



Annual Audit Letter 2015-16

NHS Hull Clinical Commissioning Group

29 July 2016

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

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 Clare Partridge, 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 2015-16 audit at NHS Hull 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:

Financial Statements including the regularity opinion and Annual 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.</p> <p>We also confirm whether the CCG has complied with the requirements of the NHS Commissioning Board in the preparation of its Annual Governance Statement (AGS). We also confirm whether the balances you have prepared for consolidation into the Whole of Government Accounts (WGA) are not inconsistent with our other work.</p>
Value for Money conclusion	<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 Integrated Audit and Governance Committee to present our audit findings, broaden our knowledge of the CCG and to provide insight from sector developments and examples of best practice;
- A proactive and pragmatic approach to issues arising in the production of the financial statements to ensure that our opinion is delivered on time; and
- Building a strong and effective working relationship with Internal Audit to maximise assurance to the Integrated Audit and Governance Committee, avoid duplication and provide value for money.

Fees

Our fee for 2015-16 was £60,000 excluding VAT (2014-15: £80,000). Our fees are set nationally by Public Sector Audit Appointments Ltd and reflect significant 25% reductions made nationally to scale fees. This was in line with the fee agreed at the start of the year with the CCG's Integrated Audit and Governance Committee.

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 2015-16.

Overall financial results and other key messages	<p>Financially, 2015-16 was another challenging year for the CCG but the CCG met its key financial targets for 2015-16 and 98% of the CCG's QIPP target of £6.3m was achieved. The shortfall in the savings programme was offset by the use of non-recurrent and contingency funds set aside to manage such financial risk.</p> <p>Looking ahead, the CCG has submitted a financial plan for 2016/17 that meets its statutory financial duties and delivers the required surplus. However, the plan does recognise a number of risks to the achievement of this position including a continuation of increased acute hospital activity and ongoing growth in costs in mental health, continuing healthcare services and prescribing. Further, the CCG recognises delivery of the planned QIPP savings for 2016-17 (£9.5m) and beyond as a key risk and an essential part of ensuring financial balance going forward. Work is underway to secure these savings including working with partners. Delivery of the financial plan and the associated cost reduction and productivity targets represents a challenge to the CCG.</p>
Value for Money (VFM) conclusion	<p>We concluded that the CCG has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>

Headlines (cont.)

VFM conclusion risk areas

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:

The CCG's main secondary acute provider is dealing with some significant financial and quality issues. There is a risk regarding the sustainability of the health economy, given the position of the local Trust (Hull and East Yorkshire Hospital NHS Trust) and the CCG's performance is adversely affected by the performance of its main provider.

We have discussed with management and reviewed relevant reports and documentation to assess the actions that the CCG is taking to work with providers and other commissioners to address this risk. We are satisfied with the arrangements we have seen which shows the CCG holding the provider to account but being supportive to aid the continued healthcare provision to the people of Hull.

Our discussions with management and review of arrangements in respect of contract management and performance monitoring provided us with sufficient assurance to conclude that the CCG has satisfactory arrangements in place in this area.

The CCG will work within the Sustainability and Transformation Plans (STP) framework to address the risks in the local health economy.

Financial Statements audit opinion

We issued an unqualified opinion on the CCG's accounts on 25 May 2016. 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.

No significant adjusted or unadjusted audit differences were identified as part of the audit. There were no significant matters which we were required to report to 'those charged with governance'

The draft financial statements and supporting working papers and the draft annual report provided by the CCG were of a good quality. The CCG Finance staff responded promptly to any queries raised during our audit work.

Financial statements audit work undertaken

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 £5m (2014-15: £7.2m). The materiality level was reduced this year to reflect the financial position of the NHS.

We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2015/16:

Risk 1 - Accounting for the Better Care Fund: this was a new area for 2015-16 so in order to ensure compliance with guidance we reviewed the treatment of the better care fund arrangements and the reporting within the financial statements. Other than requesting some additional information in the notes to the financial statements, to more fully explain the arrangements the CCG had entered into, we were satisfied with the accounting arrangements in place.

Risk 2 - Accounting for co-commissioning of primary care – as the CCG did not enter into level 3 arrangements and there was no delegation of budgets we were able to remove this risk and no specific work was required.

