



Annual Audit Letter 2019/20

**NHS Guildford and Waverley Clinical
Commissioning Group**

July 2020

Contents

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A. Summary of our reports issued	

This report is addressed to NHS Guildford and Waverley 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 Guildford and Waverley Clinical Commissioning Group (the CCG). Although this letter is addressed to the Members of the Governing Body of the CCG, it is 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 no key recommendations to be added in the Appendix for the current year. 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 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 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 £44,597 (2018/19: £41,597) excluding VAT. This fee was below the fee agreed at the start of the year with the CCG's Audit Committee.

This is due to the delay in the implementation of IFRS 16 and the related audit fee which will roll-over into the 2020/21 year.

Acknowledgement

We thank the officers of the CCG for their continued support throughout the year.

Headlines

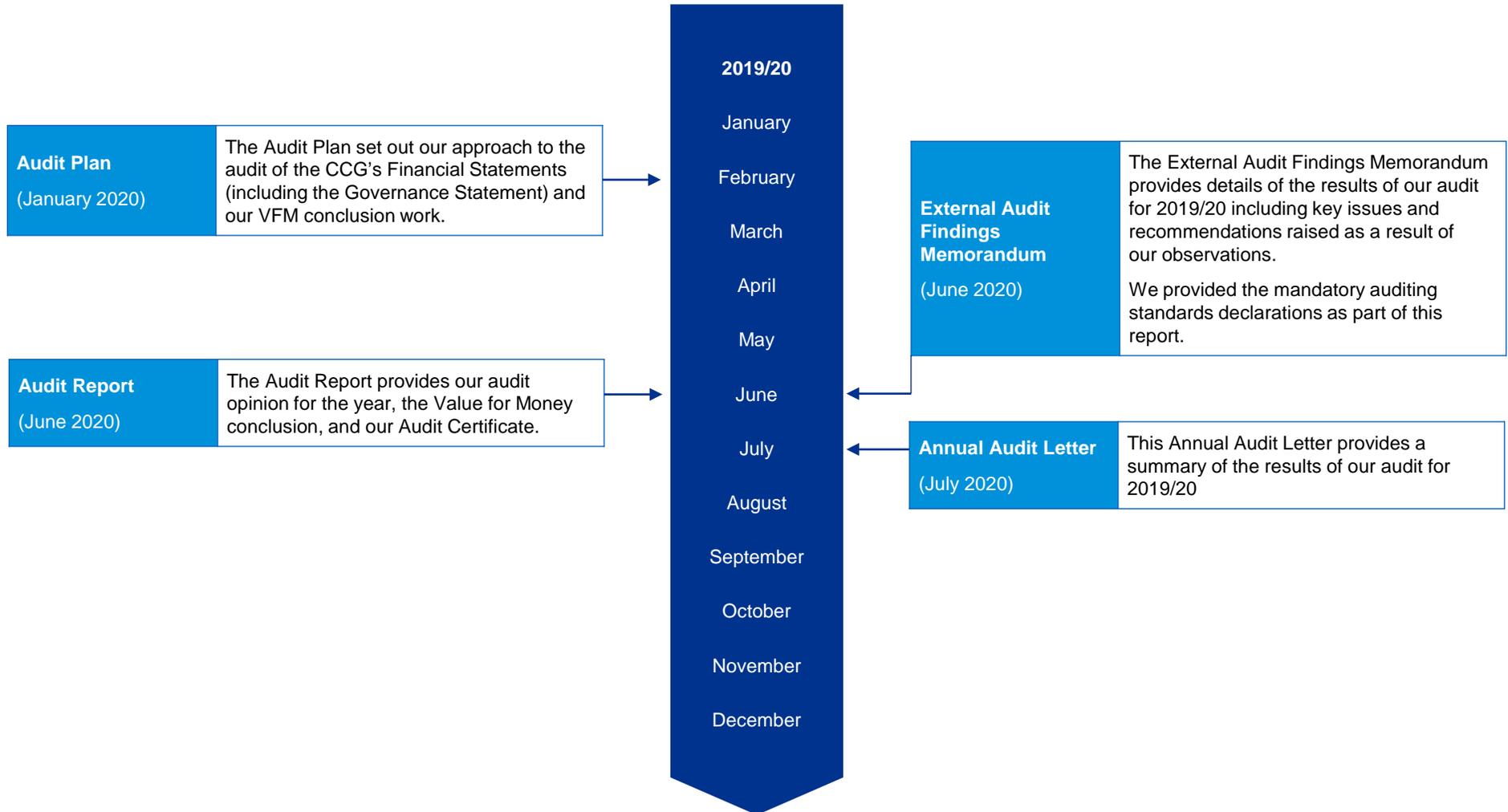
<p>Financial Statements audit opinion</p>	<p>We issued an unqualified opinion on the CCG's accounts on 24 June 2020. This means that we believe the accounts give a true and fair view of the financial affairs of the CCG and of the income and expenditure recorded during the year. We included an emphasis of matter paragraph in our opinion due to the merger of the CCG into Surrey Heartlands CCG from 1 April 2020. This does not impact on the opinion and only draws the users of accounts' attention to this specific matter.</p> <p>There were no significant adjusted or unadjusted differences identified, only presentational matters were identified.</p> <p>There were no significant matters which we were required to report to 'those charged with governance'.</p>
<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 £5.9m (2018/19: £5.0m).</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"> — Fraudulent Expenditure recognition - In the public sector, auditors 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). Our work involved assessing the control environment, assessing the pressure on the CCG to achieve a year end outturn position and gaining assurance over expenditure incurred during the year. We did not identify any significant issues based on our work performed. — Management override of controls - Professional standards communicate the fraud risk from management override of controls as significant. Our work involved assessing the design and implementation and tested the operating effectiveness of the controls over journal entries and post closing journals, identifying any areas of judgement or uncertainty, assessing any unusual transactions and conducting year-end cut-off testing procedures. We did not identify any significant issues based on our work performed. <p>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, specifically considering whether COVID related income and expenditure from the final weeks of the year were correctly included in the financial statements, whether the CCG has made pre-payments to providers as a result of anticipated increased expenditure relating to COVID and how the prescribing accrual may have been impacted by increased COVID related prescribing. No matters to report. We have not identified any issues that require adjustment or disclosure.</p>
<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>The CCG reported a deficit of £8.2 million for the financial year. The CCG's cumulative deficit at 31 March 2020 totalled £36.6 million. The CCG has not yet succeeded in addressing its underlying deficit, which was absorbed into the newly formed Surrey Heartlands CCG from 1 April 2020. A deficit of £12.9 million is forecasted for Surrey Heartlands CCG for 2020/21.</p>

