



Annual Audit Letter 2015-16

NHS Blackpool Clinical Commissioning Group

28 July 2016

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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.

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Introduction

Introduction

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2015-16 audit at NHS Blackpool 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 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;
- 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 Audit Committee, avoid duplication and provide value for money.

Fees

Our fee for 2015-16 was £45,000 excluding VAT (2014-15: £60,000). 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 Audit Committee. We are currently in the process of raising a fee variation for approval with the PSAA (this has been approved by the Director of Finance) in relation to the additional work we had to perform around the CCG's co-commissioning balance. This fee variation is for an additional fee of £2,300, excluding VAT.

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.

<p>Overall financial results and other key messages</p>	<p>We have confirmed that the CCG has achieved its control target for 2015/16. The target RRL of £280,114K was met with a performance of £279,551K, achieving a surplus of £563K. The 2016/17 financial plan indicates forecast achievement below the required 1% surplus – a 0.5% surplus of £1,175k is planned which NHS England are aware of.</p> <p>We have confirmed that the CCG achieved 50% of its 2015/16 £3.2m QIPP target. This was below expectations and contributed towards the financial problems that the CCG experienced throughout the year. The CCG maintained ongoing communication with NHS England with regard to its financial position and submitted a financial recovery plan which was largely dependent on achieving its QIPP savings target for the year. However despite not meeting the savings target, the CCG was able to achieve its control total and achieve a year-end surplus.</p> <p>Importantly, the CCG undertook a whole-scale transformation of the way it approached QIPP starting with a lessons learned session from which fundamental changes to the CCG's approach were agreed at the Quality and Improvement Committee. We have reviewed and discussed with management the arrangements implemented before and since the year-end, and also the changes planned for the future. Through this work we are satisfied that the new arrangements will ensure the CCG are better placed to tackle the challenging QIPP savings target for 2016/17. At the time of the audit the CCG had identified schemes to save £5,541K of the £6,394K 2016/17 QIPP target. The CCG is continuing work to identify schemes for 2016/17 and for future years.</p> <p>The CCG is working closely with health and local authority partners to improve the financial position of both the CCG and the wider Fylde Coast health economy in the medium and long-term through various significant transformational projects including Vanguard. The CCG is taking informed decisions and working appropriately with partners in order to maximise the sustainability of resource deployment.</p>
<p>Value for Money (VFM) conclusion</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>VFM conclusion risk areas</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"> — Financial Position and QIPPs - We have provided commentary on these areas above. Overall, although the CCG's financial position remains challenging, we have not identified any issues through our work which would indicate poor decision-making, budgetary control issues or poor oversight.

Headlines (cont.)

Financial Statements audit opinion	<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>There were no significant adjusted or unadjusted audit differences that were identified as part of the audit.</p> <p>There were no significant matters which we were required to report to 'those charged with governance'.</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 £4m (2014/15: £4.5m).</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">— Accounting for the Better care Fund<ul style="list-style-type: none">— We reviewed the Better Care Fund arrangements in place at the CCG against the requirements of the Manual for Accounts (MfA) and appropriate accounting standards.— We reviewed confirmation from the Council that the full balance has been spent in the year.— We obtained a breakdown of Better Care Fund schemes funded by the CCG in 2015/16, and agreed a sample of these schemes to supporting documentation to confirm that these had been correctly accounted for in the CCG's financial statements.— Accounting for co-commissioning<ul style="list-style-type: none">— Due to issues with the Service Auditor Report under ISAE 3402 covering controls relating to the processing of journals for delegated co-commissioning at NHS England, we completed detailed sample testing over the co-commissioning balance.— We confirmed that the balance had been recorded in the CCG's financial statements in line with the requirements of the MfA.— Financial Distress<ul style="list-style-type: none">— Throughout the year, we obtained regular updates on the CCG's performance against the financial plan and its communication with NHS England through dialogue with the Chief Finance Officer and other CCG staff.— We placed increased focus on our testing of expenditure.— We did not identify any issues through our testing which would impact on our audit opinion.

Headlines (cont.)

