



# Auditor's Annual Report 2020/21

**NHS Derby and Derbyshire CCG**

September 2021

## Key contacts

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This report is addressed to NHS Derby and Derbyshire CCG (the CCG) and has been prepared for the sole use of the CCG. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

## Introduction

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2020/21 audit of NHS Derby and Derbyshire 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:

<b>Accounts</b>	<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>
<b>Annual report</b>	<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>
<b>Value for money</b>	<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>
<b>Other reporting</b>	<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><b><i>Fraudulent expenditure recognition</i></b></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 manipulating accruals and prepayments at the end of the year to defer expenditure to the following year.</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><b><i>Management override of controls</i></b></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 nor did we raise any recommendations relating to this risk.</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:

<b>CCG assessment framework</b>	The latest assessment is from 2019/20, which rated the CCG as good.
<b>Governance statement</b>	There were no significant control issues identified in the governance statement.
<b>Head of Internal Audit opinion</b>	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
<b>Financial sustainability</b>	One significant risk identified	No significant weaknesses identified
<b>Governance</b>	No significant risk identified	No significant weaknesses identified
<b>Improving economy, efficiency and effectiveness</b>	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"> <li>– The processes for setting the 2022/23 financial plan to ensure that it is achievable and based on realistic assumptions;</li> <li>– How the efficiency plan for 2022/23 was developed, and delivery against the requirements is monitored;</li> <li>– Processes for ensuring consistency between the financial plan set for 2022/23 and the workforce and operational plans;</li> <li>– The process for assessing risks to financial sustainability; and</li> <li>– Processes in place for managing identified financial sustainability risks.</li> </ul>	<p><b>Summary of risk assessment</b></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 regular basis to budget holders, with each budget being owned by an Executive Director and overseen by a Functional Director for service being commissioned. The financial performance of the CCG is reported to each Finance 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 and the performance of the wider Joined Up Care Derbyshire system plan (the system).</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 Trust, 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 2022/23 was forecast to achieve a £43.3m deficit, of which the CCG's share was a £33.9m deficit. Since this plan submission further work has been undertaken at a system level, in conjunction with NHSE/I to prepare a mitigated system plan to achieve a deficit of £18.3m. At month 10 the forecast outturn for the CCG had moved to a £3.9m deficit, however this after including £14.1m of COVID costs that are expected to be reimbursed – leading to an overall surplus for the second half of the year of £10.2m (a £2.4m surplus for the full year).</p> <p>Prior to the pandemic system working had already began. The system have developed a joint I&amp;E plan and have set a terms of reference for the 2023/24 planning process, together with an agreed set of shared principles to help drive the 2023/24 planning process. This work is driven by the planning cell which is made up of representatives from all NHS bodies in Derbyshire, who meet weekly. This process has involved starting with the 2019-20 baseline for the system (by taking the 2019-20 outturn and adjusting for non-recurrent items) and then adding in inflation and other pressures. At the time of our risk assessment, the current plan for 2023-24 contains an increase of costs at a system level of £150.8m, of which £76.8m is not linked to inflation. Both of these are after an efficiency programme totalling £17.2m at the system level. Also included is non-recurrent funding (including £27.4m for COVID costs) of £72.3m from NHS England. However, these figures are before any further changes to the funding regime for 2023/24 due to the pandemic.</p> <p>The large underlying deficits and efficiency targets, together with a residual uncertainty due to the pause of the 2023/24 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. <b>See our response to this risk on the next page.</b></p>

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><b>Our response</b></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><b>Our findings</b></p> <p>In response to the identified risk, we considered the outcome of the CCG and system partners within Joined Up Care Derbyshire. We noted that the initial plan of a system deficit outcome of £43.3m was improved during the year to a revised plan of a £18.3m deficit. The final outcome (pre-audit) is a small surplus of £0.4m, of which the CCG contributes a £0.3m surplus.</p> <p>We also considered the process to finalise the 2021-22 H1 financial plan. The H1 ICS financial plan was submitted to NHS England on 6 May 2021 following appropriate review and approval, in accordance with the relevant guidance from NHS England. The CCG has worked with the Joined Up Care Derbyshire partners to close the financial gap and present a balanced plan for that period. System plans will include an assumed efficiency programme across the system of 3% for the year. The CCG continues to work with JUCD partners and regulators on the quantification of, and plans to close, the underlying financial gap for the system.</p> <p>We considered the arrangements in place to align the CCG financial plan with the ICS financial plan. The Chief Financial Officer was involved in the planning process and along with system partners approved the CCG and system plan. During the year the CCG has reported the underlying risks contained within the 2021-22 financial plan to the Governing Body, setting out the key elements of the financial planning guidance and drivers of change to the reported financial gap at the system level. The plan includes identified risks and mitigations for the CCG and each provider.</p> <p>Following consideration of the above we have concluded that there is <b>no significant weakness in this area of the CCGs arrangements</b></p>

