. The Audit Commission has issued a document entitled to Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the CCG. We draw your attention to this document.

External auditors do not act as a substitute for the CCG'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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Clare Partridge, who is the engagement lead to the CCG or Trevor Rees (0161 246 4063 / [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk)), that national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. You can contact the Complaints Unit by phone (0303 444 8330), by email ([complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk)), through the Audit Commission website ([www.audit-commission.gov.uk/aboutus/contactus](http://www.audit-commission.gov.uk/aboutus/contactus)), by textphone/ minicom (020 7630 0421), or via post to The Private Secretary, Controller of Audit's Office, Audit Commission, 3<sup>rd</sup> Floor Fry Building, 2 Marsham Street, London, SW1P 4DF.



























#### Next Steps

We have completed the majority of our audit work. However, as at 21 May 2014, we are still awaiting the final mismatch report from NHSE to enable us to conclude on the WGA submission and there are still some national issues to be clarified. We will update the AIGC on the outcomes of these items at the meeting on 5 June 2014.

Following consideration of the issues highlighted in this report the AIGC, at its meeting on 5 June 2014, will recommend the signing of the management representations letter at the Governing Body meeting also taking place on 5 June 2014.

Once we have received your representations we issue our audit opinion. For 2013/14 this provides confirmation that:

- your financial statements present a true and fair view;
- you have complied with the disclosure requirements set out in NHS England's ARG in the preparation of your AGS and we are not aware of any inconsistencies with the information that you have recorded within this statement and our other work;
- we have read your Annual Report and in our view it does not contain information which is inconsistent with your financial statements; and
- the numerical part of your Remuneration Report has been presented in a way which complies with the accounting requirements as set out in NHS England's ARG.

We do not have any other matters that we wish to draw to your attention prior to issuing this opinion.

#### Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors. We have provided this declaration at appendix B.

#### Audit Fees

Our fee for the audit in 2013/14 was £105,000 plus VAT. This fee was in line with that highlighted within our audit plan issued on 3 December 2013.

We have not completed any other work at the CCG during the year.

We are required by ISA (UK and Ireland) 260 Communication of Audit Matters to Those Charged with Governance to communicate all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance. As part of our planning process we agreed a definition of trivial with you which reflected balances below £650k. We are also required to report all material misstatements that management has corrected but that we believe should be communicated to the AIGC to assist it in fulfilling its governance responsibilities.

This appendix sets out the audit differences that we identified following the completion of our audit of the CCG for the year ended 31 March 2014.

#### **Unadjusted audit differences**

We are pleased to report that there were no unadjusted audit differences.

#### **Adjusted audit differences**

We are pleased to report that there were no adjusted audit differences.

#### **Presentational Issues**

We identified a number of presentational issues during our audit. The material and sensitive ones have been amended by the CCG and are detailed below; there is no impact on the income and expenditure as a result of the amendment:

- **Note 5 Operating expenses** – “Audit fees” were incorrectly disclosed as £116k; this is net of the rebate received from the Audit Commission and it should be disclosed in full. The figure was amended to £126k (including VAT).

The non-material presentational issue that has not been amended, but that we wanted to bring to your attention, include:

- **Note 23 Trade and Other Payables** – “Non-NHS accruals and deferred income” included £6.6m relating to an actual payment relating to Prescribing. This should really be classified as “Non-NHS payables, revenue” as it relates to an actual amount paid rather than an accrual.

None of the above have any impact on the income or expenditure of the CCG.

#### **Other Matters**

There are no other matters to be brought to the CCG's attention.

The purpose of this appendix is to communicate all significant facts and matters that bear on KPMG LLP's independence and objectivity and to inform you of the requirements of *ISA 260 (UK and Ireland) Communication of Audit Matters to Those Charged with Governance*.

**Integrity, objectivity and independence**

We are required to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

We have considered the fees paid to us by the CCG for professional services provided by us during the reporting period. We are satisfied that our general procedures support our independence and objectivity.

**General procedures to safeguard independence and objectivity**

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail. There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Governing Body Members.

**Audit matters**

We are required to comply with *ISA (UK and Ireland) 260 Communication of Audit Matters to Those Charged with Governance* when carrying out the audit of the accounts.

ISA 260 requires that we consider the following audit matters and formally communicate them to those charged with governance:

- Relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement lead and audit staff.
- The general approach and overall scope of the audit, including any expected limitations thereon, or any additional requirements.
- The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the CCG's financial statements.
- The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.
- Audit adjustments, whether or not recorded by the entity that have, or could have, a material effect on the CCG's financial statements.
- Material uncertainties related to event and conditions that may cast significant doubt on the CCG's ability to continue as a going concern.
- Disagreements with management about matters that, individually or in aggregate, could be significant to the CCG's financial statements or the auditor's report. These communications include consideration of whether the matter has, or has not, been resolved and the significance of the matter.

**Audit matters (continued)**

- Expected modifications to the auditor's report.
- Other matters warranting attention by those charged with governance, such as material weaknesses in internal control, questions regarding management integrity, and fraud involving management.
- Any other matters agreed upon in the terms of the audit engagement.

We continue to discharge these responsibilities through our attendance at Audit Committees, commentary and annual audit letter and, in the case of uncorrected misstatements, through our request for management representations.

**Auditor Declaration**

In relation to the audit of the financial statements of the CCG for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and the CCG, its officers and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards in relation to independence and objectivity.

As auditors of NHS Sheffield CCG we are required to report to the NAO auditors in connection with the audit of the Department of Health Departmental Account, NHS Summarised Accounts and Whole of Government Accounts. We intend to issue an unqualified Group Audit Assurance Certificate to the National Audit Office (NAO) regarding the Whole of Government accounts (WGA) submission which will refer to the exceptions in the table below.

We are required to report any inconsistencies greater than £250,000 between the signed audited accounts and the consolidation data and details of any unadjusted errors or uncertainties in the data provided for intra-group and intra-government balances and transactions. We have provided details of the inconsistencies that we are reporting to the NAO below:

Counter party	Type of balance/ transaction	Balance as per NHS Sheffield CCG (£'000)	Balance as per counter party (£'000)	Difference (£'000)	Comments on Difference
Sheffield Teaching Hospitals NHS Foundation Trust	Receivables	4,853	2,971	1,882	The CCG has recorded a credit note received from the Foundation Trust as a debtor but the Foundation Trust has not transferred it to creditors in its accounts, instead leaving it in debtors.  We have seen the credit note and believe the CCG's balance is correct.
Sheffield Teaching Hospitals NHS Foundation Trust	Payables	6,646	4,765	1,881	See above.
NHS Property Services	Expenditure (programme)	0	606	606	This relates to the rent on the CCG building and has been recorded under 'admin' in the CCG's expenditure. However, Property Services has classified it as 'programme'.  We confirm the CCG's classification is correct.
NHS Property Services	Expenditure (admin)	606	0	606	See above.





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