



Auditor's Annual Report 2020/21

NHS Nottingham and Nottinghamshire CCG

September 2021

Key contacts

Your key contacts in connection with this report are:

Sarah Brown

Partner

Tel: 07920 139012

Sarah.Brown1@kpmg.co.uk

Richard Walton

Senior Manager

Tel: 07917 232307

Richard.Walton@kpmg.co.uk

Aamar Hussain

Assistant Manager

Tel: 07468 717474

Aamar.Hussain@kpmg.co.uk

Contents	Page
Summary	3
Accounts audit	4
Value for money commentary	5

This report is addressed to NHS Nottingham and Nottinghamshire 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.

Summary

Introduction

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2020-21 audit of NHS Nottingham and Nottinghamshire CCG (the 'CCG'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the CCG alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:

- **Accounts** - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the CCG and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the Group Accounting Manual prepared by the Department of Health and Social Care (DHSC).
- **Annual report** - We assess whether the annual report is consistent with our knowledge of the CCG. We perform testing of certain figures labelled in the remuneration report.
- **Value for money** - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the CCG's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.
- **Other reporting** - We may issue other reports where we determine that this is necessary in the public interest under the Local Audit and Accountability Act.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities:

Accounts	<p>We issued an unqualified opinion on the CCG's accounts on 14 June 2021. This means that we believe the accounts give a true and fair view of the financial performance and position of the CCG.</p> <p>We have provided further details of the key risks we identified and our response on page 4.</p>
Annual report	<p>We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the CCG.</p> <p>We confirmed that the Governance Statement had been prepared in line with the DHSC requirements.</p>
Value for money	<p>We are required to report if we identify any matters that indicate the CCG does not have sufficient arrangements to achieve value for money.</p> <p>We not reported any significant weaknesses in this report.</p>
Other reporting	<p>We did not consider it necessary to issue any other reports in the public interest.</p>

Accounts audit

The table below summarises the key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Risk	Findings
<p><i>Fraudulent expenditure recognition</i></p> <p>Professional standards require us to consider whether there is a significant risk of fraud due to expenditure being recognised in an incorrect period. We considered this is most likely to occur through not completely recording accruals or through reducing the value accrued from the cost of the services.</p>	<p>We have not identified audit misstatements or control deficiencies as a result of our work in response to this risk.</p> <p>We did not raise any recommendations relating to this risk.</p>
<p><i>Management override of controls</i></p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We have raised one low level recommendation relating to management having the ability to post a journal to make an adjustment with no independent documented review.</p> <p>We did not find any instances of this happening in practice and management have acted to strengthen controls in this area during the year.</p>

Value for money

Introduction

We consider whether there are sufficient arrangements in place for the CCG for each of the elements that make up value for money. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

Further details of our value for money responsibilities can be found in the Audit Code of Practice at [Code of Audit Practice \(nao.org.uk\)](http://nao.org.uk)

Matters that informed our risk assessment

The table below provides a summary of the external sources of evidence that were utilised in forming our risk assessment as to whether there were significant risks that value for money was not being achieved:

CCG assessment framework	The latest assessment is from 2019/20, which rated the six predecessor CCGs as good.
Governance statement	There were no significant control issues identified in the governance statement.
Head of Internal Audit opinion	Significant Assurance

Commentary on arrangements

We have set out on the following pages commentary on how the arrangements in place at the CCG compared to the expected systems that would be in place in the sector.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	One significant risk identified	No significant weaknesses identified
Governance	No significant risk identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risk identified	No significant weaknesses identified

We confirm that we have identified no significant weaknesses to be included within our value for money report.

We identified one significant risk at the planning stage which related to the financial sustainability domain and one in regard to the improving economy efficiency and effectiveness domain. We have set out on the following pages the work performed in response to these risks and a summary of our findings.

