



Annual Audit Letter 2019/20

NHS Bury Clinical Commissioning Group

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This report is addressed to NHS Bury 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.

Introduction

Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2019/20 audit at NHS Bury 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 included a summary of our key recommendations in Appendix A. 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 B.

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 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. We report by exception if the CCG has not complied with the requirements of NHS England in the preparation of its Governance Statement. We also 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.</p>
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>

Fees

Our fee for 2019/20 was £51,000 (2018/19: £37,907) excluding VAT. This fee was greater than the fee agreed at the start of the year with the CCG's Audit Committee.

We have charged additional fees of £6,000 (£0 in 2018/19) as a result of the additional consultation and work required over the value for money opinion and the pooled budget arrangements. We have also completed non audit work at the CCG during the year, delivering an independent assurance engagement related to the Mental Health Investment Standard (MHIS). Our fee related to the 2018/19 return (and the prior year comparative) but was undertaken and billed in 2019/20. The fee was £18,000 (2018/19: £0). We have provided confirmation of safeguards that have been put in place to preserve our independence.

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 2019/20.

Financial Statements audit opinion	<p>We issued an unqualified opinion on the CCG's accounts on 25th June 2020. 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 two adjusted and one non adjusted audit difference identified as part of our audit which are summarised below;</p> <ul style="list-style-type: none">• Adjusted Audit Difference – Dr Other operating income (£10,500k), Cr Non NHS and other receivables (£10,500k) and Dr Trade payables (£10,500k), Cr Purchases of goods and services (£10,500k). It was identified that the additional contributions that the council had made to the pool should be accounted for as a reduction in expenditure in the CCG's accounts.• Unadjusted Audit Difference – Dr Purchase of goods and services (£341k), Cr trade and other payable (£341k). This is in relation to the prescribing accrual. The CCG calculates its M12 accrual based on forecast expenditure and payment made to date. The final M12 expenditure figures were released and identified that the CCG had under accrued by £341k. <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 £6m (18/19:£5.8m).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2019/20:</p> <ul style="list-style-type: none">— Completeness, existence and accuracy of accounting for co-commissioning (Stable) – We did not identify any misstatements or areas for concern as part of this testing.— Expenditure Recognition (Stable) – We did not identify any misstatements or areas for concern as part of this testing.— Management override of controls (Stable) – We did not identify any misstatements or areas for concern as part of this testing.— Completeness, existence and accuracy of accounting for pooled budgets (New risk) – We identified two misstatements or areas for concern as part of this testing, as detailed above. <p>COVID 19: Financial Statement: Impact on audit procedures - We considered more broadly how our audit procedures should be revised given the extended deadline for submission. This means we have updated our procedures, for example considering a longer period for post date events, extending the sample period we considered for our cut off procedures and specifically considering whether COVID related income and expenditure from the final weeks of the year were correctly included in the financial statements. We did not identify any issues that require adjustment or disclosure.</p>

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>
Governance Statement	<p>We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement. 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 had nothing to report <u>except for the ability of the CCG to set a sustainable operational budget within its allocation where we issued a qualified opinion for the following reasons:</u></p> <ul style="list-style-type: none"> - Financial Sustainability and Collaboration - For 2019/20, the CCG had a savings/QIPP target of £12.5m and a planned breakeven position for the year ended 31/3/20. The CCG ended the year with £8.3m of this QIPP target not having been achieved. However, despite not achieving the full QIPP target, the CCG delivered the necessary breakeven position by year end. In order for the CCG to meet its control total for 2019/20 and achieve a breakeven position it required Bury MBC to make additional contributions to the Integrated Commissioning Fund of £10.5m. This additional contribution was agreed by the Governing Body and the Council Cabinet in March 2020 in accordance with the terms of the S75 agreement between the two bodies, which had been expanded from October 2019 to include a much larger proportion of joint spend. - Prior to the Covid-19 pandemic, the CCG was forecasting a £11m deficit position for 2020/21 with a QIPP savings target of £9m required even to deliver this position. The CCG had identified £5m of schemes against this challenging target and was working with key stakeholders to identify further mitigating plans prior to the suspension of annual financial planning in March 2020. - Following the COVID-19 outbreak, normal NHS Business Rules were suspended and commissioners were deterred from progressing contract negotiations with providers or from implementing significant operational savings. DHSC/NHSE were expected to issue revised business rules to support NHS organisations through the duration of the pandemic. Once this is over however we did not expect historic financial pressures to be relieved and therefore we had to assume the CCG will remain in the financial position that it was in at the outbreak of the pandemic, i.e. recurrent deficit.

Headlines (cont.)

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 risk: Financial Sustainability and Collaboration (increasing risk). We issued a qualified 'except for' opinion over the ability of the CCG to set a sustainable operational Budget within its allocation.</p> <p>COVID 19: Value for Money: Impact on audit procedures - We have conducted additional procedures to assess the impact of Covid-19 on the CCG's ability to deliver economy, efficiency and effectiveness and did not consider an additional risk necessary.</p> <p>By way of reminder our value for money responsibilities are focused on understanding the arrangements CCG have put in place up to the 31 March and to consider the disclosures have been made within the annual governance statement. As mentioned above, we issued a qualified opinion except for the ability of the CCG to set a sustainable operational budget within its allocation.</p>
Recommendations	<p>We are pleased to report that there were no high risk recommendations arising from our 2019/20 audit work of financial statement however one high risk recommendation have been raised for our 2019/20 audit work of VFM. This is summarised in Appendix A.</p> <p>The CCG has been average at implementing agreed audit recommendations from prior years. We have identified one prior year recommendation that still requires 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.</p> <p>As part of its budgetary planning for 2020/21 the CCG produced an interim budget in May 2020 based on a draft NHSE/I planning submission, which was produced in March 2020, showing a deficit of £11m. This projection was made assuming achievement of a £9m QIPP programme, which took account of negotiations for an improved acute contract for the year. Further progression of the budgeting process was halted as a result of the Covid-19 pandemic.</p> <p>However, given that this outturn would put the CCG in breach of the statutory requirements of section 30 of the Local Audit and Accountability Act 2014, we made a referral to the Secretary of State in accordance with our statutory duties.</p>
Fraud	<p>We have not identified any fraud matters which we wish to draw to your attention.</p>

