



Year end report 2018/19

**NHS West Essex Clinical Commissioning
Group**

16 May 2019

Introduction

To the Audit Committee of NHS West Essex Clinical Commissioning Group

We are pleased to have the opportunity to meet with you on 15 May 2019 to discuss the results of our audit of the financial statements of NHS West Essex Clinical Commissioning Group (the 'CCG'), as at and for the year ended 31 March 2019.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on 14 November 2018. We will be pleased to elaborate on the matters covered in this report when we meet.

Our audit is substantially complete. There have been no significant changes to our audit plan and strategy. Subject to your approval of the financial statements, we expect to be in a position to sign our audit opinion on 24 May 2019, provided that the outstanding matters noted on page 7 of this report are satisfactorily resolved.

We expect to issue an unmodified Auditor's Report on the financial statements, an unqualified Value for Money Conclusion, and an unqualified regularity opinion.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report;
- Limitations on work performed; and
- Restrictions on distribution of this report.

Yours faithfully,

Fleur Nieboer

15 May 2019

How we have delivered audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. Some of the ways in which we drive audit quality are demonstrated throughout our report and include:



The National Audit Office (NAO) has issued a document entitled Code of Audit Practice (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the CCG. External auditors do not act as a substitute for the CCG'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.

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This report is presented under the terms of our audit engagement letter.

- Circulation of this report is restricted.
- The content of this report is based solely on the procedures necessary for our audit.

This Report has been prepared for the CCG's Audit Committee, in order to communicate matters of interest as required by ISAs (UK and Ireland), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of NHS West Essex Clinical Commissioning Group (the 'CCG'), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted by the Group Accounting Manual issued by the Department of Health and Social Care, as at and for the year ended 31 March 2019. This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the CCG's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status of our audit at the Audit Committee meeting but would highlight the following work is still outstanding:

Financial Statements audit:

- Final review manager and partner review of Whole of Government Account; and
- Final partner review of audit work and annual report.

Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit Committee of the CCG, that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.



Summary



Financial Statements Audit

We intend to issue an unqualified audit opinion on the accounts following the Governing Body adopting them and receipt of the management representations letter.

We have completed our audit of the financial statements. We have also read the content of the Annual Report (including the Remuneration Report) and reviewed the Annual Governance Statement (AGS). Our key findings are:

- There are no unadjusted audit differences.
- We have agreed presentational changes to the accounts with Finance, mainly related to compliance with the Group Accounting Manual (GAM).
- In addition to our routine requests we are not asking for any specific management representations.
- We have reviewed the annual report and have no matters to raise with you.
- We have reviewed the AGS and have no matters to raise with you.
- We have no matters to raise with you in relation to the regularity of transactions.

Other Matters

We intend to issue an unqualified Group Audit Assurance Certificate to the NAO regarding the Whole of Government Accounts submission, made through the submission of the summarisation schedules to NHS England.

We are satisfied that the CCG has addressed the recommendations raised in our ISA260 in 2017/18. We have made no recommendations as a result of our work.

There were no matters in the public interest that we needed to report or refer to the Secretary of State in 2018/19.

Value for Money

Based on the findings of our work, we have concluded that the CCG has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Audit Certificate

We are required to certify that we have completed the audit of the CCG financial statements in accordance with the requirements of the Code. If there are any circumstances under which we cannot issue a certificate, then we must report this to those charged with governance. There are no issues that would cause us to delay the issue of our certificate of completion of the audit.



Financial Statements Audit

Section one

Financial statements audit - our summary findings



Scepticism Challenge

Assessment of the control environment

We have not identified any deficiencies with your control environment.

The CCG outsources an element of its control environment to the following service organisations. For each, we rely on the findings of the service auditor's assessment of the local control environment as part of our audit approach.

- NHS SBS – the CCG outsources accounts receivable, payroll, accounts payable and cash processes to SBS. The service auditor issued a unqualified opinion with no control deficiencies recognised.
- IBM – the CCG uses the ESR system. The service auditor issued an unqualified opinion. There are no issues from this work which we wish to raise with you.
- NHS NEL CSU – The service auditor issued a qualified opinion. This does not impact our assurance.
- Capita – Capita processes primary care payments on behalf of the CCG. The service auditor issued a qualified. As a consequence we have conducted additional substantive procedures to gain comfort over the payments made by Capita to general practices.
- NHS Digital – NHS Digital maintain the Exeter system, which is used to calculate GP payments for primary care services. The service auditor issued a unqualified opinion with no significant control deficiencies identified.

