



Annual Audit Letter 2018-19

NHS Sheffield Clinical Commissioning Group

29 July 2019

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This report is addressed to NHS Sheffield (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 summarises the key issues arising from our 2018-19 audit at NHS Sheffield Clinical Commissioning Group. 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 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 and Integrated Governance 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 and Integrated Governance Committee, avoid duplication and provide value for money.

Fees

Our fee for 2018-19 was £39,821 (2017-18: £38,821) excluding VAT. This fee was in line with the fee agreed at the start of the year with the CCG's Audit and Integrated Governance Committee.

We have also agreed to complete the following piece of work at the CCG relating to the 2018/19 accounting period:

Audit related assurance services

We are currently finalising the scope for the audit of the Mental Health Investment Standard, with a requirement to report by the end of September 2019. We anticipate a fee of £14k-£18k this year, to reflect two audit periods under review (2017-18 and 2018-19).

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 audit opinion on the CCG's accounts on the 24 May 2019 following the Audit and Integrated Governance Committee adopting them and receipt of the management representations letter.</p> <p>We identified one unadjusted audit difference but this did not have any impact on our audit opinion as it was below materiality.</p> <p>We did not raise any recommendations as a result of our work.</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 £15.5m (2017-18: £12m).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2018-19:</p> <p>1. 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). We therefore tested controls over segregation of duties in relation to invoice payments, focussed our testing on expenditure accruals (Prescribing, NHS and Non-NHS) and carried out cut-off testing to ensure appropriate recognition at year end. The results of our testing were satisfactory. We considered the amount of expenditure recognised to be acceptable.</p> <p>2. Management Override of Controls – Professional standards communicate the fraud risk from management override of controls as significant. We tested the operating effectiveness of controls over journal entries and reviewed any significant judgements or estimates during the period. We concluded there were no indications of management override of controls noted.</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 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>
Governance Statement	<p>We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.</p>

Headlines (cont.)

