



Annual Audit Letter 2019/20

**NHS East Berkshire Clinical Commissioning
Group**

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Contents

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This report is addressed to NHS East Berkshire 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.

Introduction

Background

This Annual Audit Letter ('the letter') summarises the key issues arising from our 2019/20 audit at NHS East Berkshire 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. 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 has been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them. We report by exception if the CCG has not complied with the requirements of NHS England in the preparation of its Governance Statement.</p> <p>We also 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.</p>
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>

Fees

Our fee for 2019/20 was £85,000 (2018/19: £90,000) excluding VAT. This fee has been updated since our audit plan agreed by the Audit Committee in February 2020 due to the deferral of IFRS 16 to be introduced in 2021-22, rather than 2020-21 as had been expected. We have not therefore billed any work relating to the transition to IFRS 16.

We also anticipate fees totalling £12,000 (2018/19: £12,000) excluding VAT for the MHIS Compliance review for 2019/20.

Acknowledgement

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

This section summarises the key messages from our work during 2019/20.

<p>Financial Statements audit opinion</p>	<p>We issued an unqualified opinion on the CCG's accounts on 24 June 2020. 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 identified the following audit differences, which have been adjusted by management within the final financial statements:</p> <ul style="list-style-type: none"> • We identified receivables transactions of £1,689k that had been misclassified within the trade and other receivables note, being recorded as NHS accrued income when they should have been classified as NHS contract receivables not yet invoiced. This did not alter the overall value of trade and other receivables and only related to classification. • We identified payables transactions of £1,240k that had been misclassified within the trade and other payables note, being recorded as non-NHS accruals when they should have been classified as NHS accruals. This did not alter the overall value of trade and other payables and only related to classification. <p>We also identified other presentational adjustments which were agreed with management and updated within the final financial statements, particularly in relation to the remuneration report and related parties. We agreed a presentational adjustment with management relating to the 2018-19 resource allocation, though this had no impact on the reported achievement of the targets.</p> <p>There were no other significant matters which we were required to report to 'those charged with governance'.</p>
<p>Financial statements audit work undertaken</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 £12m (2018/19: £11m).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2019/20:</p> <ul style="list-style-type: none"> — Year end expenditure accruals – the CCG is required to make an accrual at the end of the year for services that have been provided but not yet invoiced. This can require a significant degree of judgement. During the 2018/19 audit we identified errors in the database used for monitoring continuing healthcare packages and developing the year end continuing healthcare accrual. <p>We reviewed the controls in place in relation to contract monitoring and found these to be well designed and operating effectively and confirmed signed service level agreements were in place for 2019/20 with each of the CCG's lead providers. We sample tested payments made to these providers, reviewed the outcomes of the agreement of balances exercise undertaken to agree outstanding balances with other NHS organisations and performed cut off testing of payments made after the year end to confirm they had been recorded within the correct period. We also performed specific testing to reperform the year end calculations of the accruals for prescribing and continuing healthcare and performed testing of the completeness and accuracy of continuing healthcare information recorded within the CCG's database, which confirmed there are no longer significant errors in the database.</p>

Headlines

This section summarises the key messages from our work during 2019/20.

