



Auditor's Annual Report 2021/22

**NHS Nottingham and Nottinghamshire
Clinical Commissioning Group**

July 2022

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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 2021-22 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.
- **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 four.</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>

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:

NHS system oversight framework	Segment 2 - Plans that have the support of system partners in place to address areas of challenge. Note this is the default segment for an ICB under the new framework and was most recently updated in July 2022.
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	One significant risk identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risk identified	No significant weaknesses identified

We confirm that we 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 governance 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>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>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 Resources Committee, prior to a summary report being taken to the Governing Body.</p> <p>As a result of Covid-19 the changes to NHS funding arrangements were extended for the 2021/22 financial year. During the year, we considered the process to finalise the 2021-22 financial plan for both the CCG and the ICS. The CCG approved its financial plan for H1 (Half-Year 1) at the Governing Body meeting on 2 June 2021, having reviewed a draft financial plan in April 2021. The ICS financial plan was submitted to NHS England on 6 May 2021. As financial planning guidance was issued for the second part of 21-22 and for the initial planning for 2022-23 the CCG worked with system partners to develop an initial response and report the position to the Governing Body and relevant sub Committee. At each stage of the required planning processes detailed papers were prepared outlining the position for the CCG and the wider system to enable decisions to be taken based on the available information.</p> <p>We noted the ICS have provided a financial recovery programme which provided a clear summary of the key assumptions underpinning the plans to manage the 22/23 financial position and support the delivery of recurrent financial balance. We also noted the consideration of the risks within the financial plan and the response of developing robust and detailing monitoring as part of the financial recovery programme. Therefore, demonstrating the system has begun to respond to the identified challenges.</p> <p>The CCG have reported the development of a ICS financial recovery programme to achieve and maintain financial balance as the key risk within the Governing Body Assurance Framework, with work ongoing within the ICS to continue to develop a financial strategy in response to this risk. Initial work has been undertaken to understand the historical context and agree a risk appetite and vision, with the aim of developing a strategy aligned to the operational and serviced strategy within the next 12 months.</p> <p>As a result of our work, we have not identified a significant weakness in the arrangements to deliver financial sustainability in the year.</p>

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 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.</p> <p>As a result of the block funding arrangement introduced in 2020/21, NHSE/I guidance recommended a reduction to the normal contract management process, with which the CCG has complied whilst maintaining oversight over performance through monthly reporting to the Quality and Performance Committee, and monthly budget reporting to the Finance and Resources Committee. Ahead of the proposed transition to an ICB, the Nottingham and Nottinghamshire ICS Board approved the Terms of Reference for the ICS Transition and Risk Committee in July 2021, working towards a proposed establishment of an ICB from 1 April 2022. The CCG created workstreams for the purposes of identifying and implementing all necessary tasks relating to the transition process, including the establishment of an Integrated Care Board, its accountability and governance. The CCG established joint governance arrangements, such as Audit and Governance Committees in common to ensure appropriate governance for the individual CCGs as well as the future ICB. The CCGs also worked closely together to ensure appropriate due diligence was undertaken including establishing a Due Diligence Task and Finish Group and regular updates to the Audit and Governance Committees in common. Upon the delay of the establishment of the ICB, the CCG took a paper to Governing Body confirming the revised arrangements, extending committees to cover the period to July, as well as plans to operate governance for the ICB in shadow form in Q1 2022/23.</p> <p>Risks were identified relating to this transition, including the risk that policies between the two organisations are not aligned for the establishment of the ICB. We have obtained evidence of the consideration of these risks at the relevant sub Committees of the Governing Body.</p> <p>Based on the findings above we have not identified a significant weakness in the CCG’s arrangements in this domain.</p>

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>Covid-19 has had a significant impact on the finance regime in place during the year, with the temporary regime introduced in the prior year broadly continued. As part of this, there was national guidance to reduce savings requirements to enable the CCGs to continue to focus on the response to Covid and recovery of services. Limited CCG savings leads to pressures in areas of direct control e.g. Primary Care, CHC, Prescribing. This contributes towards conditions that gave rise to the significant risk noted within the financial sustainability domain.</p> <p>The information to support planning was provided for six month periods for 2021/22 and the CCG developed six month savings plans for the H1 and H2 periods. The CCG coordinated the efficiency development through a weekly Savings Delivery Group, which was reported and discussed at a Financial Savings Group (FSG) which is CCG wide and chaired by the Chief Financial Officer. These groups formally reported into the Financial and Resources Committee on a monthly basis. In December 2022 the decision was made to refresh the attendance and focus of the FSG to increase focus on this topic for the 2022/23 plan onwards.</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 of services commissioned by the CCG. This included headline performance, performance split by providers, performance against national targets, a comparison to plan and the prior year and an indicator of trends. For key areas such as referral times 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 Quality Committee of the CCG received specific deep dive reporting during the period in regard to the core local providers that are commissioned by the CCG. Additional focus and reporting was set up for individual Trusts if specific concerns were noted, for example a CQC report into a particular service at a provider. Further action was taken where required, for example the Chief Nurse and Accountable Officer attended an oversight committee set up at a particular Trust which oversaw an improvement plan for a particular service.</p> <p>A regular update on the financial position of the ICS was presented as part of the monthly financial reporting to Governing Body. The CCG had senior engagement both as part of the ICS, and with local providers, and worked with partners to address key issues as they arise.</p> <p>Based on the risk assessment procedures performed we did not identify any additional significant risk associated with the arrangements for improving economy, efficiency and effectiveness.</p>



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