Representations

You are required to provide us with representations on specific matters such as your going concern assertion. We provided a draft of this representation letter to the [Finance Director/CFO](#) on 10 May 2019. We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. We have not requested management to provide any specific representations.

Risks Risk change Our findings

Significant Risks

Page 10 –12

- | | | |
|------------------------------------|-------------|---|
| 1. Management override of controls | ■ No change | The result of our testing was satisfactory. We did not identify any issues to bring to your attention. |
| 2. Expenditure Recognition | ★ New risk | The results of our testing were satisfactory. We considered the amount of expenditure recognised to be acceptable |

Other Matters

Page 13 –14

- | | | |
|-------------------------------|-------------|---|
| 3. Going concern | ■ No change | We did not identify any findings through our procedures to bring to your attention. |
| 4. Primary care commissioning | ▼ Decrease | The results of our testing were satisfactory. We considered the amount of GMS/APMS expenditure disclosed to be acceptable. We did not identify any findings to bring to your attention. |
| 4. New accounting standards | ★ New risk | The CCG has not commenced the impact assessment of IFRS16. We have raised a best practice recommendation in Appendix One for the CCG to present the outcome of this work to the autumn Audit Committee. |

Accounts Production

We received complete draft accounts by 24 April 2019 in accordance with NHSE's deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the GAM. We thank the finance team for their co-operation throughout the visit which allowed the audit to progress and complete within the allocated timeframe.

Section one

Financial statements audit – our summary findings



Scepticism Challenge

Compliance with ISA 260: We are required under ISA 260 to communicate to you any matters specifically required by other auditing standards to be communicated to those charged with governance; and any other audit matters of governance interest.

Brexit disclosures: Strategic report: In the course of our audit work we assessed the quality of your disclosures in the Strategic Report in relation to Brexit in addition to assessing the quality of disclosures generally. The impact of Brexit on the NHS predominantly leads to risks around the cost of pharmaceuticals, medical devices and potential impact on the NHS workforce. We concluded that the disclosures outlines the overall approach adopted by the CCG in line with the guidelines issued by Department of Health. On behalf of Essex CCG's, the Emergency Planning Team is working in collaboration with NHS England Midlands and East to ensure that the requirements of this guidance are in place. The CCG should produce a formal analysis which outlines the nature of Brexit's impact on the business model and strategy, the impact of economic/political changes on future performance of the business and principal risks arising from Brexit and how these are monitored, please see recommendation 1 in Appendix One.

Compliance with the Audit Code: Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We have discharged these responsibilities as follows:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Make a referral to the Secretary of State		If we identify that potential unlawful expenditure might be incurred then we are required to make a referral to the Secretary of State. We have not identified any such matters.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we check your summarisation schedules are consistent with your annual accounts. This will be provided subject to satisfactory completion of the work.
Provide a summary of our key use of resources risks		We are required to reach a conclusion on your use of resources. We have not identified any significant risks.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Financial statements audit – significant risks



1 Management override of controls (significant risk that professional standards require us to assess in all cases)

Significant audit risk

The risk

- Professional standards communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Planned response

- Our audit methodology incorporates the risk of management override as a default significant risk.
- In line with our methodology, test the operating effectiveness of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the appropriateness of the accounting for significant transactions that are outside the CCG's normal course of business, or are otherwise unusual.
- Understand the judgement management reach which booking year end entries with providers, including accounting judgements which impact the reported outturn position; and
- Review the year end cut off processed to ensure that revenue and expenditure items have been reflected in the correct period.

