



Auditor's Annual Report 2021/22

**NHS Derby and Derbyshire
Clinical Commissioning
Group**

June 2022

Key contacts

Your key contacts in connection with this report are:

Andrew Cardoza

Director

Andrew.cardoza@kpmg.co.uk

Martin Ndoro

Manager

Martin.ndoro@kpmg.co.uk

Aisha Majid

Assistant Manager

Aisha.majid@kpmg.co.uk

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

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.

Summary

Introduction

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2021/22 audit of NHS Derby and Derbyshire Clinical Commissioning Group (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 17 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>
Regularity	<p>We are also required to reach a conclusion on the regularity of the expenditure incurred by the CCG</p> <p>We did not identify any matters where irregular expenditure had been incurred.</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 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>

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 manipulating accruals and prepayments at the end of the year to defer expenditure to the following year.</p>	<p>We assessed the design and implementation of process level controls for the review of the accrued expenditure at the end of the year.</p> <p>We have performed our substantive testing procedures by inspecting cash payments and purchase invoices in the period prior to 31 March 2022 to verify expenditure had been recognised in the correct accounting period and evaluating a sample of year end accruals to confirm they were appropriate.</p> <p>We also assessed the outcome of the agreement of balances exercise with other NHS organisations.</p> <p>We did not identify any material misstatements 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 tested the design and implementation of controls over the posting of journals including post closing adjustments.</p> <p>We also selected journals that were considered high risk, through applying specific risk based criteria, to test and agreed these journals to supporting documentation.</p> <p>We did not identify any material misstatements 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:

CCG assessment framework	The latest assessment is from 2019/20, which rated the CCG 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	One significant risk identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risk identified	No significant weaknesses identified

We have not identified any significant weakness with regard to the CCG's arrangements for ensuring value for money.

We reported this as part of our audit report and have provided further details in our commentary on page 6 to 8.

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 regular basis to budget holders, with each budget being owned by an Executive Director and overseen by a Functional Director for the 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. As a result of COVID-19 the changes to the funding arrangements have been extended for the 2021/22 financial year. For H1 (April to September 2021) NHS providers were provided with funding via system allocations based on the 2020/21 CCG outturns adjusted for known pressures and efficiency assumptions, with block funding arrangements between providers and key commissioners. For H2 (October 2021 to March 2022) these arrangements were extended, with additional efficiency assumptions added into the guidance. The 2021/22 financial plan was approved by Governing Body separately for H1 and H2.</p> <p>Due to the underlying deficit at both the CCG and Integrated Care System (ICS) level as well as uncertainty surrounding future funding arrangements, there is a risk that the CCG does not have in place adequate arrangements to achieve financial sustainability in the medium term. In response to this risk, we considered the process to finalise the 2022/23 financial plan. The ICS financial plan was submitted to NHS England following appropriate review and approval, in accordance with the relevant guidance from NHS England. The system deficit per initial plan is £65.9m, though we understand more work is being requested by NHSI/E for a resubmission and the revised system deficit would be approximately £36.5m. We have noted the position has clearly been reported to the Board, with risks and potential mitigations for noted.</p> <p>Whilst the CCG has met its targets set in 2021/22, there remains a significant deficit across the wider ICS in Derbyshire. Maintaining the CCG’s position, whilst reducing the system level deficit continues to be a key priority for the Trust, which will require close working with the wider ICS. We have reviewed the arrangements in place to ensure close system working throughout 2021/22, which included development of an ICS strategic plans and draft system plan plus closer collaboration between management of the CCG. The CCG’s combined share of 2021/22 system deficit of £2.1m is a surplus of £200k, which included savings of £9.4m.</p> <p>The CCG continues to work with Joint up Care Derbyshire (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 2022/23 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>Based on the finding above whilst we have not identified a significant weakness associated with the arrangements in place for the current period, we note the continued financial pressures, which are likely to increase in future periods and hence the CCG will need to ensure these arrangements, including the reporting of both the CCG and system position, are robust and sufficient for the increased risk going forward.</p>

Governance

Description

Commentary on arrangements

This relates to the arrangements in place for overseeing the Trust's performance, identifying risks to achievement of its objectives and taking key decisions.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- 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.

We consider the CCG to have effective processes in place to monitor and assess risk. The CCG has 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 monthly Risk Register Report is reported monthly to the Governing Body as a standing item. Our review of the risk register and GBAF found they are sufficiently detailed reports issues to effectively manage key risks. Gaps in control are highlighted and an action plan detailed to move each risk to a tolerable level. Each GBAF strategic risk is assigned to an Executive Director who is the SRO for the strategic risk. The GBAF's strategic risks are owned by the relevant Corporate Committee and these are reviewed, scrutinised and approved on a quarterly basis and in turn agreed and challenged by the Governing Body.

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 has an Internal Audit service also provided by 360 Assurance.

The financial planning regime has significantly changed for 2021/22 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.

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 has a standard business case proforma and each case is subject to approval in line with its scheme of delegation.

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.

With the anticipated dissolution of the CCG and creation of an Integrated Care Board (ICB) from 1 July 2022, which includes the boundary change resulting in the Glossop element of NHS Tameside & Glossop CCG joining the Derbyshire ICB, there is a risk that the CCG does not have in place adequate governance arrangements concerning this process. In response to this risk, we have obtained a summary of the governance arrangements concerning the transition, which includes four sub groups (Comms and Engagement, Finance, IT & Contracting, Neighbourhood Development & Statutory Duties, Risks and People Impact Assessment which feed into the Glossop Transition Steering Group). The steering group has strong representation on behalf of the CCG. We have inquired with management who form part of the steering Group as well as obtained evidence of action logs and programme highlight reports. We noted that regular oversight on this steering group is received by the Governing Body. The CCG has also utilised internal audit to provide additional assurance on the transition arrangements.

Based on the findings above we have not identified any significant weaknesses in the CCG's arrangements.

Improving economy, efficiency and effectiveness

Description	Commentary on arrangements
<p>This relates to how the Trust 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, with a temporary finance regime introduced. As part of this, there was national guidance to reduce savings requirements to enable CCGs to focus on the response to Covid. Limited CCG savings leads to pressures in areas of direct control e.g. Primary Care, CHC, Prescribing. This contributes towards conditions that give rise to a financial sustainability risk as discussed on page 6.</p> <p>The information to support planning was provided for 6 month periods for 2021/22 and the CCG developed limited savings plans for H1 and H2 periods. 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.</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 delivery of responses to the challenges of COVID. At every level there has been joint and collaborative planning and delivery to try and secure maximum resilience and response, such as the System Operational Resilience Group and the System Escalation Call. The CCG also leads discharge planning through a Strategic Discharge Group. 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 work of Joined Up Care Derbyshire (JUCD), including financial position, is presented as part of the monthly 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>Based on the findings above we have not identified any significant weaknesses in the CCG's arrangements.</p>



© 2022 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.