



# Annual Audit Letter 2015-16

**NHS Barnsley Clinical Commissioning Group**

July 2016

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This report is addressed to NHS Barnsley 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 John Prentice, 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](mailto: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](mailto: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 Barnsley 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:

<b>Financial Statements including the regularity opinion and Annual Governance Statement</b>	<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 form a view on the regularity of the CCG's income and expenditure. That is whether 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).</p>
<b>Value for Money conclusion</b>	<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 to provide insight from 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; and
- building a 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 2015-16 was £59,350 excluding VAT (2014-15: £75,000). Our fees are set nationally by Public Sector Audit Appointments Ltd and reflect significant 25% reductions made nationally to scale fees. The fee of £59,350 was above the fee agreed at the start of the year with the CCG's Audit Committee due to the following reasons:

- £800 additional fee due to additional audit resource being required as a result of working papers provided for audit not being in line with agreed expectations; and
- £2,300 additional fee due to carrying out additional audit procedures via NHS England to gain assurance on Co-Commissioning expenditure. This extra work arose due to the late completion of a Service Auditor Report from NHS England's auditors and applied to all CCGs who had taken on co-commissioning responsibility for primary care in 2015/16.

The additional fees are subject to approval by Public Sector Audit Appointments Ltd.

We have not performed any non-audit work at the CCG during 2015-16.

## Acknowledgement

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



# Headlines

This section summarises the key messages from our work during 2015-16.

<p><b>Overall financial results and other key messages</b></p>	<p>Financially, 2015-16 was another challenging year for the CCG. However, the CCG met its key financial targets for 2015-16 and ended the year with £8.28M surplus in line with NHS England expectations.</p> <p>Looking ahead, the CCG average growth allocation for 2016-17 is 3.4%, but the CCG has received only 2.1% as a result of its funding being above national target levels. This has worsened the impact of national pressures on the CCG budget. These pressures include committed programme allocations, national tariff uplift and provider deficits which mean that the CCG will have to dedicate more of its resources to sustaining the health system.</p>
<p><b>Value for Money (VFM) conclusion</b></p>	<p>We concluded that the CCG has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>
<p><b>VFM conclusion risk areas</b></p>	<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 significant risk:</p> <ul style="list-style-type: none"> <li>— <b>Sustainability of the local health economy</b> – The CCG’s main provider trust is dealing with some significant financial issues. We held discussions with officers to understand the overall position the CCG has taken or is taking with its lead provider. We considered the extent that the CCG holds the provider to account whilst still being supportive to aid the sustainability of the local economy. Our discussions with officers 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.</li> </ul>
<p><b>Financial Statements audit opinion</b></p>	<p>We issued an unqualified opinion on the CCG’s accounts on 26 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.</p> <p>During the audit we identified only presentational issues which have been adjusted and they have no material effect on the main financial statements.</p>

# Headlines (cont.)

<b>Financial statements audit work undertaken</b>	<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 £7M (2014-15: £6.5M).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2015-16:</p> <ul style="list-style-type: none"><li>— <b>Accounting for Better Care Fund</b> – from 1 April 2015, CCGs were required to establish joint arrangements with local authorities to operate a pooled budget to deliver more integrated health and social care – the Better Care Fund (BCF). The audit risk was that BCF arrangements were not accounted for correctly within the CCGs financial statement. We reviewed the accounting treatment of the CCG’s BCF arrangements and compliance with accounting standards and Department of Health requirements. This included ensuring that gross or net accounting arrangements were fully agreed and understood by all parties and correctly applied in practice by the CCG and checking that appropriate disclosure of pooled budget arrangements was made within the CCG’s financial statements. Our review of the pooled budget disclosure note identified some disclosure errors, including the funding received for the BCF being disclosed as £18,358K and not the £17,370K actually received after the deduction of the performance element. The draft accounts were amended and there was no effect on the CCG’s surplus position at the year end.</li><li>— <b>Accounting for Co-Commissioning</b> – from 2015-16 the CCG assumed full responsibility for commissioning of primary care services from NHS England. The audit risk was that this new responsibility – with a budget of £33.4m - was not accounted for correctly within the CCG’s financial statement. We reviewed the accounting treatment of the co-commissioning arrangement and compliance with accounting standards and Department of Health requirements. This included reviewing and testing the CCG’s in year processes, systems and controls associated with the commissioning of primary care services and substantively testing the expenditure included within the CCG’s financial statements in relation to the commissioning of GP services. Additional testing was undertaken locally as an expected service auditor report was not received. Our work in this area proved satisfactory with no significant issues arising.</li></ul>
<b>Regularity Opinion</b>	<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.)

