



Annual Audit Letter 2016-17

NHS Tower Hamlets Clinical Commissioning Group

11 July 2017

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in connection with this
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This report is addressed to NHS Tower Hamlets 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 Neil Thomas, 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 Tower Hamlets 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 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; and
- 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 £59,625 (2015-16: £ 60,047) 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 currently going through approval with the CCG, and the PSAA, to raise an additional fee in relation to the audit work on the co-commissioning balance due to additional work we are required to complete when auditing these balances which is not included in the nationally set fee.

We have not received any fees for non-audit work during the year.

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.

Financial Statements audit opinion	<p>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.</p> <p>There were no significant adjusted or unadjusted audit differences identified as part of the audit.</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 £8m (2015/16: £7.9m).</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"> — Primary Care Commissioning - We reviewed the controls in place at the CCG to monitor primary care expenditure of £43.9m (PY: £41.8m) and the controls at service organisations NHS Digital and Capita PCSE in place to ensure transactions are processed correctly. Although we found that the controls at the CCG level were designed effectively, we were unable to reach this conclusion for the respective service organisations. We therefore increased the level of audit procedures around this balance, which included agreeing a sample of items to source documentation, reviewing the year end accrual and performing procedures over the completeness and existence of the balance. We did not identify any significant findings through our work. — Management override of controls – professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud. We reviewed journal entries and accounting estimates such as accruals and provisions. We did not have any significant findings from our work. <p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. 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. We therefore do not consider fraudulent recognition of revenue to be a significant risk.</p>
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.)

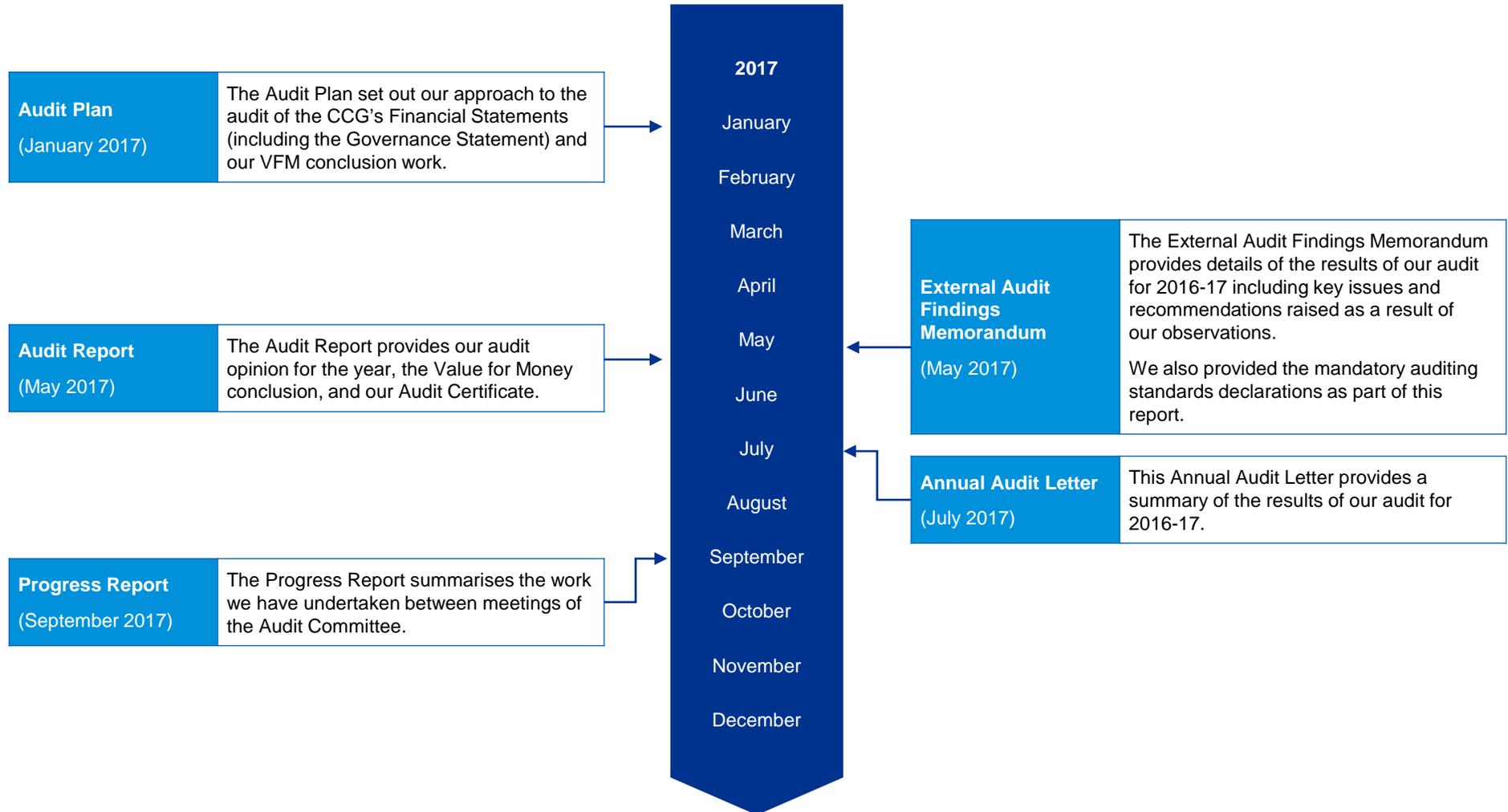
Governance Statement	<p>We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.</p> <p>No significant adjustments were required to the Governance Statement.</p>
Whole of Government Accounts	<p>We issued an unqualified Auditor Statement on 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 significant risks:</p> <ul style="list-style-type: none"> — Sustainability and Transformation Plan – As this is a new arrangement for the CCG we assessed that there was a risk around the governance and decision making process impacting the CCG's ability to ensure value for money. We assessed the governance arrangements in place to assess how the CCG was working in partnership with other STP organisations and how the CCG was able to make informed decisions about its involvement in the STP. We have no findings to report in respect of this work. — Primary Care Co-commissioning - It is important that appropriate controls are in place to ensure expenditure is incurred in line with the CCG's principles. Conflicts of Interest is also an area of increasing focus, and new statutory guidance around the management of conflicts of interest was released by NHS England in June 2016. Tower Hamlets CCG ensures that no local GP that sits on the Primary Care Committee has voting rights. We assessed the governance structures in place over the use of primary care resources. We have no findings to report in respect of this work. — Challenged provider (Barts Health NHS Trust) - The CCG's main acute provider is Barts Health NHS Trust, which has been in financial difficulty for a number of years. We assessed the mechanisms in place to enable the CCG to monitor and manage Barts performance. We have no findings to report in respect of this work.
Recommendations	<p>We are pleased to report that there are no high risk recommendations arising from our 2016-17 audit work.</p> <p>The CCG has been good at implementing agreed audit recommendations from prior years. We have not identified any prior year recommendations that still require further action by management.</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





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