



Auditor's Annual Report 2020/21

**NHS Mid Essex Clinical Commissioning
Group**

17 June 2021

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

This report is addressed to NHS Mid Essex(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 Mid Essex (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 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 have not identified any significant weaknesses to report.</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>Fraudulent expenditure recognition</i></p> <p>As CCGs are set a statutory allocation for the amount of expenditure that is able to be incurred this creates a risk that there is an incentive for management to understate expenditure in the year so that the CCGs report that the resource allocation has been complied with where accurate reporting would show a breach. This could be through not completely recording accruals or through reducing the value accrued from the cost of the services.</p> <p>Due to the uncertain nature of NHS funding for the year and for 2021-22 we also consider the risk management may wish to overstate accruals if performance against the target allows, for example to bring forward expenditure from 2021-22 to mitigate financial pressures.</p>	<p>We did not identify any material misstatements relating to this risk which have been corrected by management.</p> <p>To date we have not raised any recommendations relating to our testing performed on expenditure and accruals, however our work is not yet complete.</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 which have been corrected by management.</p> <p>To date we have not raised any recommendations relating to our testing performed on journals and areas of management judgement and influence, however our work is not yet complete.</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	Good (2019/20)
Governance statement	No significant control deficiencies
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	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Financial sustainability

Description

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.

We considered the following areas specifically:

- The processes for setting the 2020-21 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2020-21 efficiency plan was developed and monitoring of delivery against the requirements;
- The 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
- The processes in place for managing identified financial sustainability risks.

Commentary on arrangements

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 NHS providers were suspended and the NHS moved to block contract payments. The value of these was determined centrally, rather than being agreed between the CCG and the providers. For Month 1-6, NHS organisations were also reimbursed with additional funding as required in order to reflect the additional costs incurred as a result of Covid-19 and other spend in excess of the allocation so that all CCGs delivered a break-even position for the period. For Months 7-12 NHSE/I provided allocations to the Mid Essex CCG which was nominated for the majority of pass through costs for Mid & South Essex Foundation Trust (MSEFT) and the wider Mid & South Essex Health & Care Partnership (HCP). Further funding was made available to the HCP to cover additional cost pressures due to Covid-19 and the provision of services. All organisations in the Mid & South Essex System, including CCGs, are working collaboratively as they transition towards operating as an Integrated Care System where the different health and care organisations work more closely in order to deliver appropriate healthcare to the population.

We found that the budget monitoring and control processes were able to identify and incorporate pressures into the financial plan to ensure it was achievable and realistic. The initial draft budgets were constructed based on appropriate local and national planning assumptions and we saw evidence of appropriate review and sign off by the relevant budget holders. The initial budget for the Mid Essex CCG was approved in March by the Governing Board which stated that the 5 March plan submissions were based upon M9 2019/20 information. This was to be refreshed to M11 forecast outturn as the CCG built the detailed budgets to load onto the financial system. The M9 FOT included £9m of non-recurrent funding that was not included in the 2020/21 Plan, including £7.6m held on behalf of the System. It also included a contingency of 0.5%. The CCG had identified the key risks to financial resilience, and these were appropriately managed. Following the change in funding regime the CCG received a resource allocation which NHSE estimated was required incorporating the changes including block acute contracts, national Independent Sector acute contracts, the cessation of payments for non-contracted activity etc for Months 1-6. NHSE also made provision to top up this funding to reflect COVID-19 expenditure and other cost pressures so that all CCGs delivered a break-even position. The Month 7-12 budget was approved by the Finance and Performance (F&P) Committee in Common in October 2020. For Months 7-12 the Mid and South Essex CCGs presented a financial plan with a breakeven position in October 2020 to the governing board. In the second half of the year top-ups were limited to expenditure designated as outside of the funding envelope – which related to costs incurred on the Hospital Discharge Programme and Independent Sector Acute expenditure above an agreed baseline. We observed evidence of a thorough understanding of the cause of financial position of the CCG in its own right and as a CCG working in the HCP during 2020-21.

Financial sustainability (continued)

Description

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.

We considered the following areas specifically:

- The processes for setting the 2020-21 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2020-21 efficiency plan was developed and monitoring of delivery against the requirements;
- The 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
- The processes in place for managing identified financial sustainability risks.

Commentary on arrangements

For 2020-21 the CCG has spent within its resource allocation. We also found the CCG had appropriate plans in place to support the sustainable delivery of strategic priorities and maintain services. There is a detailed short-term future plan which covers 2021-22 and appropriately reflects operational plans and strategic priorities, although this plan is currently still in draft, and awaiting 2021-22 detailed planning guidance and allocations for the second half of the year (H2). At the time of reporting the most recent modelling of the forecast financial performance for the CCG in 2021-22 indicated there will be a likely QIPP target of 3.5% in H2. There remains uncertainty as to the funding flows and financial performance targets, but we are aware of the plans that the CCG has put in place to develop efficiency savings with its HCP partners. We do not consider that there was a material level of uncertainty associated with the financial sustainability of the CCG.

