



Annual Audit Letter 2015-16

NHS North & West Reading Clinical Commissioning Group

July 2016

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in connection with this
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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.

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 Jon Brown, 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 North & West Reading 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.

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 of the Joint 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 both our financial statement and value for money opinions were delivered on time. For example, we attended a meeting at the end of April to turn the pages on the draft financial statements and provide comments and feedback on the accounts at an early stage; and
- Building a strong and effective working relationship with Internal Audit to maximise assurance to the Joint Audit Committee, avoid duplication and provide value for money.

Fees

Our fee for 2015-16 was £46,350 excluding VAT (2014-15: £61,800). Our fees are set nationally by Public Sector Audit Appointments Ltd and reflect a significant reduction (25%) made nationally to scale fees. This was in line with the fee agreed at the start of the year with the CCG's Joint Audit 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.

<p>Overall financial results and other key messages</p>	<p>Financially, 2015-16 was another challenging year for the CCG. Whilst the CCG met its key financial targets for 2015-16, the underperformance of QIPP schemes in the year required the use of risk reserves to mitigate the impact.</p> <p>Looking ahead, the CCG has submitted a financial plan for 2016-17 that meets its statutory financial targets and a planned surplus of 1% of allocation. The CCG financial plan recognises delivery of the planned QIPP savings for 2016-17 (£1.8 million) as an essential part of ensuring financial balance going forward. Work is underway to secure these savings including working with partners.</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 risks:</p> <ul style="list-style-type: none"> — QIPP delivery - Delivery of QIPP schemes is key to the CCG's overall financial performance. Our VFM planning work identified this as a risk to the CCG's arrangements over sustainable resource deployment. We reviewed reports to the QIPP & Finance Committee and Joint Audit Committee and assessed whether the arrangements for managing, monitoring and reporting performance against QIPP schemes were appropriate. The underperformance of QIPP schemes overall was identified throughout the year and was managed through the use of risk reserves and North & West Reading CCG reported a year end surplus in line with its financial targets. We were satisfied that the CCG had appropriate arrangements in place to address the identified risk and there was no impact on our VFM conclusion. — Better Care Fund - The Better Care Fund was a new policy initiative for 2015-16 and required the CCG to set up a pooled budget with Reading Borough Council, as well as participating in a Cross Berkshire West scheme. Our VFM planning work identified this as a risk to the CCG's arrangements over working with partners and other third parties. We reviewed the reports to the QIPP & Finance Committee, the Partnership Board and the Berkshire West 10 Finance Sub-group and the financial outturn at year end. Activity levels and admissions targets were reviewed and discussed on a regular basis, as was the spend against individual projects and the financial performance of the fund overall. We were satisfied that the CCG had appropriate arrangements in place to address the identified risk and there was no impact on our VFM conclusion.
<p>Financial Statements audit opinion</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>There were no significant matters which we were required to report to 'those charged with governance'.</p>

Headlines (cont.)