Value for money

Financial sustainability	
Description	Commentary on arrangements
<p>In assessing whether there was a significant risk of financial sustainability we reviewed:</p> <ul style="list-style-type: none"> – The processes for setting the 2020-21 financial plan to ensure that it is achievable and based on realistic assumptions; – How the efficiency plan for 2020-21 was developed, and delivery against the requirements is monitored; – Processes for ensuring consistency between the financial plan set for 2020-21 and the workforce and operational plans; – The process for assessing risks to financial sustainability; and – Processes in place for managing identified financial sustainability risks. 	<p>Summary of risk assessment</p> <p>We found that the initial draft financial plan was constructed based on appropriate local and national planning assumptions. The budget monitoring and control processes are able to identify, and incorporate, significant pressures into the financial plan to ensure it remains achievable and realistic. We also found that the CCG has an appropriate reporting framework in place – financial performance is reported on a monthly basis to budget holders, with each budget being owned by a member of the senior management team. The financial performance of the CCG is reported to the Finance and Resource Committee, prior to a summary report being taken to the Governing Body. During the year this has included regular updates on changes to the national NHS financial regime.</p> <p>The Covid-19 pandemic has had a major impact on the NHS and this has resulted in changes to the financial planning regime. On 17 March 2020 normal contractual arrangements with providers were suspended and the NHS moved to block contract payments on account. The value of these was determined centrally, rather than being agreed between the CCG and the providers. NHS organisations were also reimbursed with additional funding as required in order to reflect the additional costs incurred as a result of Covid-19. For months 7-12 NHSE/I provided allocations for each CCG, with further funding made available to the ICS to cover additional cost pressures due to Covid-19 and the provision of services.</p> <p>The Phase Three system wide financial plan for the second half of 2020-21 was forecast to achieve a £52.5m deficit, of which the CCG's share was a £17.1m deficit. However the £17.1m deficit for the CCG assumed the achievement of £9.1m efficiency savings in the second 6 months of 2020-21. Since this plan was agreed an improvement was reported to M10 Finance and Resources Committee resulting in an updated year end target of a £11.3m deficit. The efficiency programme at M10 was reporting achievement of £10.5m worth of savings, however the majority is non-recurrent.</p> <p>In November 2020 the ICS board agreed the Strategic Prioritisation and Co-Production Framework. Agreed across Nottinghamshire this framework aims to prioritise system planning and establish a common approach rather than individual organisations working up budgets separately. Work has begun at the system level to prepare budgets for 2021-22 with a common set of financial 'levers of change' used across the Nottinghamshire ICS to build budgets for each organisation and system wide. This planning work has been reported to the ICS board. However, at the time of our risk assessment, the current plan for 2021-22 contains a large deficit position at the ICS level (£111.7m) after an ambitious efficiency programme totalling £52.5m at the system level. Within this plan the current CCG plan is for a £15.8m surplus after an efficiency programme of £13.5m. However these figures are before any further changes to the funding regime for 2021-22 due to the pandemic.</p> <p>The large underlying deficits and efficiency targets, together with a residual uncertainty due to the pause of the 2021-22 planning process at a national level, means that there remains a significant risk to the CCG being able to maintain financial sustainability in the medium term. See our response to this risk on the next page.</p>

Value for money

Financial sustainability	
Description of risk	Commentary on arrangements
<p>Due to the current underlying deficit at both the CCG and Integrated Care System level there is a risk that the CCG does not have in place adequate arrangements to achieve financial sustainability in the medium term.</p>	<p>Our response</p> <p>We have reviewed the process followed to finalise the 2021-22 financial plans for both the CCG and the ICS together with arrangements in place to establish the required efficiency programme central to achievement of the 2021-22 plan.</p> <p>Our findings</p> <p>We found that the initial draft financial plan was constructed based on appropriate local and national planning assumptions. The budget monitoring and control processes are able to identify, and incorporate, significant pressures into the financial plan to ensure it remains achievable and realistic.</p> <p>The Covid-19 pandemic has had a major impact on the NHS and this has resulted in changes to the financial planning regime, normal contractual arrangements with providers were suspended and the NHS moved to block contract payments on account. The value of these was determined centrally, rather than being agreed between the CCG and the providers. NHS organisations were also reimbursed with additional funding as required in order to reflect the additional costs incurred as a result of Covid-19.</p> <p>We also found that the CCG has an appropriate reporting framework in place – financial performance is reported on a monthly basis to budget holders, with each budget being owned by a member of the senior management team. The financial performance of the CCG is reported to the Finance and Resource Committee, prior to a summary report being taken to the Governing Body. During the year this has included regular updates on changes to the national NHS financial regime.</p> <p>In November 2020 the ICS board agreed the Strategic Prioritisation and Co-Production Framework. Agreed across Nottinghamshire this framework aims to prioritise system planning and establish a common approach rather than individual organisations working up budgets separately. As a system Nottinghamshire have worked closely to prepare a plan for H1 2021-22 of a system deficit of £4.5m, of which relates to providers in the system.</p> <p>This plan has been prepared alongside operational plans to deliver against the six national H1 priorities and include within the report to the ICS Board risk factors and assumptions used to prepare the plan. Through considering these arrangements, we have not identified a significant weakness linked to the identified risk.</p> <p>Following consideration of the above we have concluded that there is no significant weakness in this area of the CCGs arrangements</p>

