



# Annual Audit Letter 2019/20

**NHS South East London Clinical Commissioning  
Group**

July 2020

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A. Summary of our reports issued

This report is addressed to NHS South East London 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 the demised CCGs, namely NHS Bexley CCG, NHS Bromley CCG, NHS Greenwich CCG, NHS Lambeth CCG, NHS Lewisham CCG and NHS Southwark CCG. Although this letter is addressed to the Members of the Governing Body of the South East London CCG, it is also intended to communicate these issues to external stakeholders, such as members of the public. It is the responsibility of the South East London 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 improve performance where appropriate. We have reported all the issues in this letter to the South East London CCG during the year and we have provided a list of our reports in Appendix A.

Where in this report we refer to a CCG, we are referring to that specific CCG. Where we refer to the CCGs collectively, we are referring to all six CCGs that are listed above.

## 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 Governance Statement</b>	<p>We provide an opinion on each of the demised CCGs' financial statements. That is whether we believe the financial statements give a true and fair view of the financial affairs of the demised CCGs and of the income and expenditure recorded during the year.</p> <p>We are also required to form a view on the regularity of each of the demised CCGs' income and expenditure i.e. that the expenditure and income included in the demised CCGs' 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 demised CCGs have 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 demised CCGs for consolidation into the Whole of Government Accounts (WGA) with our other work.</p>
<b>Value for Money arrangements</b>	<p>We conclude on the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the demised CCGs' use of resources.</p>

## Fees

Our fee for 2019/20 for each demised CCG was £46,900 (2018/19: £45,065) excluding VAT. This fee has been updated since our audit plan agreed by the Audit Committee in January 2020 due the reduced audit requirements on IFRS 16. We have only billed for the planning work completed on this area. We also provide non-audit services in relation to the Mental Health Investment Standard which amounts to £6,000 (In 2018/19, the fee for this work was in the range of £10,000- £12,500) excluding VAT. We do not consider that the total non-audit fees create a self-interest threat since it is mandated assurance work which is required alongside the statutory audit.

## Acknowledgement

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

# Headlines

This section summarises the key messages from our work during 2019/20.

<b>Financial Statements audit opinion</b>	<p>We issued unqualified opinions on the demised CCGs' accounts on 23 and 24 June 2020. This means that we believe the accounts give a true and fair view of the financial affairs of the demised CCGs and of the income and expenditure recorded during the year.</p> <p>We did not identify any adjusted or unadjusted audit differences.</p> <p>There were no significant matters which we were required to report to 'those charged with governance'</p>
<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 figures were:</p> <ul style="list-style-type: none"><li>- NHS Bexley CCG: £7m (2018/19: £6m)</li><li>- NHS Bromley CCG: £10m (2018/19: £10m)</li><li>- NHS Greenwich CCG: £8.5m (2018/19: £8m)</li><li>- NHS Lambeth CCG: £11m (2018/19: £10m)</li><li>- NHS Lewisham CCG: £9.5m (2018/19: £9.5m)</li><li>- NHS Southwark CCG : £9.5m (2018/19: £9.5m)</li></ul> <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"><li>— <i>Primary Care Delegated Budgets</i> - For Lambeth CCG, for two APMS samples, we identified that there was no contract to support the payments to the GPs. This was found in the prior year and has been raised as an outstanding recommendation. There were no other significant findings.</li><li>— <i>Expenditure Recognition</i> - In the public sector, auditors also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). This may arise due to the audited body manipulating expenditure to meet externally set targets. The results of our testing were satisfactory. We considered the amount of expenditure recognised to be acceptable.</li><li>— <i>Fraud risk from management override of controls</i> - 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 because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. There were no significant findings from this work.</li></ul>

