



Auditor's Annual Report 2021/22

NHS North East London CCG

21 June 2022

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This report is addressed to NHS North East London (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 2021-22 audit of NHS North East London 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.
- **Regularity** - We assess whether expenditure incurred is in line with the purposes for which it was provided.
- **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 21 June 2022. 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 have nothing to report in this regard.</p>
Regularity	<p>We did not identify any matters where irregular expenditure had been incurred.</p>
Other reporting	<p>We did not consider it necessary to issue any other reports in the public interest.</p>

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>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. This is most likely to occur through the manipulation of manual transactions being posted to the general ledger or through applying bias to estimates made within the financial statements.</p> <p>We responded to this risk by identifying unusual and high risk transactions, and assessing whether management could support the purpose behind these transactions. We did not identify any significant estimates.</p>	<p>We have no adverse findings to report in respect of journal entry controls and we have not identified any adverse findings in respect of significant unusual transactions.</p> <p>We have not raised any recommendations relating to our testing performed on journals and areas of management judgement and influence.</p>
<p><i>Fraudulent expenditure recognition</i></p> <p>Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk over secondary healthcare expenditure (i.e. the purchase of healthcare from hospitals) and primary care co-commissioning (i.e. the purchase of healthcare from GP practices); predominantly that these expenditure balances may be overstated.</p> <p>We responded to this risk by assessing how management calculated year-end accruals to ensure that the costs actually existed and the accrual value was reasonable.</p>	<p>We identified some misstatements relating to this risk which have been corrected by management. We also identified some misstatements that have not been corrected by management, which were not material.</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 CCG has been assessed with a rating of 3 by NHS England, which raises no heightened risk from a VFM perspective.
Governance statement	There were no significant control deficiencies identified in the governance statement
Head of Internal Audit opinion	Reasonable 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	No significant risks identified	No significant weaknesses identified
Governance	One significant risk identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Value for money

Financial sustainability	
Description	Commentary on arrangements
<p>This relates to ensuring that the CCG has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> How the CCG sets its financial plans to ensure services can continue to be delivered; How financial performance is monitored and actions identified where it is behind plan; and How financial risks are identified and actions to manage risks implemented. 	<p>For 2020-21 and 2021-22 the Covid pandemic has had a major impact on the NHS and this has resulted in changes to the financial planning regime. From March 2020 normal contractual arrangements 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 CCGs and providers. NHS organisations were also reimbursed with additional funding in order to reflect the additional costs incurred as a result of Covid-19. For 2021-22, block payment arrangements have continued between NHS commissioners and NHS providers, though the covid financial regime has been amended with most Covid costs now funded through block funding allocation rather than a retrospective reclaim as in 2020-21.</p> <p>We obtained the 2021-22 financial plans which outlined a break-even position. We found that the budget setting processes were able to identify and incorporate significant pressures into the financial plan to ensure it was achievable and realistic. We saw evidence that the budget was subject to challenge and review prior to approval by both budget holders and Finance Committee.</p> <p>The CCG had identified the key finance risks and these are reported through the Finance Risk Report. We reviewed the finance committee and Governing Body papers which demonstrated appropriate scrutiny and challenge of key financial risks.</p> <p>The focus in 2021-22 has continued to be upon delivery and response to the pandemic. However, there are processes where efficiency schemes are scrutinised and signed off before entering committee scrutiny and approval. Transformation Boards were restated from Q1 21/22 and all schemes and initiatives were reviewed in light of Covid. We have reviewed examples of cost improvement schemes approved during 2021-22. All the live schemes are monitored on a monthly basis at scheme level and any movements from plan are reflected in the forecast.</p> <p>At the year end (March 2022), the CCG had reported an allocation of £3,981,071k with a resulted performance of £3,980,778k, resulting in an overall surplus of £293k. Total efficiencies during the year amounted to £24,342k. Of the total efficiencies achieved, £11,127k has been identified as non-recurrent. While this is a high proportion this is consistent with our knowledge of the sector as a result of the pandemic.</p> <p>The CCG submitted 22/23 financial plans to NHSE/I in March and April as part of a system wide operating plan. The operating plan submissions highlighted a number of above “funding growth” inflationary pressures that systems are facing. Subsequently NHSE/I have allocated additional funding to help mitigate these inflationary pressures. All systems are required to resubmit a further operating plan on 20 June 2022 to take into account the impact of the additional funding of which it is anticipated that the CCG will submit a balances plan with a break-even position.</p> <p>Conclusion</p> <p>Based on the risk assessment procedures performed we have not identified a significant risk associated with financial sustainability.</p>