Summary of work completed

- In line with our planned methodology we performed the following procedures to address the risk of management override of controls:
 - We assessed the design and implementation and tested the operating effectiveness of the controls over journal entries and post closing journals. For journals being posted by Shared Business Service (SBS) we reviewed their service auditor report and assessed the operational adequacy of the controls.
 - We assessed if there was a change in the method to prepare accounting estimates.
 - We assessed if there were any significant or unusual transactions outside the normal course of business and whether these were appropriately accounted for in line with Managing Public Money.
 - We gain an understanding where any judgement has been applied by management to book year end entries with providers, including accounting judgements which could impact the reported outturn position. This work was carried out as part of our year-end NHS agreement of balances work.
 - We conducted year-end cut-off testing procedures to ensure that the revenue and expenditure items had been reflected in the correct period.
 - Carried out substantive testing procedure over a risk based sample of journals and confirmed that the journal posting was appropriate.
- The result of our testing was satisfactory. We did not identify any issues to bring to your attention.



2 Fraudulent risk from expenditure recognition

Significant audit risk

The risk

- 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). This may arise due to the audited body manipulating expenditure to meet externally set targets. As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition and so the auditor has regard to this when planning and performing audit procedures.

Planned response

Expenditure recognition is an area of significant risk for the audit. We will carry out the following procedures with regards to expenditure recognition:

- We will obtain assurance over NHS expenditure and payable balances through the Agreement of Balances exercise
- We will assess the pressure upon the CCG to achieve a particular year end outturn position and it is normal for expenditure to exceed resource for the year;
- We will consider the application of appropriate segregation of duties between those responsible for monitoring budgets (e.g. Commissioning Managers) and those preparing the financial statements (Finance Team) which helps to prevent fraudulent manipulation of expenditure; and
- We will test that senior staff are not remunerated based upon financial results, nor is the funding made available to the CCG based upon the results presented in the financial statements.

Summary of work completed

We have carried out the following audit procedures with regards to expenditure recognition:

- We obtained assurance over NHS expenditure and payables balances through the Agreement of Balances exercise.
- We assessed the pressure on the CCG to achieve a year-end outturn position and whether the expenditure exceeded the resource for the year. We reviewed the monthly finance report to track how the CCG responded to pressures to achieve its revenue resource limits. We also considered CCG's use of the local risk share arrangements with the STP.
- We assessed the control environment around the accrual process and whether there were appropriate segregation of duties between those responsible for monitoring budgets and those preparing the financial statements.
- We tested senior staff remunerations and checked that there were no performance related pay remunerations in place during 2018/19;
- For a sample of 65 expenditure transactions that took place in the month preceding and 21 in the month following year end to assess whether they had been recognised in the correct period. The total value of these transactions was £63.5m.

We did not identify any findings through these procedures to bring to your attention. No misstatements were identified.

Financial statements audit – other areas of focus



Other area of focus – going concern

The risk

- The GAM directs that your financial statements will be prepared on a going concern basis unless services are being transferred outside of the public sector or being discontinued.
- Risks to your financial position are expressed through disclosure in the financial statements (which need to be complete and balanced) and consideration in our use of resources responsibilities.
- Key analysis of your future financial performance is contained in your submissions to NHSE which forecast both current and future years expected financial performance.

Summary of work completed

- From our review of the accounting policies, we have found that they comply with the suggested template content from NHSE and correctly reflect the correct basis of the application of the going concern;
- We have not identified any material uncertainties in the future financial forecasts of the CCG. We reviewed the CCG's 2019/20 agreed budget position against a control total of £477.3m;

We did not identify any findings through these procedures to bring to your attention. Our opinion is not required to be amended to draw attention in any aspects of uncertainty in future financial forecasts. Our work around going concerns links with the work performed on the use of resources where we have reviewed and challenged the assumptions and forecasts made about the CCG's future performance, see page 16

Other area of focus – primary care commissioning

The risk

- The risk is that these commissioning arrangements are not accounted for in the CCG's accounts in accordance with accounting standards requirements. There are wider risks to NHSE and DH consolidated accounts if NHS transactions and balances are not consistently treated and recorded and cannot be properly eliminated in national consolidations. GPMS/APMS and PCTMS expenditure in 2017/18: £40.5m

Summary of work completed

Due to the findings of the audit work performed by the service auditors at PCSE, we have increased the level of substantive work performed. Our procedures included the following:

- reviewed the controls in the CCG relating to primary care commissioning;
- we confirmed the £42m value of NHSE expenditure which was appropriately disclosed in the financial statements; ;
- we checked that no payments had been made to practices outside of the CCG's constitution.;
- For a sample of 36 payments, confirmed the accuracy by reviewing the contract and checking the weighted list size calculation.;
- Reviewing the year-end QOF accrual of £1.1m to ensure accuracy and completeness;
- Reviewing transactions with Governing Body members who are also GPs at local practices and confirmed that they had been completely and accurately presented in the accounts.