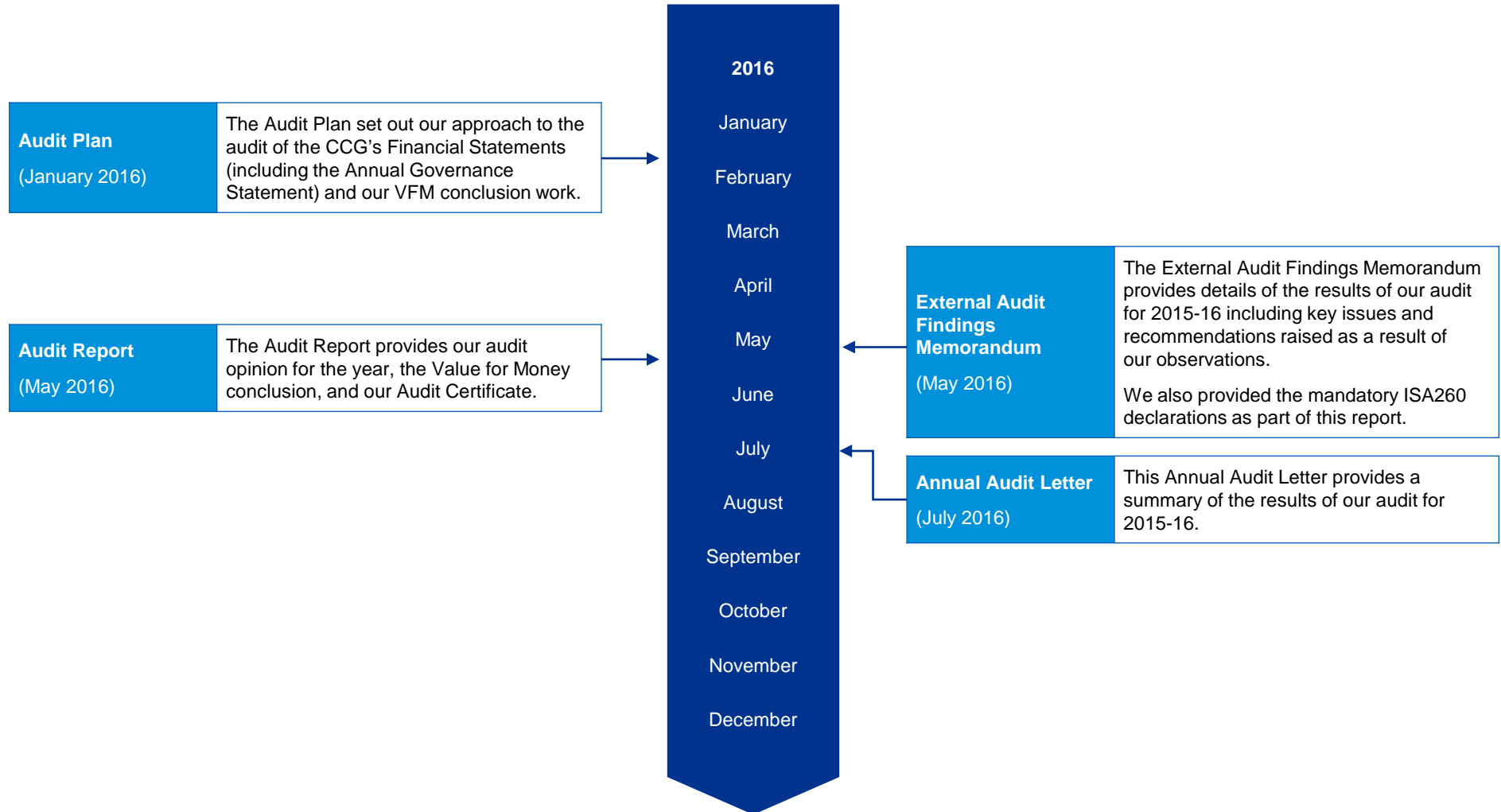
<p>Financial statements audit work undertaken</p>	<p>We are required to apply the concept of materiality in planning and performing our audit. We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. Our materiality for the audit was £2.4 million (2014-15: £2.3 million).</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 - North & West Reading CCG entered into a pooled budget with Reading Borough Council, establishing a Reading Local Schemes BCF for £8.0 million of funding. Of this, the CCG contributed £3.3 million to the fund and the Council contributed £1.1 million, with the remainder coming from South Reading CCG. North & West Reading CCG also contributed £1.4 million to the Cross Berkshire West Schemes BCF. We reviewed the treatment of the BCF arrangements and ensured they were in accordance with the requirements of the Manual for Accounts and accounting standards. We reviewed the reports to the Berkshire West 10 Finance Sub-group and the financial outturn at year end. The financial disclosures in the accounts were in line with the requirements and guidance set out in the Manual for Accounts.
<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>Annual Governance Statement</p>	<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>Recommendations</p>	<p>We are pleased to report that there are no high priority recommendations arising from our 2015-16 audit work.</p>
<p>Public Interest Reporting</p>	<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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