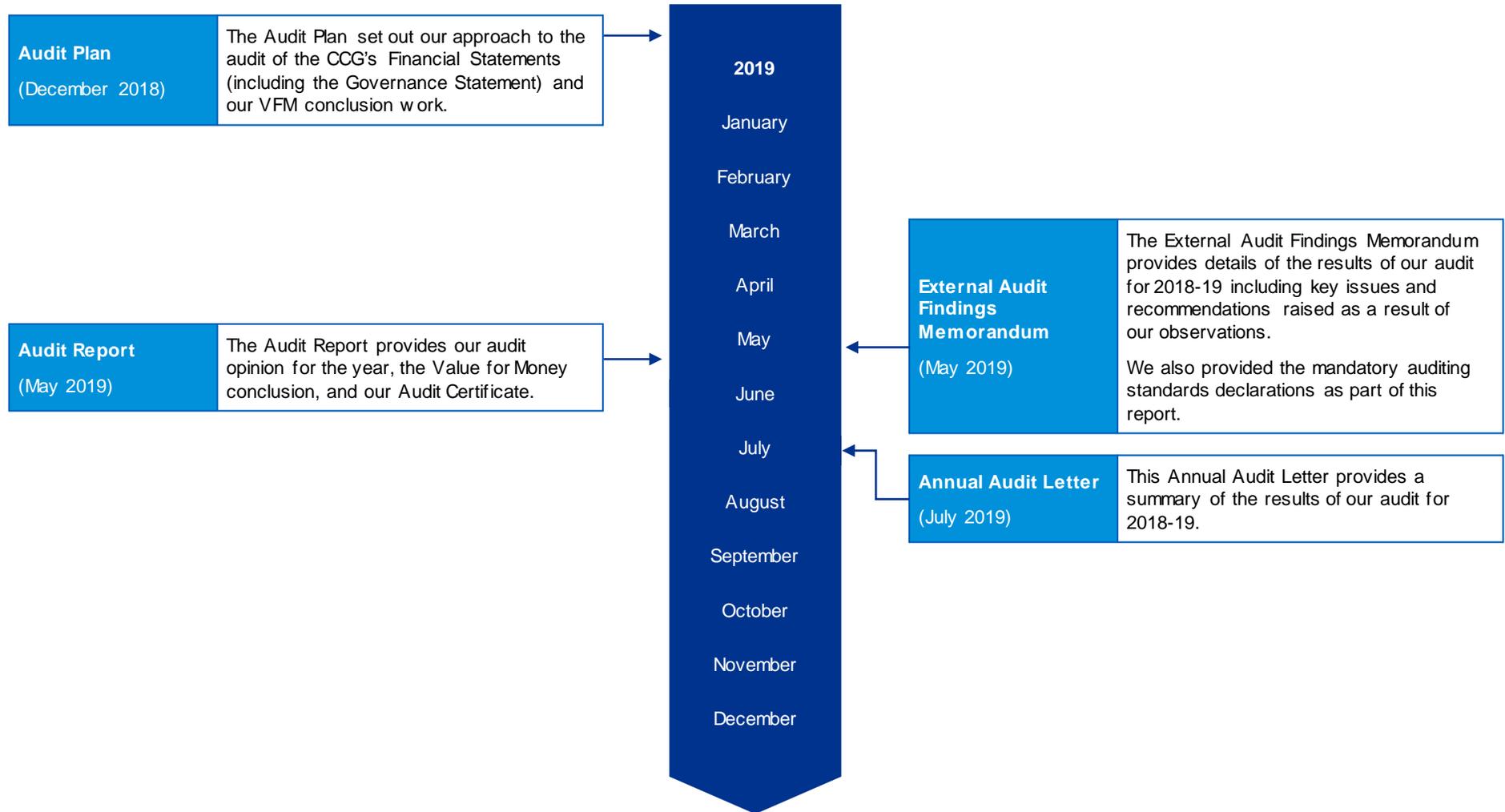
Whole of Government Accounts	<p>We issued an unqualified Auditor Statement on the Consolidation Schedules prepared by the CCG for consolidation into the Whole of Government Accounts with no exceptions.</p> <p>We issued an unqualified Group Audit Assurance Certificate to the NAO regarding the Whole of Government Accounts submission, made through the submission of the summarisation schedules to NHS England.</p>
Value for Money (VFM) conclusion	<p>Based on the findings of our work, we have concluded that the CCG has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.</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. Our work identified the following significant risk:</p> <p>NHSE Independent Review:</p> <ul style="list-style-type: none"> • Our initial VFM risk assessment, carried out between December 2018 and February 2019, did not identify any specific risks. On 25th February 2019, we identified an article in the HSJ which flagged some concerns that had been raised publicly about the CCG. • On further enquiry, we learnt following claims brought to the attention of NHSE by local MPs and CCG staff in November 2018, NHS England commissioned an independent assessment of NHS Sheffield CCG's leadership and culture as part of their role as the regulator. • This impacts the sub-criterion of 'Informed Decision Making - Acting in the public interest, through demonstrating and applying the principles and values of sound governance'. <p>Work performed:</p> <ul style="list-style-type: none"> • We liaised with the Director of Finance and Those Charged With Governance (TCWG) to understand the issues that had arisen and work undertaken at the CCG to address these concerns. • We reviewed the Independent 360 Assessment to understand the findings and determine whether the CCG's response to the findings was both timely and proportionate. • We consulted with a representative from NHS England who has an active regulatory oversight role at the CCG. • We reviewed Governing Body (GB) papers and other supporting minutes to understand whether the GB has been kept informed of the independent review and remedial actions. <p>Conclusion:</p> <p>The independent review was carried out by a former NHS chief executive from the West Midlands as someone who was independent to the organisation and to the Sheffield region. Overall, whilst a number of recommendations and areas for improvement have been identified, none of the individual findings were considered of sufficient magnitude to impact our VFM opinion which remains unqualified.</p>
Public Interest Reporting	<p>There were no matters in the public interest that we needed to report or refer to the Secretary of State in 2018/19.</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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