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"> <li>Processes for the identification, monitoring and management of risk;</li> <li>Controls in place to prevent and detect fraud;</li> <li>The review and approval of the 2022/21 financial plan by the Governing Body, including how financial risks were communicated;</li> <li>Processes for monitoring performance against budgets and taking actions in response to adverse variances;</li> <li>How compliance with laws and regulations is monitored;</li> <li>Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and</li> <li>How the Governing Body ensures decisions receive appropriate scrutiny.</li> </ul>	<p><b>Summary of risk assessment</b></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, which was updated during the year. As part of this the CCG have set a risk appetite and this manifests in a tolerable risk level being set for each specific risk. 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 quarterly basis, with the corporate risk register reported to the Governing Body each month. 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 risk is assigned to an executive director and each Strategic Risk is owned by a Corporate Committee who scrutinise these on a quarterly 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 assurance opinion is expected to be provided for the year.</p> <p>The financial planning regime has significantly changed for 2022/21 with block funding introduced for the majority of contracts the CCG holds. Guidance supporting this also recommended a reduction in normal contract management processes and the CCG have complied with this. However during this period the performance team of the CCG have continued to collect some performance data and to report via the CCG's Quality and Performance committee for the main providers in the area. No performance control measures have been put in place, however, in accordance with the national guidance.</p> <p>The CCG implemented a specific financial regime during the pandemic including specific cost centres for COVID related costs and a COVID expenditure record introduced to facilitate approval in advance of spend for such expenditure. This spend is then reported to the CEO and/or CFO as appropriate for approval prior to submission to NHSEI as part of the required reporting. This is supplemented by the CCG and system wide quality oversight processes which consider safety issues arising from the pandemic. This includes a system wide Quality and Equality Impact Assessment process for changes made to services.</p> <p>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.</p> <p>The CCG has a staff code of conduct as per the standards of business conduct and managing conflicts of interest policy as overseen by the Governance Committee of the CCG. This is supplemented by a suite of anti-fraud and corruption policies.</p> <p>Following consideration of the above we have concluded that there is <b>no significant weakness in this area of the CCGs arrangements</b></p>

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"> <li>- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;</li> <li>- How the performance of services is monitored and actions identified in response to areas of poor performance;</li> <li>- The engagement with partnerships and how the performance of those partnerships is monitored and reported within the organisation; and</li> <li>- The monitoring of outsourced services to verify that they are delivering expected standards.</li> </ul>	<p><b>Summary of risk assessment</b></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 in particular the ICS has a system Quality Group which is developing a value-based decision making framework which incorporates quality alongside cost, patient experience, clinical outcomes and equity as constituent elements of its assessment of value. As reported as part of our year end accounts report in June 2020 this remains a key risk for the CCG and wider system.</p> <p>Monthly or quarterly contract management meetings are taking place for each of the main providers in the area. The frequency of these meetings depends on the priority and value of the contract and these meetings cover performance and finance issues along with other service issues as they arise. Each contract has a nominated contract lead, finance lead, commissioning lead and quality lead, with each of these attending the management meetings. Despite the reduction in contract monitoring due to the pandemic providers are being held to delivery of KPI's as per the requirements of the NHS standard contract and any local performance and quality requirements (unless specifically excluded under current national guidance).</p> <p>The CCG works closely with provider and local authority partners and have continued to do so during the pandemic. The main vehicle of this is the ICS however specific projects and committees are in place to oversee certain issues such as discharge from acute trusts, support of care homes during COVID and oversight of the local approach to COVID testing. Forums focussing on issues such as Planned Care and Urgent Care provision were established prior to the pandemic and continue to be a key part of strategic planning for the ICS moving forward.</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 (including but not limited to the Accountable Officer and Chief Financial Officer) and with local providers, and works with partners to address key issues as they arise.</p> <p>As well as the oversight of providers as detailed above the CCG has in place arrangements to monitor the work undertaken by the Midlands and Lancashire Commissioning Support Unit (MLCSU) who undertake part of the management of the continuing healthcare service in Derbyshire. This work is overseen by a Contract Management Board each month, with detailed reports provided help judge performance of the service. Monthly contract updates are submitted to the senior contracting team with risks and other matters considered on an ongoing basis.</p> <p>Following consideration of the above we have concluded that there is <b>no significant weakness in this area of the CCGs arrangements.</b></p>



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