Value for money

Governance	
Description	Commentary on arrangements
<p>In assessing whether there was a significant risk relating to governance we reviewed:</p> <ul style="list-style-type: none"> Processes for the identification, monitoring and management of risk; Controls in place to prevent and detect fraud; The review and approval of the 2020-21 financial plan by the Governing Body, including how financial risks were communicated; Processes for monitoring performance against budgets and taking actions in response to adverse variances; How compliance with laws and regulations is monitored; Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and How the Governing Body ensures decisions receive appropriate scrutiny. 	<p>Summary of risk assessment</p> <p>We consider the CCG to have effective processes in place to monitor and assess risk. The CCG have a risk management strategy and framework outlining the approach to risk across the CCG. Strategic risks and associated threats are recorded and identified using the Governing Body Assurance Framework (GBAF), which is updated and reported to the Governing Body on a bi-annual basis, with a corporate risk report taken to the Governing Body each month summarising all major risks currently on the risk register. Our review of the risk register and GBAF found they are sufficiently detailed to effectively manage key risks. Gaps in control are highlighted and an action plan detailed to move each risk to a tolerable level. Each operational risk is assigned to a relevant Governing Body committee, with extracts of the corporate risk registers reported on a regular basis.</p> <p>The CCG have a dedicated counter fraud service provided by 360 Assurance. The LCFS has an agreed work plan and reports progress to each Audit Committee, with an annual report taken at the end of the year. This resource is supplemented via consideration of fraud by the Audit Committee and senior finance staff whilst preparing the financial statements. The CCG have an Internal Audit service provided by 360 Assurance. Some elements of work have been deferred or re-scoped due to the pandemic, however a full Head of Internal Audit opinion is expected to be provided for the year.</p> <p>The financial planning regime has significantly changed for 2020-21, with block funding introduced for the majority of contracts the CCG holds. NHSE/I guidance also recommended a reduction in normal contract management processes, with which the CCG has complied. The CCG has maintained oversight over performance through monthly reporting to the Quality and Performance Committee, and monthly budget reporting to the Finance and Resources Committee.</p> <p>The CCG implemented a specific financial regime during the pandemic, including the introduction of a specific Cell for management of COVID related costs, and additional funding requests. The COVID spend is then submitted to NHSEI as part of the required reporting, and reported to the Governing Body on a monthly basis. This is supplemented by the monitoring and reporting on quality and safety issues from the impact of COVID by the CCG Quality Cell and Executive Team.</p> <p>All policies and procedures have been adopted for the new CCG when established on 1 April 2020. These policies were developed and set up in the prior year as common policies across the predecessor CCGs in order to align approaches prior to the merger. Key strategic decisions are made via the CCG's governance process. A scheme of delegation is in place which sets out where different decisions/approvals should take place. The CCG have a standard business case proforma and each case is subject to approval in line with the scheme of delegation. An example key decision during the period is the approval of the NHS Rehabilitation Centre Stanford Hall, the Decision Making Business Case was approved at the Governing Body in December 2020.</p> <p>The CCG has a staff code of conduct as per the Acceptable Business Behaviours policy, which is available to all staff via the intranet. This is supplemented by a suite of anti-fraud and corruption policies, approved by Audit Committee in September 2020.</p>

Value for money

Improving economy, efficiency and effectiveness

Description	Commentary on arrangements
<p>In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:</p> <ul style="list-style-type: none"> - The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved; - How the performance of services is monitored and actions identified in response to areas of poor performance; - The engagement with partnerships and how the performance of those partnerships is monitored and reported within the organisation; and - The monitoring of outsourced services to verify that they are delivering expected standards. 	<p>Summary of risk assessment</p> <p>We note that from the 17 March 2020 QIPP programmes were put on hold in accordance with national guidance. This was to allow the CCG and providers to respond to the pandemic. Despite this pause on headline cost reduction programmes the CCG has continued to work within the ICS structure to engage in discussions about change at the system level. The CCG's initial QIPP target of £83m contained £67.3m of identified schemes as at March 2020. As many of these schemes related to areas that the CCG could no longer influence the spend, this was reviewed in September 2020 and a new target was set (see page 6). This remains a key risk for the CCG and wider system, and contributes to significant risk one on page three.</p> <p>Regular review and discussion with regards to performance has taken place between the CCG and providers during the year. The purpose of these is to ensure the maximum possible capacity in these settings is used. Quality and data metrics have been suspended to reduce the reporting burden in light of the pandemic.</p> <p>The main element of performance reporting has been a monthly report presented to the Quality and Performance Committee, giving a detailed view of performance at the CCG. This includes headline performance, performance split by providers, national targets, comparison to plan and the prior year and an indicator of trends. For key areas such as Referral to Treatment this is further split into specialty within each provider to allow detailed analysis with root cause commentary for major issues with mitigations and further assurances reported to the Committee as required.</p> <p>The CCG co-ordinates the efficiency development through a weekly Savings Coordination Group, which is reported and discussed at a CCG wide Financial Savings Group (FSG). The FSG is chaired by the Operational Director of Finance and attended by senior members of finance and operational staff. These groups report into the Finance and Resources Committee, on a monthly basis. As a result of the COVID impact, delivery of efficiency savings has been required only for the second 6 months of the year. As a result of the prioritisation of CCG workforce towards the virus response, savings requirements have been more focused on the technical areas, and are largely non-recurrent, however an action log is maintained to track focus.</p> <p>The CCG has established a highlight report detailing progress against organisational priorities detailing status summary and a RAG rating of achievement of milestones, actions and associated risks. Each has a programme lead and is rated as Gold/Silver/Bronze in regard to the impact the priority has in regard to the eventual move towards becoming a strategic commissioner. This is reported each month to the Finance and Resources Committee.</p> <p>A regular update on the financial position of the ICS is presented as part of the monthly financial reporting to Governing Body. The CCG has senior engagement both as part of the ICS, and with local providers, and works with partners to address key issues as they arise.</p>



© 2021 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

The KPMG name and logo are registered trademarks or trademarks of KPMG International.