Financial statements audit – other areas of focus



Other area of focus – new accounting standards

The risk

- The GAM requires you to apply two new accounting standards in 2018/19: IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.
- While the GAM has provided some interpretation of how these will apply to the NHS further guidance is expected.
- IFRS 16 Accounting for Leases, is likely to apply from 1 April 2019 so work needs to commence in this reporting cycle to assess its impact. This will require the CCG to complete additional work in advance of the year end accounting preparation to ensure that balances are correctly recorded.

Summary of work completed

- From our review of the accounting policies and the CCG's assessment to determine the impact of IFRS 9 and IFRS 15, we conclude that there is no material impact on your financial statements and there is no impact on the resource allocation that you receive.
- The CCG has not commenced the impact assessment of IFRS 16. Actions required are potentially time consuming with the need to ensure that all leases have been identified and reviewed, including those not governed by a contract. We have raised a recommendation in Appendix One for the CCG to present the outcomes of this work to the autumn Audit committee so that it is done in advance of the 2019/20 financial year end.

Section one

Financial statements audit – mandated risks



Scepticism Challenge

Risk	Why	Finding from the audit
Fraud risk from revenue recognition	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.	We rebutted this risk as part of our audit planning procedures therefore we have no further matters to report.
Fraudulent expenditure recognition	Practice Note 10 suggests that auditors in the public sector should consider whether there is a fraud risk arising from the recognition of expenditure.	The results from our work have been detailed on page 12. We focused our testing on elements of expenditure that involve judgement and estimation, specifically reviewing the completeness and accuracy of NHS and non-NHS accruals.
Fraud risk from 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 because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.	Our procedures, including testing of journal entries, accounting estimates and significant transaction outside the normal course of business, no instances of fraud were identified. The results from our work in this area are detailed on page 11.

Reconfirming materiality: We can confirm that we have completed all our audit work to the materiality that we proposed at the planning stage of the audit, which was a total performance materiality of £8.3m with an audit differences posting threshold of £0.3m.

Section one

Financial statements audit - judgements

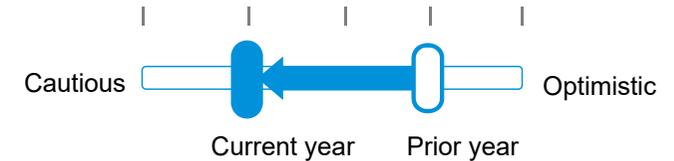


Scepticism Challenge

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Cautious means a smaller asset or bigger liability; optimistic is the reverse. We have only considered material judgements for the purpose of our reporting here.



Liability class	Our view of management judgement	2018/19 Balance	YoY change	Our view of disclosure of judgements & estimates	Further comments
Accruals		£21.3m	£3.4m		<p>The CCG has disclosed accruals of £21.2m for 2018/19 compared with £17.8m in prior year, this is an increase of £3.4m. The total comprises £5.4m (PY: £3.9m) of accruals with NHS bodies and £15.8m (PY: £13.9m) with non-NHS bodies. The CCG's largest accrual is for prescribing which was £7.4m in 2018/19 (PY: £6.6m).</p> <p>NHS accruals have increased by £1.5m. In part this driven by the tight timelines for NHS bodies to complete the AoB exercise. This has resulted in Trusts being unable to invoice the CCG before year-end, as a result the CCG has accrued for this expenditure. In addition the CCG has also witnessed an increase in activity levels and tariff income for provider trusts which has increased accruals. We tested this balance through reviewing all AoB differences over £300k and obtained explanations for change in accruals.</p> <p>The CCG have also identified £3.0m of accruals even though it is challenging the expenditure, but have adopted a more prudent approach and elected to recognise the cost.</p> <p>Non-NHS accruals have increased by c14% (£1.9m), this is mainly driven by an increase of nearly £1m in delegated co-commissioning expenditure and increase of £0.5m of Local Elective Surgery accruals and an increase of £0.4m relating to accruals arising from CCG's hosting the STP transactions. We have substantively tested non-expenditure accruals for completeness and accuracy.</p> <p>The above balance includes accruals of £3.0m where the CCG have adopted a highly prudent approach of recognising a number of expenditure where a contractual basis for the expenditure exists, but the CCG believes they also have a case to challenge this expenditure. We have tested a sample of these accruals to confirm factual accuracy. Based on this we have assessed the CCG judgement to be more cautious than prior year.</p>