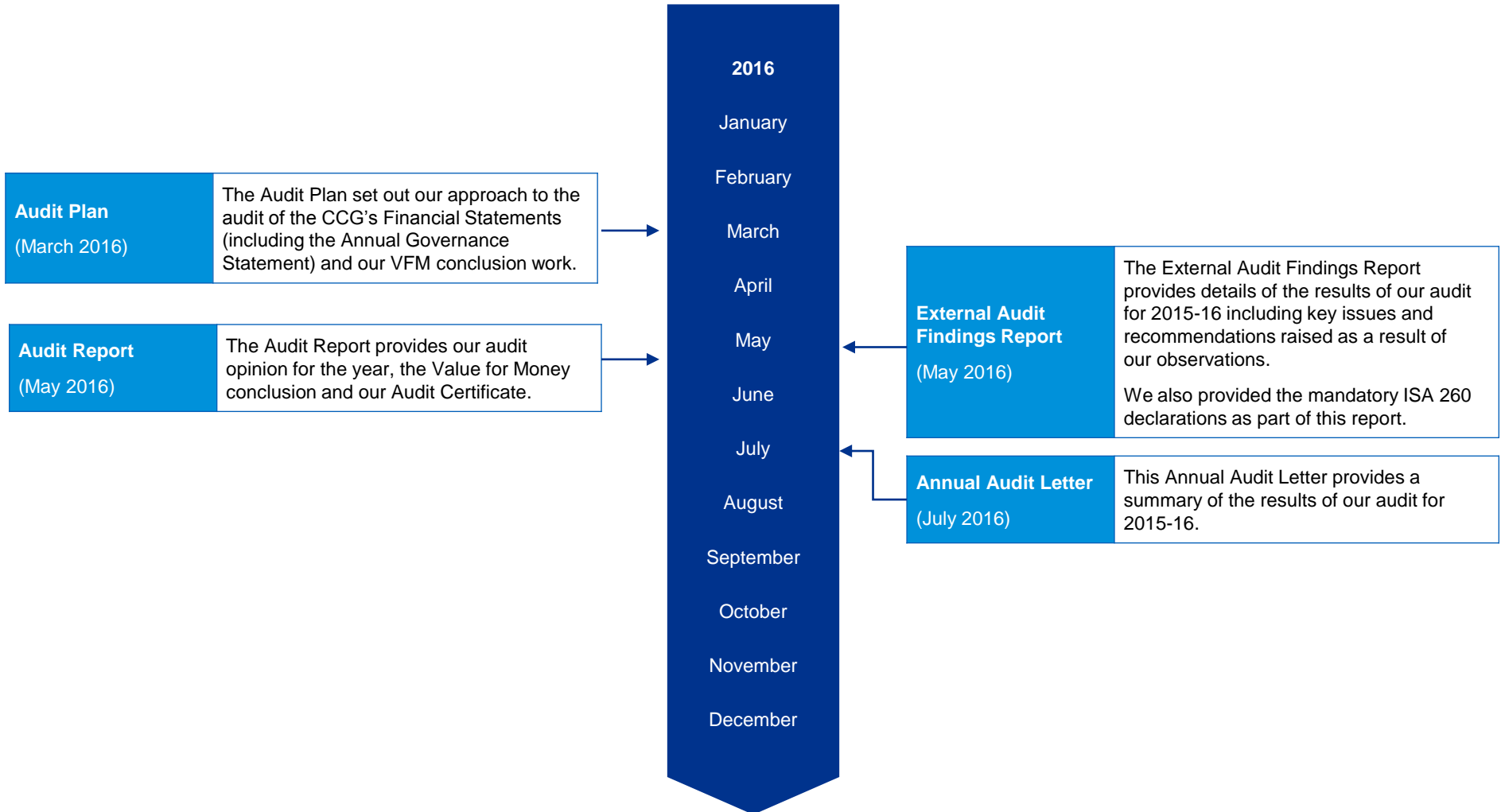
<b>Annual Governance Statement</b>	<p>We confirmed that the CCG complied with the NHS Commissioning Board requirements in the preparation of the CCG's Annual Governance Statement.</p> <p>— No significant adjustments were required to the Annual Governance Statement.</p>
<b>Recommendations</b>	<p>We are pleased to report that there are no high priority recommendations arising from our 2015-16 audit. However, we made one medium priority recommendation relating to the need to adhere to our Prepared by Client working paper request and have electronic working papers available at the start of the audit.</p> <p>All prior year recommendations have been addressed by management.</p>
<b>Public Interest Reporting</b>	<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

## 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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