



Auditor's Annual Report 2021/22

**NHS North Central London Clinical
Commissioning Group**

21 June 2022

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

This report is addressed to NHS North Central London Clinical Commissioning Group (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 Central London 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 20 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>

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>Expenditure recognition – Completeness of Accruals</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 all of the CCGs expenditure and year end accruals.</p>	<p>We identified one unadjusted audit difference relating to an accrual for ‘Goods Received Not Invoiced’</p> <p>No further misstatements were identified.</p>
<p>Management override of controls</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>Fraudulent revenue recognition</p> <p>Auditing standards set a rebuttable assumption that there is a risk revenue is recognised inappropriately. We rebutted this risk due to the nature of the CCG’s activities. The CCG’s resource allocation is not considered as revenue, and the CCG’s other revenue streams are immaterial and non-complex in nature.</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 Two
Governance statement	The CCG has identified Continuing Healthcare (CHC) as a significant control issue. The CCG is taking a number of actions to robustly address this and routinely reports on performance against these actions.
Head of Internal Audit opinion	Unqualified opinion

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 risks identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant risks identified

We did not identify a significant weakness with regards to the CCG's arrangements.

Value for money

1. 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 as part of assessing whether sufficient arrangements were in place:

- 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.

Commentary on arrangements

- The CCG's Standing Financial Instructions (SFIs) detail the responsibilities for planning, budget setting, budgetary control and monitoring of budgets. In the prior year only minor amendments to the SFIs were required as part of the CCG's response to the Coronavirus pandemic and these changes have remained in place throughout 2021/22.
- Once the CCG received the NHSE 2021/22 planning guidance and overall financial envelope the finance team produced a budget template which was shared with the executive team and budget holders. The template was developed through consultation with budget holders. Throughout the budget setting process the CCG maintained a list of financial risks and assumptions, these were evidenced as being routinely reviewed and updated during the budget setting process.
- The Integrated Care System (ICS) was been granted a financial envelope for 2021/22 for which all system members were required to manage their financial position within. The CCG agreed and budgeted for a breakeven position for the 2021/22 financial year. At the 31 March 2022 the CCG reported a financial surplus of £3.3m against a resource allocation of £3.342m.
- In line with NHSE guidance, the CCG set a H1 plan and a H2 plan for 2021/22. Both financial plans were submitted and discussed at the Finance Committee before being approved by the Governing Body. Retrospective approval was provided for the H1 plan due to the timing of the release of central guidance. In line with NHSE/I guidance the CCG has agreed block payments with all of NHS providers for the full financial year.
- Through the financial year budget holders were provided with a monthly budget statement which includes a breakdown of all expenditure by cost centre with spend vs budget for both YTD and Forecast included. Finance team members held monthly budget holder meetings where these statements are reviewed and financial performance challenged. Any adverse forecasted variances are discussed, mitigating actions sought to reduce or remove the spend as far as possible. At no point during the financial year did the CCG identify it was behind plan.
- We found that the budget monitoring and control processes in place at the CCG were able to identify and incorporate significant pressures into the financial plan to ensure it was achievable and realistic. The monthly finance report prepared by the CCG, which are presented at each Governing Body meeting, clearly articulates the key risks to the financial position and the action being taken to address or mitigate these risks.

Value for money

1. Financial sustainability (cont.)

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. 	<ul style="list-style-type: none"> ▪ The CCG is due to cease a quarter of the way through the 2022/23 financial year, with its operations to be inherited by the Integrated Care Board (ICB), currently planned to be from 1 July 2022. The CCG has identified a shortfall of £17m in the 2022/23 budget, but further work is being undertaken to identify efficiency savings. The CCG’s current financial plan includes a 3% Cost Improvement Plan target of £14m. Risks to the financial position have been identified and are being monitored. ▪ Based upon the arrangements that the CCG had in place for 2021/22, we have not identified a significant weakness. The CCG met its Revenue Resource Limit for the year. While the CCG has identified a budget deficit for 2022/23, work remains ongoing to identify further efficiency savings. We do note, however, the CCG has a significant cumulative deficit position of £112.3M which relates to “Pre-Merger” legacy CCG performance.