Section one

Financial statements audit – other matters



Scepticism Challenge

Regularity Opinion

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 have 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.

Annual report

We have read the contents of the Annual Report (including the Accountability Report, Performance Report and AGS) and audited the relevant parts of the Remuneration Report. Based on the work performed:

- We have not identified any inconsistencies between the contents of the Accountability and Performance Reports and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the Accountable Officer's statements. The Accountable Officer confirms that the annual report and accounts taken as a whole are fair, balanced and understandable
- The part of the Remuneration Report that is required to be audited were all found to be materially accurate; and
- The AGS is consistent with the financial statements and complies with relevant guidance subject to updates as outlined within section two.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

Our fee for the audit was £35,234 plus VAT (£35,234 in 2017/18). This fee was in line with that highlighted within our audit plan agreed by the Audit Committee in November 2018. We have not completed any non-audit work at the CCG during the year.



Value for Money

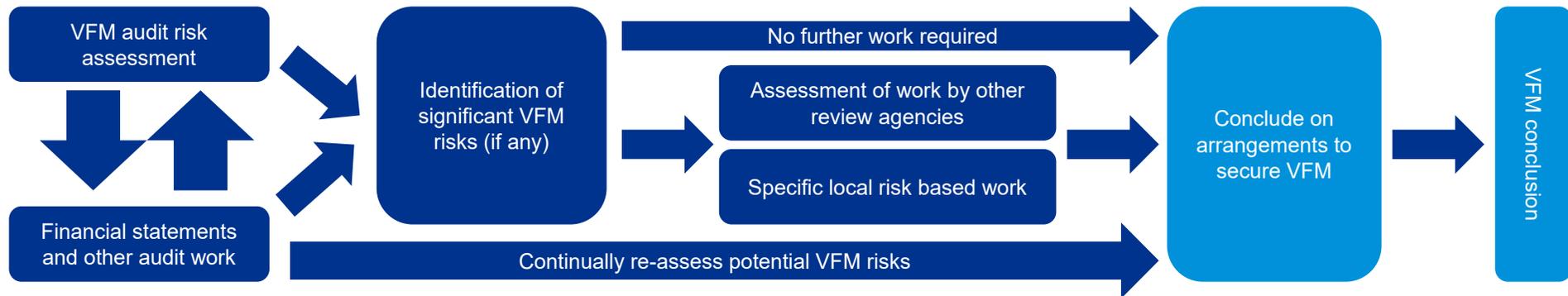
Section two

Value for Money



Scepticism Challenge

For 2018/19 our value for money (VFM) work follows the NAO's guidance. It is risk based and targets audit effort on the areas of greatest audit risk. Our methodology is summarised below. We did not identify any significant VFM risks and provide a summary below of the routine work required to issue our VFM conclusion, which is that we are satisfied that the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019, based upon the criteria of informed decision making, sustainable resource deployment and working with partners and third parties.



Risk	Why	Finding from the audit
<p>We reviewed the 2018/19 AGS and took into consideration the work of internal audit.</p> <p>We confirm that the AGS reflects our understanding of the CCG's operations and risk management arrangements.</p>	<p>We considered the outcomes of relevant regulatory reviews (NHSE) in reaching our conclusion.</p>	<p>As part of our risk assessment we reviewed various matters, including:</p> <ul style="list-style-type: none"> • forecast run rate position. • core assumptions in the 2018/19 Annual Plan. • recurrent cost improvement schemes are identified and delivered • current operational performance and provider relationships / contractual risks. • planned 'vs' actual outturn. • significant one-off items affecting the outturn position. • Management's assessment of the CCG's ability to continue as a going concern. • Reviewed the risk share arrangements the CCG has in place within the STP.