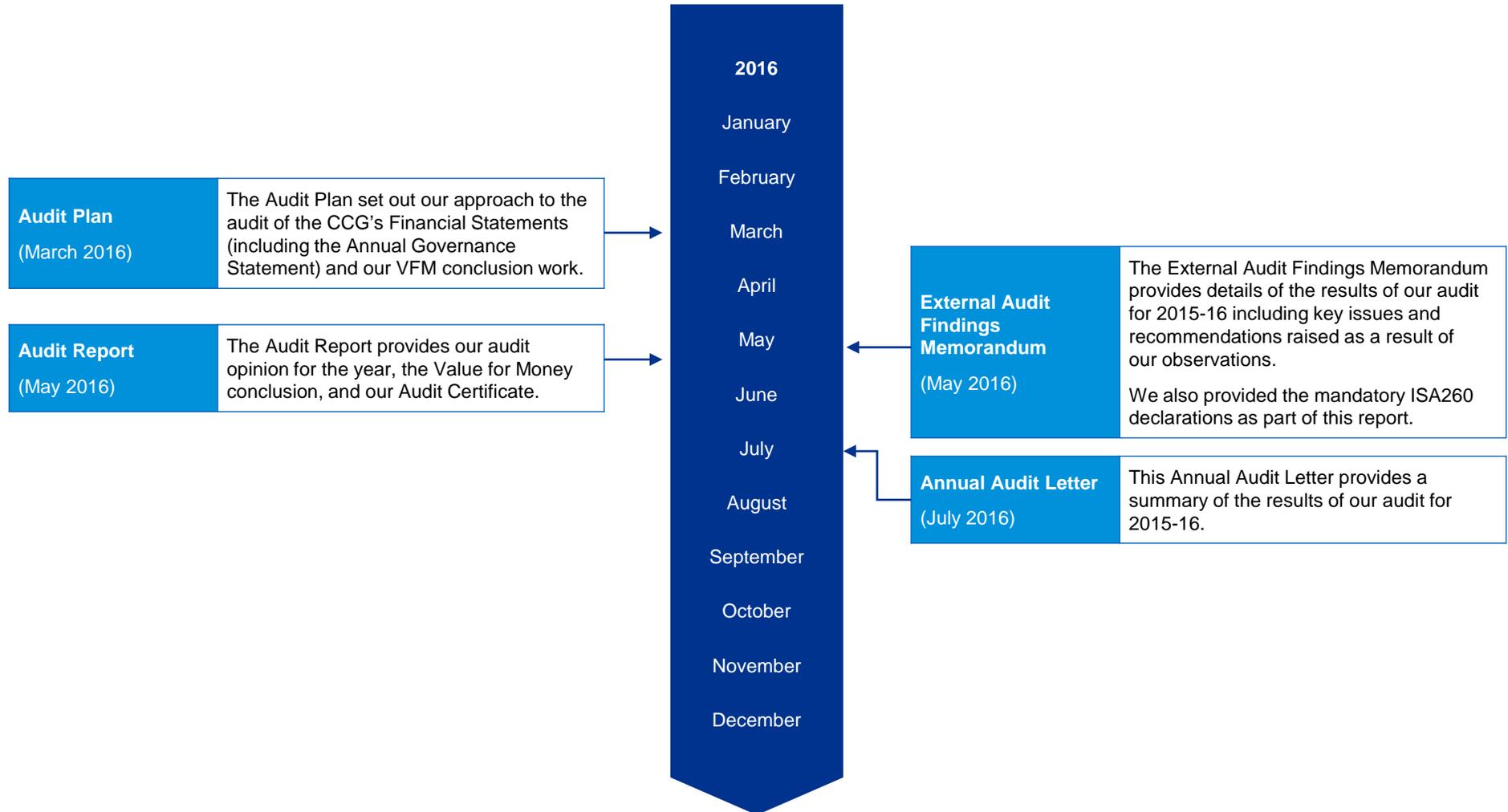
Regularity Opinion	<p>We are required to form a view on the regularity of the CCG's income and expenditure i.e. that the expenditure and income included in the CCG's financial statements has been applied to the purposes intended by Parliament and the financial transactions in the financial statements 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> <p>There were no recommendations raised in the prior year.</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

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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