Value for money

2. 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. 	<ul style="list-style-type: none"> ▪ There have been no significant changes to the CCG's Governance arrangements during the financial year. Governing Body meetings and their sub-committees have met throughout the financial year as planned. We are satisfied that there was evidence of key matters continuing to be reviewed within the governance structure throughout the year and appropriate prioritisation of time during the pandemic. ▪ During the 2021/22 financial year, the governance activities of the CCG have focused on the upcoming transition to the ICB with consideration of the new committee structure and constitution. ▪ Throughout the financial year we considered the CCGs to have effective processes in place to monitor and assess risk. The CCG has an approved Risk Management Policy and Risk Management Strategy with clear guidance to staff on how to assess and score risks. Strategic risks are recorded and identified using the Board Assurance Framework, and any identified risks are reported to the appropriate Sub-Committee of the governing body. Our review of the risk register found this was sufficiently detailed to effectively manage key risks. Operational risks and specific risk registers are routinely presented at the relevant Governing Body's Sub-Committee including a finance risk register. The CCG maintains Corporate Risk Registers. During the year the CCG has maintained a risk register relating to Continuing Health Care, which is being overseen by the Quality and Safety Committee due to the focus on this service during the financial year. ▪ In late 2020/21 an internal audit review was undertaken by RSM in relation to the CCG's continuing healthcare service. This review identified 26 recommendations around areas such as delays in completing assessments, insufficient leadership and oversight of the team and gaps and inconsistencies in data recording. Following the issue of this report, considerable work has been undertaken by the CCG to address the recommendations raised. At the 31 March 2022 the CCG reported 23 out of the 26 recommendations to have been fully implemented. This position was confirmed through a RSM follow-up review in late 2021/22. The outstanding recommendations were in relation to s75 variation approval, joint funding reviews and the timely payment of CHC invoices. ▪ At March 2022 the CCG was recognising 11 risks on its BAF. Of these 11 risks, ten reach the threshold of a score of 15 or higher for inclusion on the BAF. One risk, which relates to the development of the statutory Integrated Care Board (ICB) organisation, is below the BAF threshold but is included for Governing Body oversight. ▪ Although no such action has been taken in year, we found the CCG to have appropriate procedures in place to ensure scrutiny, challenge and transparency on decision making. Business cases are required to be presented to the Finance Committee and Governing Body following internal review and approval.

Value for money

2. Governance (cont.)

Description

This relates to the arrangements in place for overseeing the CCG'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.

Commentary on arrangements

- The CCG outsources its local counter fraud services to RSM and has a dedicated Local Counter Fraud Specialist (LCFS). The LCFS attends Audit Committee meetings as required and produces a report for each meeting highlighting its activities in the period. The LCFS will undertake periodic reviews regarding the implementation and effectiveness of financial controls in place to prevent and detect fraud as well as hosting fraud awareness sessions throughout the year.
- From the work we have undertaken, we have not identified a significant weakness in relation to the governance arrangements that the CCG has in place.

Value for money

3. 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. 	<ul style="list-style-type: none"> ▪ A system operational performance report is presented at each Governing Body meeting. The system operational performance report includes an overview of: the impact of Covid-19 across the system; progress of recovery of services impacted by Covid-19; Urgent and Emergency Care programmes; and Mental health services' improvement programmes. Monthly tabular analysis is also included in relation to key performance indicators for the CCG and its main providers including A&E waiting hours, referral to treatment, cancer treatments and bed occupancy. ▪ Throughout the financial year the CCG has worked towards its planned transition to an Integrated Care Board (ICB). The CCG has worked closely together with local partners via the ICS/ICP Board which includes members from local authorities, the CCG, local providers and primary care. During the financial year the CCG has engaged in the appointment of an ICB Chair, CEO and members of the Executive Team. Emerging principles guiding the work of the NCL Integrated Care Board are beginning to be developed. ▪ A detailed timeline for the transition to the ICB alongside key actions to be completed at each stage of the transition has been drafted and shared with the CCG's Governing Body alongside a transition risk register. ▪ Following a high volume of single tender waivers issued by the CCG in the 2020-21 financial year, the use of Single Tender Waivers has been monitored throughout the year by the Audit Committee. This has resulted in a significant decrease in the volume of waivers being used by the CCG in 2021-22. ▪ A key operational area for the CCG in 2021/22 has been a review of contracts to allow for termination of the contracts if they do not meet required criteria. The review allowed for contracts to be implemented across the system not just in one borough. The CCG plan to novate all existing contracts over to the ICB and to offer short term extension to existing contracts where there is a business need, in order to cover the transitional period. ▪ The CCG has established processes in place to ensure effective monitoring of provider performance. Where NCL CCG is the Coordinating Commissioner, it establishes a Contract Management Group with senior representation from the Commissioner and the Provider. While a number of the CCG's contract monitoring functions have been required to be suspended in year (in line with National guidance), the CCG has been able to evidence it has maintained light touch oversight arrangements with each of its major providers. ▪ The CCG has calculate it will need to make £14m of efficiencies during the 2022/23 financial year, with work still ongoing to identify further savings and efficiencies. These required savings are identified as key risks to the CCG's planned position and financial sustainability is included on the CCG's year end strategic risk register. These risks will be monitored and assessed on a monthly basis through the finance report and risk register.



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