Value for money

Governance	
Description	Commentary on arrangements
<p>This relates to the arrangements in place for overseeing the CCG's performance, identifying risks to achievement of its objectives and taking key decisions.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> Processes for the identification and management of strategic risks; Decision making framework for assessing strategic decisions; Processes for ensuring compliance with laws and regulations; How controls in key areas are monitored to ensure they are working effectively. 	<p>We consider the CCG to have effective processes in place to monitor and assess risk. The CCG has a risk policy that defines the way that risks are captured, managed and reported. Financial risks are identified and managed in accordance with the CCG's risk management register. Our review of the most recent Board Assurance Framework confirmed all relevant risks had been included and appropriate mitigating actions taken to manage the key risks.</p> <p>We found that the CCG had appropriate controls in place around the prevention and detection of fraud. There is a local counter fraud service to provide assurance over arrangements to mitigate fraud and will report regularly to Audit and Risk Committee.</p> <p>We reviewed the governance arrangements in relation to budget setting and monitoring. We found there to be appropriate scrutiny and challenge of the budget. We reviewed a sample of monthly budget reports prepared and the corresponding Finance Committee meeting minutes. The reports provided a clear summary of financial position, forecasts against the budget and highlighted relevant emerging risks. There was also evidence of discussion and challenge in the meeting minutes. This has been identified as an area of good practice.</p> <p>We consider the CCG to have appropriate processes in place to monitor compliance with laws and regulations. Identification of new regulatory requirements is the responsibility of the relevant area (e.g. finance, contracting and procurement) and significant changes are communicated through the NHSE planning guidance.</p> <p>In the prior year we identified a special payment made by one of the predecessor CCGs to a former employee that did not receive the approval required under Managing Public Money. The CCG was subsequently unable to obtain retrospective approval. We have confirmed that the CCG has strengthened its Standing Financial Instructions and processes in order to prevent this from happening in the future. We are aware that the CCG has considered one potential special payment during the year, which we confirmed had been appropriately submitted for approval to HM Treasury.</p>

Value for money

Governance (continued)	
Description	Commentary on arrangements
<p>This relates to the arrangements in place for overseeing the CCG's performance, identifying risks to achievement of its objectives and taking key decisions.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> Processes for the identification and management of strategic risks; Decision making framework for assessing strategic decisions; Processes for ensuring compliance with laws and regulations; How controls in key areas are monitored to ensure they are working effectively. 	<p>The CCG ensures compliance with expected standards of behaviour through a staff code of conduct available on the intranet site and through regular briefings. There is a requirement for all staff to complete an annual Declaration of Interest which is reviewed and signed off a the Deputy Director or Director. There is also a clearly documented gifts and hospitality policy.</p> <p>We found appropriate scrutiny, challenge and transparency around decision making. Business cases are presented to the Finance Committee and Governing Body following internal review and approval. We reviewed a sample of business cases for 2021-22 and found these included appropriate financial and non-financial assessment and that there was evidence of scrutiny.</p> <p>Integrated Care Boards (ICBs) are to be established as statutory bodies from 1 July 2022 (previously planned for 1 April 2022) with the CCG ceasing to exist at this point. Given the significance of this change and impact on the CCG's structure we identified this as a significant risk to value for money. The CCG is coordinating the work across the North East London patch to design and launch the new integrated care system (ICS). Our review has not identified any concerns regarding preparations. Based on the evidence obtained on the CCG's transition into an ICB, we were assured of the CCG's preparation for the transition, including the progress made against the transition plan. This also is deemed to be in line with the ICS timeline of transition. We noted that project management and oversight over the transition preparations were made by way of the appointed ICB positions made early on to ensure the transition remains on track. Oversight by the NEL ICS Transition Oversight Group were periodically made through regular updates provided. We did not identify any significant weaknesses in these arrangements.</p> <p>Conclusion</p> <p>We have not identified any significant weaknesses in the CCG's governance arrangements or the preparations made to date for the transition to an Integrated Care Board.</p>

Value for money

Improving economy, efficiency and effectiveness

Description	Commentary on arrangements
<p>This relates to how the CCG seeks to improve its systems so that it can deliver more for the resources that are available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> ▪ The planning and delivery of efficiency plans to achieve savings in how services are delivered; ▪ The use of benchmarking information to identify areas where services could be delivered more effectively; ▪ Monitoring of non-financial performance to assess whether objectives are being achieved; and ▪ Management of partners and subcontractors. 	<p>We found appropriate processes in place to ensure that the CCG used information about costs and performance to improve the way they managed and delivered services. The CCG prepares a monthly finance report with summary of financial position and forecasts against the budget. This is presented at Finance Committee and used to identify any improvements.</p> <p>Non financial performance is monitored through performance reports presented to the Governing Body and other relevant groups, such as the Quality and Performance Oversight Group. We have reviewed a sample of papers and corresponding meeting minutes which showed clear monitoring of progress against NHS targets.</p> <p>We note that the System Oversight Framework rating was 3. The rating was driven by several factors including planned care performance at a system level and the assessment of one of the providers within the locality. We have confirmed the CCG has plans in place to address these areas of concern.</p> <p>We found that the CCG engaged effectively with ICS partners with examples of improvements delivered by transformation boards. These include: expansion of community treatment teams, a new single point of access discharge, the Musco-skeletal single point of access and the Uro-gynae pathway. The CCG's Governing Body receive and review reports from its area committees, which hold delegated authority across North East London's three constituent sub-systems. Key proposals or decisions are taken back to statutory boards of partner organisations to ensure that overall decision-making is maintained for matters affecting each organisation.</p> <p>We found effective processes in place to monitor outsourced services. There were regular meetings with providers with performance assessed against NHS standards as specified in contracts.</p> <p>Conclusion</p> <p>Based on the risk assessment procedures performed we have not identified a significant weaknesses associated with the arrangements for improving economy, efficiency and effectiveness.</p>



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