



Annual Audit Letter 2016-17

NHS Bolton Clinical Commissioning Group

8 July 2017

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in connection with this
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This report is addressed to NHS Bolton 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.

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 Amanda Latham 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 Bolton 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:

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| 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;
- 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 2016-17 was £56,250 (2015-16: £56,250) excluding VAT. Our fees are set nationally by Public Sector Audit Appointments Ltd and the 2016-17 fee was in line with the fee agreed at the start of the year with the CCG's Audit Committee.

We are in the process of agreeing a fee variation of £2,300 with CCG officers and the PSAA for the additional work we have had to undertake as result of not being able to rely on the service auditor report for Capita in respect of payments made to GPs.

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 2016-17.

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|---|--|
| Financial Statements audit opinion | 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. |
| 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 £8,000k (2015/16: £6,600k).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2016/17:</p> <ul style="list-style-type: none">— Risk 1 - <i>Accounting for co-commissioning of GP services</i>. NHS Bolton CCG selected full delegation of commissioning responsibilities, which is known as Model 3 from 1 April 2016. As such, the CCG accounted for the expenditure associated with commissioning GP services within their financial statements. In 2016/17 the budget for this expenditure was £38.9m. We reviewed the treatment of the co-commissioning arrangement and checked that it was accounted for in accordance with relevant guidance and accounting standards. We obtained assurance over the completeness, existence and accuracy of the co-commissioning balance in the CCG's financial statements.— Risk 2 - <i>Fraud risk from revenue recognition</i>. We are required to consider this risks by International Auditing Standards. In our External Audit Plan 2016/17 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 was no impact on our audit work.— Risk 3 - <i>Fraud risk from management override of controls</i>. We are required to consider this risks by International Auditing Standards. Our procedures, including testing of journal entries, accounting estimates and significant transaction outside the normal course of business did not identify any instances of fraud. |
| 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.)

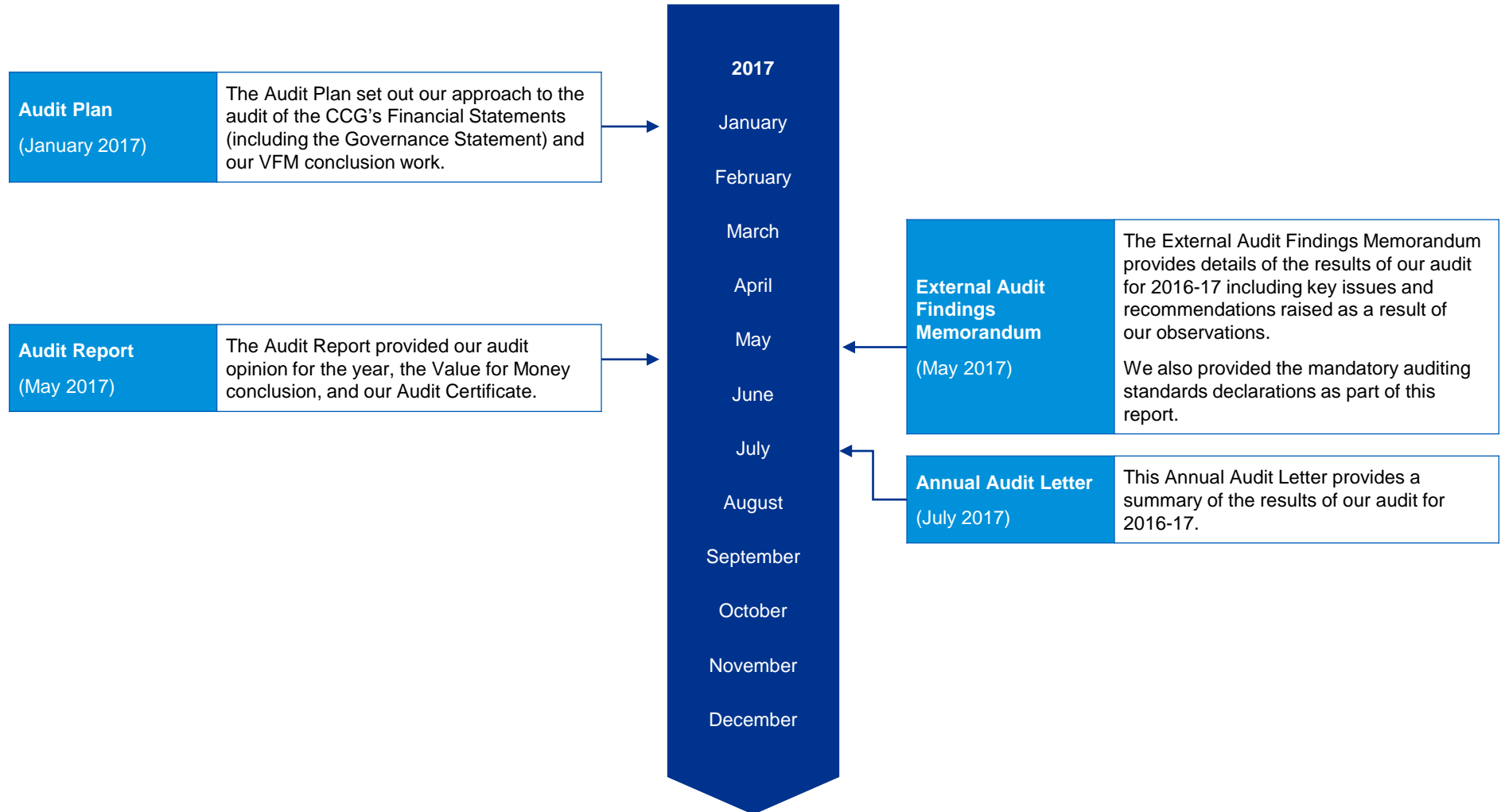
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| Governance Statement | <p>We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.</p> <ul style="list-style-type: none"> — No significant adjustments were required to the Governance Statement. |
| 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 risks:</p> <ul style="list-style-type: none"> — Risk 1 - <i>Delivery of financial targets and the Quality, Innovation, Productivity and Prevention (QIPP) plans</i>. The CCG had a QIPP target of £7.7m for 2016/17. We found that the CCG had implemented effective arrangements to deliver their QIPP target and had over achieved on their target by the end of the year on a recurrent basis. — Risk 2 - <i>Co-commissioning of primary care</i>. As this was year one of the new responsibility and given the national problems with service auditor reports in this area in 2015/16, we identified co-commissioning as a risk of material financial misstatement in 2016/17. However, we judged this also posed a value for money risk given the concerns over the central assurance arrangements in place to maintain an accurate record of the expenditure incurred. Our work focused on assessing whether governance arrangements for co-commissioning were being delivered in an efficient, effective and economic manner. This involved reviewing the co-commissioning arrangements in place at the CCG and the interaction with NHS England and Capita. We found that the CCG had effective arrangements in place to manage the co-commissioning expenditure during the year. |
| Recommendations | <p>We are pleased to report that there are no recommendations arising from our 2016-17 audit work.</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

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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