Conclusion

Based on the procedures performed we have not identified any significant risks that the CCG does not have sufficient arrangements in place to ensure financial sustainability.

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. Strategic risks are recorded and identified using the Board Assurance Framework, and any identified strategic risks are reported to the Governing Body. Our review of the risk register found this was sufficiently detailed to effectively manage key risks.</p> <p>A risk appetite statement for 2020/21 covering all the CCGs in the HCP was produced and determines the acceptable risk level that should be achieved in the different risk categories.</p> <p>The CCG has ensured appropriate approval and transparency on decision making. Business cases are presented to the Finance and Performance Committee and Governing Board following internal review and approval. We reviewed two business cases for 2020-21, being the Mental Health Transformation Reset and the Integrated Primary and Community Care Mental Health projects. We found there was evidence of approval and clarifications could be asked by Board members if deemed necessary, with suitable responses given.</p> <p>We recognise that the CCG needed to adjust some procurement processes in year to ensure key decisions were not delayed. This included amendment of the procurement requirement for competitive tenders and obtaining quotations. Nonetheless, competitive quotes are still required where time has allowed and all waivers continue to be reported to Audit Committees. The CCG relied upon the emergency provisions in the regulations which permit direct awards.</p> <p>The financial planning regime was significantly changed for 2020-21. We reviewed the revised governance arrangements in relation to budget setting and monitoring. This included a review of processes for identifying and monitoring additional costs associated with Covid-19. We have also reviewed changes to procurement processes during the pandemic.</p> <p>We found there to be appropriate approval through the budget holders and the Finance and Performance Committee, in order to understand financial performance against their budget. Operational budget holders are provided with monthly budget statements which were also reviewed by the finance team. We also found appropriate processes in place to ensure accurate recording and monitoring of the additional costs associated with Covid-19. We noticed that due to the pandemic the Governing Board started holding Virtual Meetings from August 2020 for which the finance report and other papers would be shared with the members of the F&P Committee via email, allowing the members to review and question any content. This consequently allowed for challenge and scrutiny of the papers being presented.</p> <p>Laws and regulations are primarily monitored through the Department of Health & Social Care bulletins with the Executive Directors taking responsibility for ensuring that teams across the CCG implement any changes. Any legal issues arising from changes in laws and regulations are dealt with by the appropriate committee for implementation.</p> <p>Conclusion</p> <p>Based on the procedures performed we have not identified any significant risks that the CCG does not have sufficient governance arrangements in place to oversee and monitor value for money achievement.</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>We note that from the 17 March 2020 QIPP/efficiency savings programmes were put on hold in accordance with national guidance. This was to allow CCGs and providers to respond to the pandemic. For Months 7 - 12 any service redesign, service extension and/or transformation are to be based on providers capacity as well as estates/property capacity. We found appropriate processes in place to ensure the CCG used information about costs and performance to improve the way they manage and deliver services. We have not identified any significant weaknesses or significant risks associated with improving economy, efficiency and effectiveness.</p> <p>A quarterly paper is presented to the CCG Governing Board and bimonthly to the Finance and Performance Committee in order to report on financial performance, allowing the CCG to assess the level of value for money being achieved. In the intervening months a finance report is sent to F&P Committee members by email. We noticed that due to the pandemic the Governing Board started holding Virtual Meetings from April 2020 for which the finance report and other papers would be shared with the members of the F&P Committee via email, allowing the members to review and question any content.</p> <p>At each Governing Board meeting, there is an update from the Central Incident Management Team (CIMT) which has system partners membership. The Governing Board also receives minutes of the Health and Care Partnership Board (HCP). There is on-going work locally around Integrated Care Partnerships and work with Local Authority to contribute to the achievement of the objectives of the MSE HCP.</p> <p>The CCG accesses and uses benchmarking information in developing its pathway re-design and transformational plans. We are aware of the work that the CCG has in progress with its HCP partners to develop service line reporting with its main acute and mental health providers. This will be used to highlight good practice and outliers and to feed into the development of HCP wide transformation and cost saving programmes. In addition, the CCG is contributing to the development of six QIPP workstreams across the HCP, three of which are well progressed and relate to Continuing Health Care, Medicines Management and Corporate Overheads. Further work is underway on the other three which relate to Estates Rationalisation, Better Care Fund collaboration and knowledge sharing and potential upscaling of pilot schemes across the HCP.</p> <p>During 2021-22 it will be important for the CCG to continue to contribute to and implement the service line reporting and QIPP scheme development work to support the ongoing improvement in economy, efficiency and effectiveness during a period where there continues to be significant uncertainty over cost pressures and funding.</p> <p>Conclusion</p> <p>Based on the procedures performed we have not identified any significant risks that the CCG does not have sufficient arrangements in place for improving economy, efficiency and effectiveness.</p>



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