Headlines (cont.)

Governance Statement	We confirmed that the CCG complied with NHS England requirements in the preparation of the CCG's Governance Statement.
Whole of Government Accounts	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.
Value for Money (VFM) conclusion	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. The CCG reported a deficit of £8.2 million for the financial year. The CCG's cumulative deficit at 31 March 2020 totalled £36.6 million. The CCG has not yet succeeded in addressing its underlying deficit, which was absorbed into the newly formed Surrey Heartlands CCG from 1 April 2020. A deficit of £12.9 million is forecasted for Surrey Heartlands CCG for 2020/21. Based on the findings of our work, except for the effects of the matter described above, we have concluded that the CCG has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.
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. Our work identified the following significant risk:</p> <ul style="list-style-type: none"> — Financial resilience - The CCG forecasted a deficit for 2019/20. With the current challenging conditions the CCG must review its budgets to ensure that it remains a going concern and is able to deliver its services for the foreseeable future. The CCG achieved a final deficit position of £8.2m in 2019/20, which meant the cumulative deficit position was £36.6m. The CCG had a planned QIPP position of £14.7m and achieved £7.9m. This resulted in a variance of £6.8m. There is ongoing monitoring of the budget and reporting to the Audit Committee of the financial position and QIPP delivery for the year. <p>We conducted additional procedures to assess the impact of Covid-19 on the CCG's ability to deliver economy, efficiency and effectiveness. By way of a reminder our value for money responsibilities are focused on understanding the arrangements in place up to 31 March 2020 and to consider the disclosures made in the annual governance statement. We have no matters to report.</p>
Recommendations	We are pleased to report that there are no high risk recommendations arising from our 2019/20 audit work. Also, no recommendations raised in the prior year.
Public Interest Reporting	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. On 7 May 2020 we referred a matter to the Secretary of State under section 30b of the Act in relation to NHS Guildford and Waverley Clinical Commissioning Group breaching its revenue resource limit for the year ended 31 March 2020.
Fraud	We have not identified any fraud related matters.

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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