# Headlines (cont.)

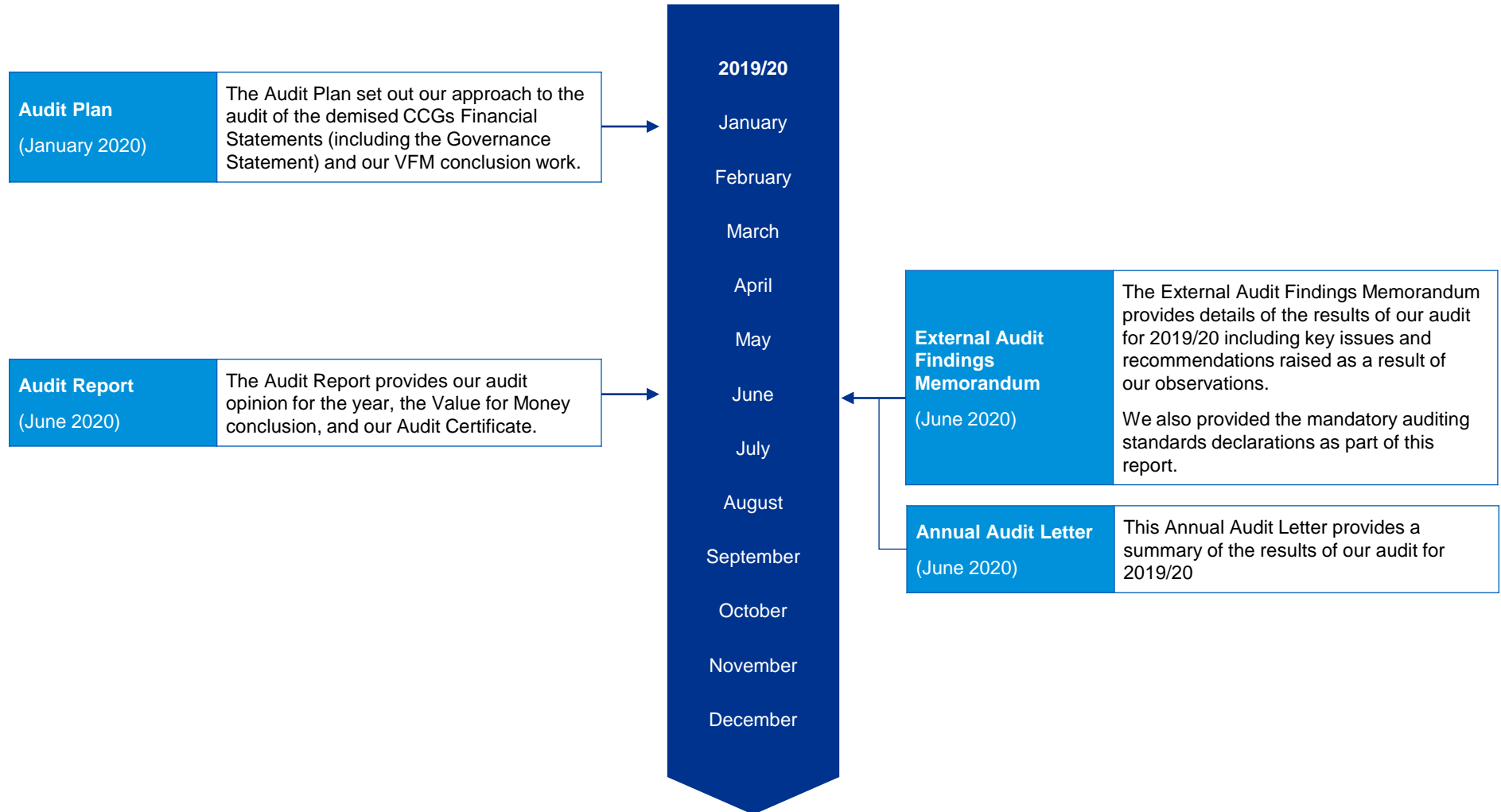
<b>Regularity Opinion</b>	<p>We are required to form a view on the regularity of the demised CCGs' income and expenditure i.e. that the expenditure and income included in the demised CCGs' financial statements has been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them.</p> <p>We reviewed the demised CCGs' 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>
<b>Governance Statement</b>	<p>We confirmed that the demised CCGs complied with NHS England requirements in the preparation of the demised CCGs' Governance Statement. No significant adjustments were required to the Governance Statement.</p>
<b>Whole of Government Accounts</b>	<p>We issued an unqualified Auditor Statement on the Consolidation Schedules prepared by the demised CCGs for consolidation into the Whole of Government Accounts with no exceptions reported.</p>
<b>Value for Money (VFM) conclusion</b>	<p>We are required to report if we are not satisfied that the demised CCGs have 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>
<b>VFM conclusion risk areas</b>	<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"> <li>— <i>Financial Resilience</i> – This risk was identified due to the increasing financial pressures accumulated for Commissioners as well as providers. We have no findings to bring to your attention.</li> <li>— <i>Merger Arrangements</i> - The demised CCGs received approval for their application to NHS England and Improvement to merge from 1 April 2020. We reviewed the proposed governance arrangements in place and found them to be adequate and we have no findings to bring to your attention.</li> </ul> <p>We also updated our risk assessment to consider the impact of the COVID-19 pandemic on the operations of the CCG. In particular we considered:</p> <ul style="list-style-type: none"> <li>• The demised CCGs received funding from the DHSC to meet costs incurred to cover expenditure directly related to the Covid-19 response;</li> <li>• The SEL CCG was advanced in planning arrangements for 2020/21 before the pandemic, with plans showing a sustainable future financial position; and</li> <li>• The merged SEL CCG and the demised CCGs' governance structures continued to operate effectively.</li> </ul> <p>We have no matters to report in relation to our value for money conclusions.</p>

# Headlines (cont.)

<b>Recommendations</b>	<p>We are pleased to report that there are no high risk recommendations arising from our 2019/20 audit work.</p> <p>The demised CCGs have been good at implementing agreed audit recommendations from prior years. We have identified two prior year recommendations that still require further action by management as detailed below:</p> <ul style="list-style-type: none"><li>• <b>Implementation of IFRS 16:</b> IFRS 16 implementation has been deferred to 2020/21. Our planning and interim audit work have indicated that as a result, largely, of the timing of guidance and date of implementation, the demised CCGs were at an early stage of this. A detailed document was presented to the Audit Committee in Autumn 2019 outlining the demised CCGs' approach to IFRS 16. The merged SEL CCG should continue to gather required information to ensure it is in a good position for the required disclosures to be made in 2020/21 financial statements.</li><li>• <b>Missing contract for APMS payment – Lambeth CCG:</b> The implementation of this recommendation has been completed following the closure of the 2019/20 external audit. The Springfield contract, effective from 1 April 2020 has now been signed by both parties. Additionally, the Streatham High contract, effective from 1 April, 2020, was signed in June 2020.</li></ul>
<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 2019/20.</p>

## 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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