Appendix

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Recommendations raised and followed up



The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations			
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
		3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
Financial Statements			
1	3	<p>Brexit planning</p> <p>There is a risk that Brexit can potentially have an impact on the health sector with regards to costs of pharmaceuticals, medical devices and potential impact on the NHS workforce. Though these risks are predicted to have limited impact on the direct operations of the CCG, the overall impact on provider and the health economy can more severe. Department of Health has published EU Exit Operational Guidance which requires all local level planning, risk assessment and plan for wider potential impact. The Emergency Planning team are currently working to ensure that requirements of this guidance are in place for all Essex CCGs.</p> <p>We recommend that the CCG use the work of the Emergency Planning Team work to produce a formal analysis on the wider impact on the CCG's business model and strategy, the impact of economic and political changes on future performance of the business and capture and articulate risks and how these will be monitored.</p>	<p>Agreed</p> <p>The CCG worked closely with the Emergency Planning team and wider multi-agency resilience forums for Essex and Hertfordshire between February and April to plan and risk assess any impact of exiting from the EU, particularly in a 'no deal' scenario. This work was carried out in accordance with the Department of Health EU Exit Operational Guidance and included daily reports to NHS England of any emerging issues or changes to the plans. However, this work was put on hold in mid-April following the extension of the exit date. We now await further guidance/instructions and will consider any wider analysis, as recommended by the auditors, once the general position becomes known.</p> <p>Responsible officer: Ian Tomkins Due date: TBC</p>

Recommendations raised and followed up



#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
Financial Statements			
2	3	<p>Implementation of IFRS 16</p> <p>IFRS 16 Accounting for Leases, is likely to apply from 1 April 2020 so work needs to commence in this to assess its impact. The CCG has not commenced the impact assessment of IFRS 16. Actions required are potentially time consuming with the need to ensure that all leases have been identified and reviewed, including those which are not governed by a contract. Most likely focus will be on service contract and arrangements with central NHS property owning bodies.</p> <p>We recommend that the CCG commence the assessment and present the outcomes of this work to the autumn Audit committee so that it is done in advance of the 2019/20 financial year end.</p>	<p>Agreed</p> <p>The CCG will put a process in place to identify and review all eligible leases and will present the outcome of this work to the autumn Audit Committee.</p> <p>Responsible Officer: Head of Financial Control.</p> <p>Due date: 31st October 2019</p>

Recommendations raised and followed up



We have also follow up the recommendations from the previous years audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
1	1	-

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (May 2019)
Financial Statements				
1	2	<p>Controls around complex information received from service organisations</p> <p>The CCG receives and places reliance on information from a number of service organisations. Information feeds from service organisation is a key component of accounting for primary care commissioning and payments for local prescribing costs.</p> <p>The balances relating to primary care commissioning are inherently complex, due to the large number of inputs from GPs, the varying nature of GP contracts, and the number of systems and service organisations involved in calculating and making payments to GPs.</p> <p>It is important that Management has a robust understanding of the processes and controls in place with regards to information received from service organisations for complex balances in their accounts. It is equally important to understand the sources of assurance for these systems. For example, the NHS Digital provides assurance that new GP service payments are correctly set up, but does not give assurance that payments have stopped for services that have ended. Management will need to seek assurance over these processes.</p> <p>All processes and controls related to these balances should be mapped out. This will support Management in ensuring that they have appropriate assurance over the balances presented. It will also identify gaps and duplication of controls.</p>	<p>Agreed</p> <p>The CCG will put a process in place to identify any gaps in control. An analysis and mapping of Data flows will be undertaken to identify what controls are required and can be established to provide assurance that systems are working effectively . Progress will be reported through audit committee and Primary Care Committee.</p> <p>Responsible officer: Assistant Director of Primary Care & Localities and Head of Financial Planning & Reporting</p> <p>Due date: 30 September 2018</p>	<p>Implemented</p> <p>The CCG carried out an analyse which mapped the transaction flows behind the significant streams of expenditure for primary care commissioning. This allowed them to understand the control in place to support these transactions. These findings were reported to the Audit Committee.</p> <p>We have reviewed the mapping of the payment flows and have noted that the document outlines the controls in place over each significant expenditure stream and whether these controls sits with the CCG or a service organisation.</p>

Appendix 2

Audit Differences



Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Audit Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit Committee, we present details of all adjustments greater than £300K.

