



Auditor's Annual Report 2021/22

NHS Wakefield CCG

21 June 2022

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This report is addressed to NHS Wakefield 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 2021-22 audit of NHS Wakefield 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. 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>

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>Fraud Risk from 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 overstate expenditure in the year so that the CCG reports that the resource allocation has been complied with where accurate reporting would show a surplus.</p> <p>Therefore we consider there to be an existence and accuracy risk in relation to the purchase of healthcare from non-NHS bodies as well Non-NHS and other WGA accruals and other payables and accruals, recognised at the year-end, as the CCG may seek to overstate expenditure whilst still reporting compliance with its breakeven duty.</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 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:

Governance statement	There were no significant control deficiencies identified in the governance statement
Head of Internal Audit opinion	Unqualified

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

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>Summary of findings</p> <p>As in 2020-21, the 2021-22 financial year has been split into two halves, with a different funding regime in place for each. The regimes are largely a continuation of those introduced in response to Covid-19, and were set out in two lots of operational planning and implementation guidance, issued in March and September 2021.</p> <p>The funding arrangements are broadly consistent in both H1 and H2 -system funding envelopes containing adjusted CCG allocations, system top-up and Covid-19 fixed allocations remain in place, as well as block payment arrangements for relationships between NHS commissioners and NHS providers. At the time of writing, the CCG has prepared its draft annual financial plan for 2022-23 forecasting a balanced position, 3 months of this plan will be attributable to the CCG. The plan is based on NHSE/I guidance that the current arrangements will remain in place, with the intention for a return to signed contracts and local ownership for payment flows during the 2022-23 financial year.</p> <p>For the 2021-22 financial year we have identified that the CCG has ensured procedures, processes and controls relating to budget setting, monitoring and reporting have remained in place and have been enhanced in terms of frequency and content where required to respond to the demands of the pandemic. As part of its response to Covid-19, the CCG has continued to consider financial risks as well as mitigating actions through its ongoing financial monitoring and reporting to the Governing Body.</p> <p>2021-22 was the CCG's final year of a 4 year recovery plan with a requirement to deliver a £2.2m surplus. However under the current funding regime, the CCG was required to submit a break even position, thus effectively "pausing" the recovery plan. The CCG submitted a balanced plan for both H1 and H2 with a combined efficiency requirement of £2.3m and a combined contingency of £2.4m. The revised funding arrangements during the year and the effective pause of the QIPP process enabled the CCG to offset these two amounts, which would have been unusual in a 'normal' year.</p> <p>A formal efficiency plan was not developed during 2021/22 as the CCG decided to use its contingency to cover the QIPP requirement. The intention was to formally report on QIPP schemes from the last quarter of 2021-22. However, it was noted in the month 9 finance report to the Finance Committee that the Continuing Healthcare ('CHC') and Medicines Optimisation team had embedded certain efficiency savings within their budgets and delivered those during the year. As a result of current funding arrangements and the fact that the majority of NHS entities have been able to "deliver" savings through non-recurrent measures, we are satisfied that these arrangements were sufficient to meet the requirements for 2021-22.</p> <p><i>Continued overleaf</i></p>

Value for money

Financial sustainability	
Desription	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>Summary of findings</p> <p><i>Continued from previous page</i></p> <p>We understand that the combined QIPP target for the CCG for 2021-22 was 0.3% of the allocation, and thus not a “significant” amount. However the CCG should consider that as funding returns to “business as usual” in a post-covid environment, there will be an increasing need to deliver higher levels of QIPP and the CCG may not be able to rely on contingency levels to cover this. As the host CCG for the West Yorkshire Integrated Care System (WY ICS), the CCG has a key role in leading the discussions at a system level on what learning can be applied from the pandemic, as well as ensuring the system level plan is delivered by all stakeholders.</p> <p>As financial plans are now developed at a system level, they inevitably reflect strategic priorities, capital plans and workforce planning at a system level, as well as specific priorities at an entity level. Our review of Governing Body papers, presenting both the H1 and H2 plans, noted that there was commentary on system wide factors and how the CCG plans contributed to the overall system level budget.</p> <p>The CCG assesses and manages risks to financial sustainability through its risk strategy and associated policies and procedures. As part of the Governing Body Assurance Framework (GBAF), and associated Corporate Risk Register, the CCG has identified the following risk: ‘<i>There is a risk that the CCG will not achieve the running costs target due to the non recurrent nature of solutions in place for 2021/22 and potential lack of further opportunities. The risk resulting is the non delivery of one of the CCG’s statutory duties</i>’. Our review of finance reports presented at the Finance Committee and also the Governing Body shows that running costs was included in the narrative of these reports and the underlying reasons why there was a risk as to why the running costs target could be missed were explained.</p> <p>The CCG ended the year meeting its statutory duties, reaching a breakeven position and achieving its efficiency target.</p> <p>In line with national guidelines, as at year-end, financial planning for the 22/23 financial year was ongoing. Post year-end, we reviewed the CCG’s formal submission and considered the ongoing work regarding this area at the West Yorkshire Integrated Care System (ICS) level. We did not identify any further significant risk from our follow-up procedures.</p> <p>Conclusion</p> <p>Based on the procedures performed we have not identified any significant risks and/or significant weaknesses that the CCG does not have sufficient financial sustainability arrangements in place to oversee and monitor their value for money achievement.</p>