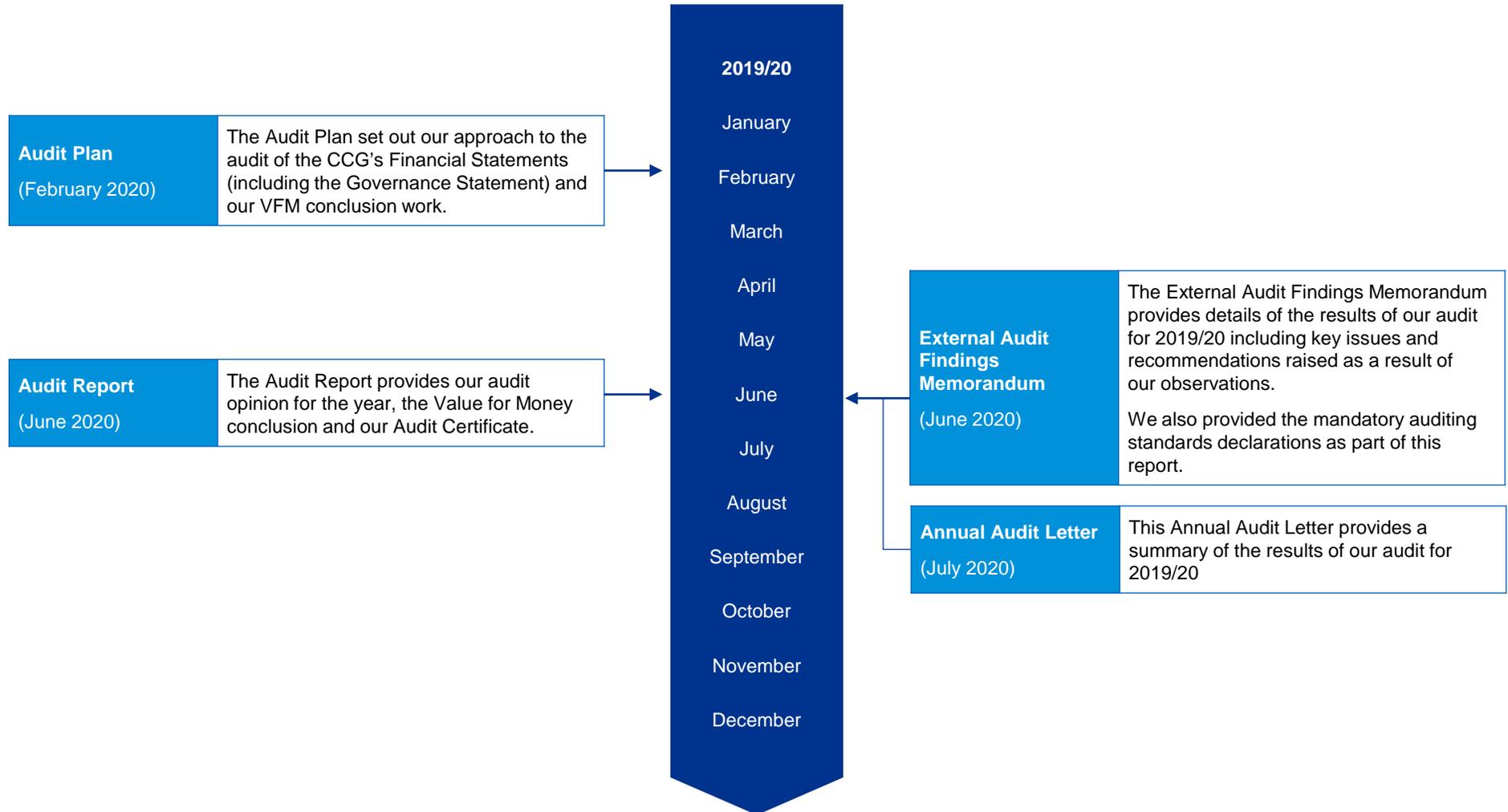
<p>Financial statements audit work undertaken</p>	<ul style="list-style-type: none"> — Management override of control – Professional standards communicate the fraud risk from management override of controls as significant. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. In response we reviewed the design of controls for making manual amendments to the general ledger and found there to be appropriate expectations of segregation within journal posting. We sample tested journals based on risk criteria to supporting documentation. As a result, we did not identify any significant transactions outside the normal course of business that had been undertaken during the year. <p>We recognise an additional risk relating to management override of controls as for the period from April 2019 to December 2019 the CCG’s Chief Financial Officer was on secondment from a provider with which the CCG contracts for the delivery of healthcare. We verified that there was appropriate segregation in the contract agreement and monitoring processes. No instances of override relating to the role were identified.</p> <ul style="list-style-type: none"> — Fraudulent expenditure recognition – We recognise the risk that the CCG may seek to fraudulently reduce its expenditure in order to achieve its financial targets, for example by deferring expenditure into future periods. In response, we reviewed journals posted during the year-end close process that affected the reported performance against the Revenue Resource Limit. We reviewed the controls in place in relation to contract monitoring and found these to be well designed and operating effectively and confirmed signed service level agreements were in place for 2019/20 with each of the CCG’s lead providers. We sample tested payments to providers and non-NHS expenditure to supporting documentation, confirmed senior staff had no pay established based on financial performance and assessed causes of variances in the agreement of balance exercise. Finally we undertook cut-off testing of post year-end payments in April, May and June 2020. As a result of our work we have not identified any issues and found the expenditure balances to be fairly stated. <p>We have considered the impact of Covid-19 on the going concern status of the CCG, additional accounts disclosures, revision to the threshold for the Agreement of Balances exercise, value for money and extended deadlines and cut off procedures. We have no matters to report.</p>
<p>Regularity Opinion</p>	<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>
<p>Governance Statement</p>	<p>We confirmed that the CCG complied with NHS England’s requirements in the preparation of the CCG’s Governance Statement. No significant adjustments were required to the Governance Statement.</p>

Headlines

Whole of Government Accounts	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.
Value for Money (VFM) conclusion	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.
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 no significant risks to the VFM conclusion.</p> <p>We conducted additional procedures to assess the impact of Covid-19 on the CCG's ability to deliver economy, efficiency and effectiveness. We have no matters to report.</p>
Recommendations	<p>We are pleased to report that there are no high risk recommendations arising from our 2019/20 audit work.</p> <p>We have followed up the status of implementing recommendations raised during previous audits. We have identified three prior year recommendations that still require further action by management. None of these are high priority.</p>
Public Interest Reporting	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 2019/20.

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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