Key recommendations

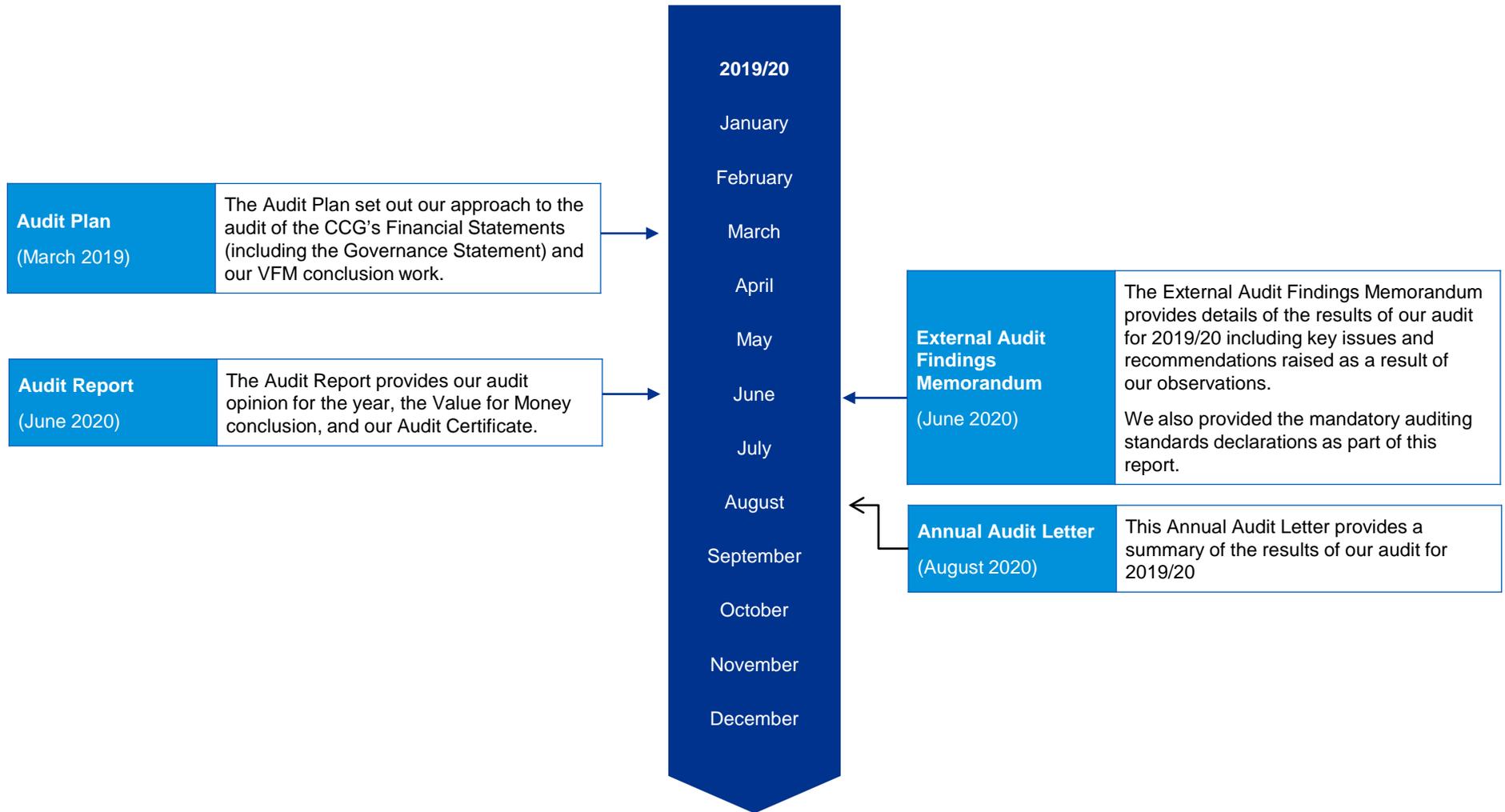
Recommendations raised in 2019/20

No.	Risk	Issue, impact and recommendation	Management response/responsible officer/due date
1	<p>●</p> <p>High</p>	<p>Setting a Sustainable Operational Budget</p> <p>The CCG was unable to achieve its QIPP target of £12.5m in 2019/20 and has included a QIPP target of £9m within its pre-covid plan for 2020/21, which was forecasting a deficit position of £11m at the end of March 2021. Whilst we recognise that since the onset of the covid-19 pandemic planning for the 20/21 financial year has been put on hold for the first 4 months of the year we recommend that the CCG continues to identify ways to control its cost base whilst continuing to work with key stakeholders to secure appropriate funding.</p>	<p>The CCG is working alongside the council and wider health and care partners to address the underlying financial gap. Significant services reviews are already in chain under the direction of the Strategic Commissioning Board, the CCG Governing Body, the Council and the Health and Wellbeing Board. Revised financial plans will be drawn up by July 31 2020. these will be heavily dependent on the details of the anticipated NHS “financial reset”.</p> <p>Mike Woodhead, Joint Chief Finance Officer 31 July 2020</p>

Recommendations from previous years

No high risk recommendations raised in 2018/19.

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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