We did not identify any misstatements to the financial statements above our reporting threshold.

We did identify a number of presentational issues which have been adjusted by the CCG, this includes:

- Changes to the related party transaction disclosure – The CCG was a recipient of a £3.0m risk share support from NHS Herts Valley CCG, which also sits within the STP. The risk share arrangement was approved by NHS England and the CCG's resource allocation targets were adjusted with this amount. We have requested the CCG to disclose the risk share arrangement and the receipt of the support within the related party transaction disclosure note.

Appendix 2

Audit Differences



We are required to report any inconsistencies greater than £300,000 between the signed audited accounts and the consolidation data and details of any unadjusted errors or uncertainties in the data provided for intra-group and intra-government balances and transactions regardless of whether a CCG is a sampled or non-sampled component. We have provided details of the inconsistencies that we are reporting to the NAO as follows:

Counter party	Type of balance/ transaction	Balance as per CCG (£'000)	Balance as per counter party (£'000)	Difference (£'000)	Comments on Difference
NHS Herts Valley	Income	£530	£0	£530	The income relates to the West Essex's hosting arrangement for the CCG we have tested this and confirmed the CCG's position to be correct.
NHS North East Essex CCG	Income	£0	£337	£337	North East Essex CCG had incorrectly included £337k of expenditure against West Essex CCG. We have confirmed that this money is not income to West Essex CCG and that West Essex CCG's position to be correct.
NHS West Hertfordshire Hospitals NHS Trust	Expenditure	£558	£42	£516	West Essex CCG has applied gross accounting as appropriate to the STP Income and Expenditure which is why WE CCG are showing that there is £530k income from the other CCG - we have tested this and confirmed the CCG's position to be correct.
Barking, Havering and Redbridge University Hospitals NHS Trust	Debtor	£911	£0	£917	The difference relates to a credit note which had been processed for CCG's expenditure with the BHR University Hospital Trust. As the CCG had already paid the expenditure the credit note is treated as a debtor. We have reviewed the relevant supporting evidence for this with the CCG.

Appendix 2

Audit Differences



We are required to report any inconsistencies greater than £300,000 between the signed audited accounts and the consolidation data and details of any unadjusted errors or uncertainties in the data provided for intra-group and intra-government balances and transactions regardless of whether a CCG is a sampled or non-sampled component. We have provided details of the inconsistencies that we are reporting to the NAO as follows:

Counter party	Type of balance/ transaction	Balance as per CCG (£'000)	Balance as per counter party (£'000)	Difference (£'000)	Comments on Difference
Essex Partnership University NHS Foundation Trust	Creditor	£2,730	£1,824	£906	The CCG has included the full payable balance with regards to Essex Partnership University FT. We have reviewed and confirmed the CCG's expenditure position to be correct. No explanations have been received from Essex Partnership University FT explaining the reason for this mismatch.
NHS Property Services	Creditor	£2,179	£1,463	£716	We have confirmed the CCG's creditor position to supporting evidence. NHS property services have to not included and invoices transactions relating to 2017/18 because of which these are still showing as accrued expenditure with the CCG and haven't been paid.

Audit Independence



We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Fleur Nieboer and audit staff is not impaired.

To the Audit Committee members

Assessment of our objectivity and independence as auditor of NHS West Essex Clinical Commissioning Group ('the CCG')

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Fleur Nieboer and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values

- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the CCG and its affiliates for professional services provided by us during the reporting period. We have detailed the fees charged by us to the company and its related entities for significant professional services provided by us during the reporting period below, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2019 can be analysed as follows:

Component of audit (all fees exclude VAT)	2018/19	2017/18
Audit services – statutory audit		
Financial Statements Audit	£35,234	£35,234
Auditing of accounts of associates	-	-
<i>Sub-total</i>	£35,234	£35,234
Non audit fees		
Audit related assurance services	-	-
All other assurance services	-	-
All other non-audit services	-	-
Total fee for CCG	£35,234	£35,234

Appendix 3

Audit Independence



There were no non-audit fees provided during the 2018/19 year.