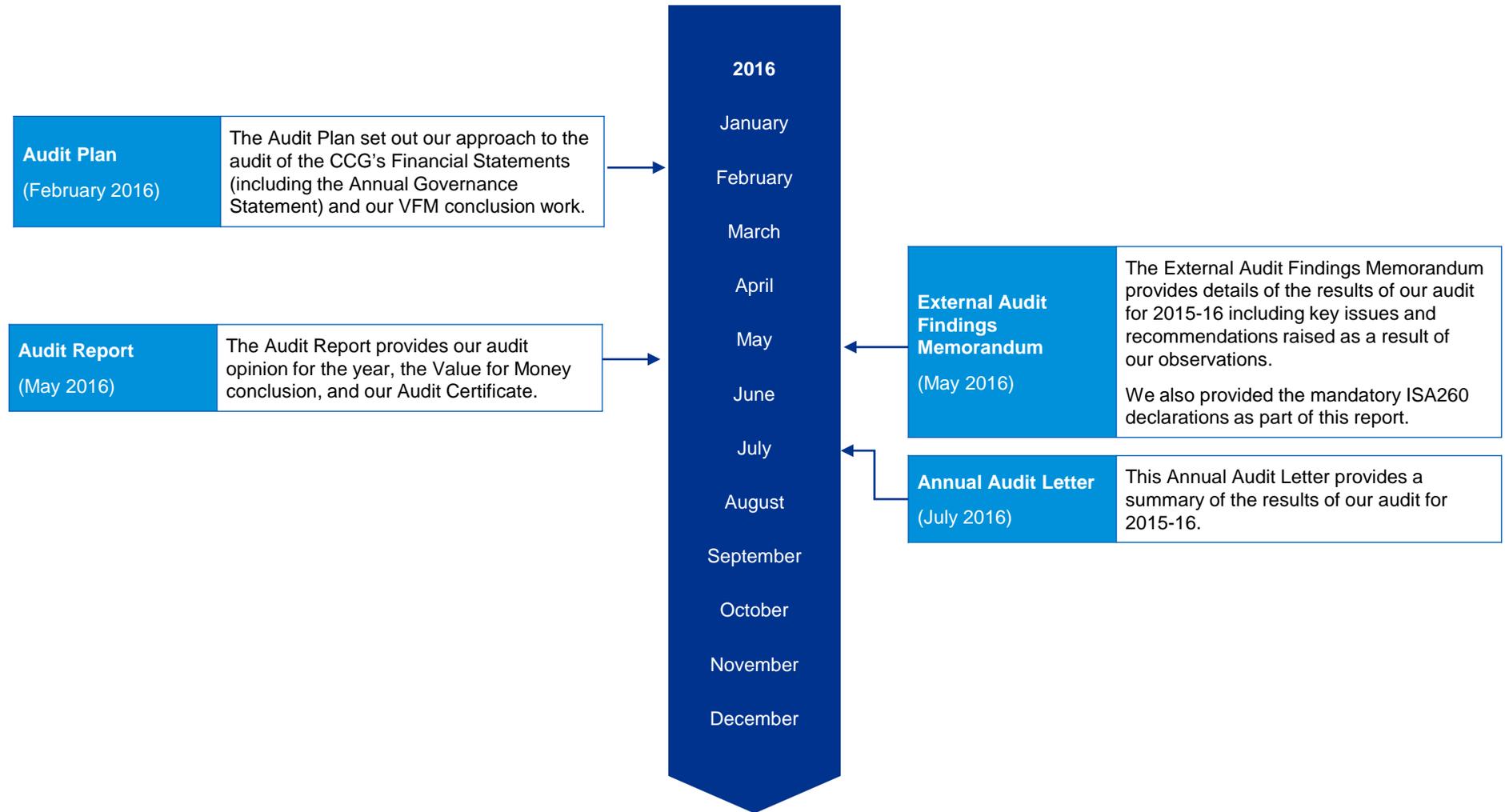
Headlines (cont.)

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>
Annual Governance Statement	<p>We confirmed that the CCG complied with the NHS Commissioning Board requirements in the preparation of the CCG's Annual Governance Statement.</p>
Recommendations	<p>We are pleased to report that there are no high recommendations arising from our 2015-16 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 2015-16.</p>



Appendices

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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