The CCG has been allocated £10K for work KPMG as the external auditor is expected to complete around the Mental Health Investment Standard. The actual fee for this work has not yet been agreed.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Other relationships

Former partners / employees of KPMG employed by the CCG

There are no former partners or members of the audit team now employed at the CCGs.

Family and other personal relationships

We have not identified any family relationships which might create an independence issue.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the [partner/ director] and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the CCG and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

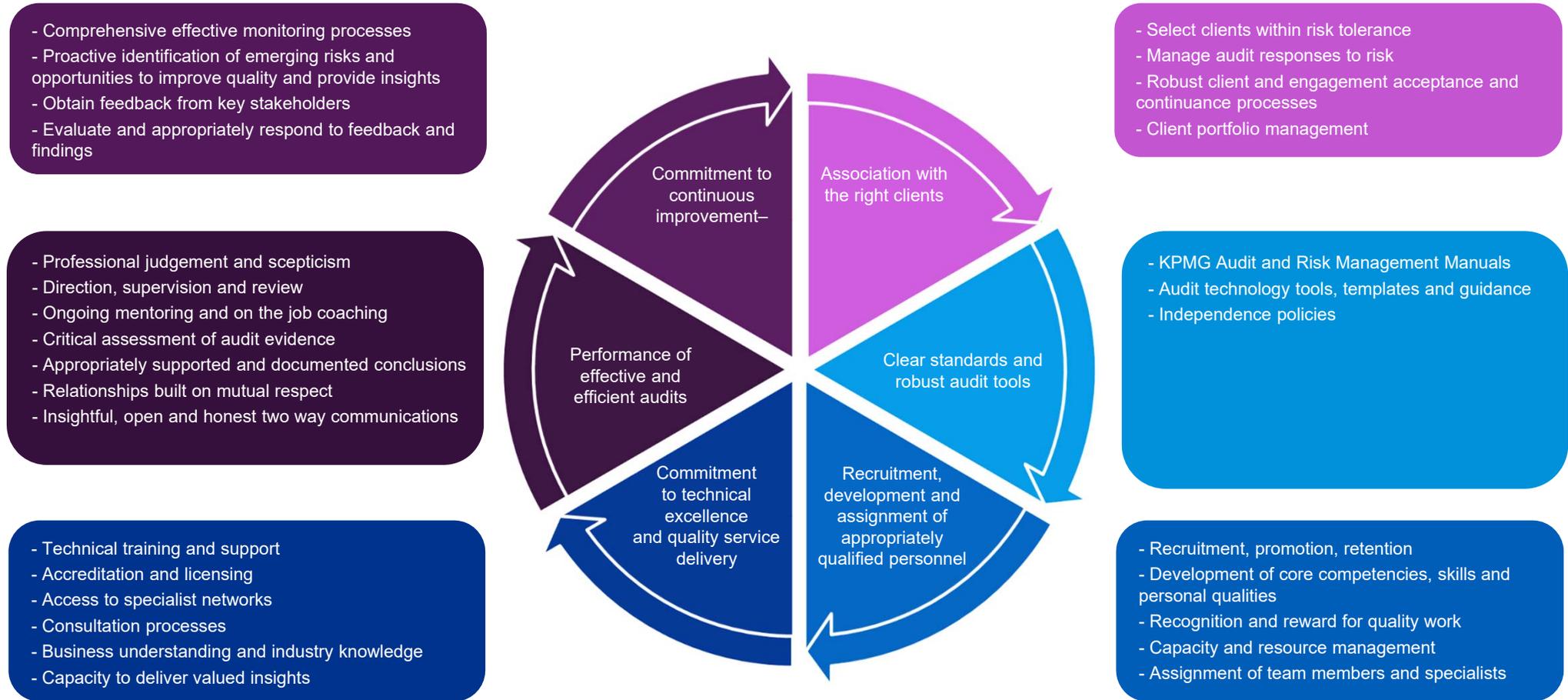
Yours faithfully

KPMG LLP

KPMG's Audit quality framework



Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework





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