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>Summary of findings</p> <p>The Integrated Risk Management Framework was last updated in September 2020. It sets out how the CCG considers the likelihood and impact of each risk with rationale and how the CCG intends to reduce the risk to an achievable targeted level. The documents supporting this include the CCG's Risk Register and Governing Body Assurance Framework (GBAF). Our minute review noted the Governing Body reviewed the GBAF in June and December 2021 noting relevant changes in strategic risks and their scoring. The Audit Committee received the Risk Register in September 2021 and is due to revisit this as part of the approval of the year end accounts in June 2022.</p> <p>The Corporate Risk Register should be reported twice a year to the Governing Body for oversight, and the detailed operational review of the Register is performed quarterly by the Quality Performance and Governance Committee (QPGC). Our minute review has noted that the Governing Body has not had sight of the Corporate Risk Register since March 2021. However, we are aware that the CCG's Board agreed, in line with national guidance on managing the pandemic response and with full support of the Governing Body, to suspend all non-essential activity during December/January to prioritise support to operational pressures due to the pandemic and its impact on staff absence. As such not all the planned meetings and/or agenda items of the QPGC and Governing Body meetings took place in year. The QPGC received the Risk Register at its May and September 2021 meetings. The minutes of these meetings were reported to the following meeting of the Governing Body. The risk register was reviewed by the Committee in May, with follow on reporting at the June 2022 Governing Body meeting. The Governing Body meeting in June is also scheduled to receive the detailed risk register as part of its year-end reporting process. We also noted that the risk register is subject to review by the Senior Leadership Team each quarter, and prior to the QPGC receiving the register.</p> <p>Due to the postponement of Committee meetings, the agenda items for these meetings were rolled forward. The monthly finance report (as at Month 9) was circulated to Finance Committee members via email in January 2022 and then considered by the Governing Body at its next meeting in February 2022. The Quality and Performance report that would normally be on the agenda for the QPGC and Finance Committee is also reported to the Governing Body thus this reporting remained in place. Where urgent decisions were required outside of the normal calendar of governance meetings, the Governing Body exercised emergency powers and decisions were taken in line with the CCG's Standing Orders and reported to the next Governing Body meeting. Our minute review noted that this took place in relation to approval of the H1 and H2 budgets as the submission timelines did not match the CCG's pre-existing governance meetings.</p> <p><i>Continued overleaf</i></p>

Value for money

Governance	
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<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>Summary of findings</p> <p><i>Continued from previous page</i></p> <p>The CCG has in place an anti-fraud, bribery and corruption policy. Whilst this was due for renewal in 2021, and has not been renewed due to Covid-19 pressures, it is considered to continue to be appropriate and applicable. The Audit Committee has also continued to receive updates from the CCG's local counter fraud specialist.</p> <p>The H1 plan for 2021/22 was presented to the Governing Body for approval on 4 May 2021 and submitted to NHSE/I on 6 May 2021, following the receipt of the Operational Planning and supplementary Financial Planning Guidance on 25 March 2021. The official planning guidance for H2 was not to be received until 30 September 2021, and as a result the H2 plan was not submitted to NHSE/I until 18 November 2022. The draft financial plan was reviewed and discussed at the Finance Committee at 28 October 2021 and subsequent revisions were shared with relevant members. The paper presented each time included commentary on relevant financial risks.</p> <p>The CCG operates a scheme of delegation, thus having arrangements in place to enable appropriate scrutiny, challenge and transparency of decision making. Particularly during the pandemic, spend was requested and allocated via the completion of business cases. We reviewed the continued revised governance arrangements in relation to budget setting and monitoring. We found there to be appropriate scrutiny and challenge of the budgets and appropriate approval through the budget holders and the Governing Body. Discussions between dedicated Finance Managers and budget holders allowed for appropriate challenge and response to adverse variances.</p> <p>The CCG monitors its compliance with laws and regulations on an ongoing basis through the year, gaining assurance through commissioned internal audits, as well as other routes. The CCG has a suite of human resources policies setting out expectations, together with a Standards of Business Conduct and Conflicts of Interest Policy which is regularly reviewed. This includes the CCG's policy on gifts and hospitality and sets out clear expectations and the process for obtaining declarations. A register of declarations is maintained and updated as appropriate. Declarations are held for all staff within scope of NHS England expectations.</p> <p>The CCG has in place a Standards of Business Conduct and Receipt of Hospitality Policy, which defines the behaviours expected of staff. This is available on the CCG's website for both the public and staff members. Additionally, the CCG has in place a Conflicts of Interest Policy. This sets out further clear expectations and the process for obtaining declarations. Live registers are maintained and are reported annually to Audit Committees and declarations are held for all staff within scope of NHS England expectations.</p> <p><i>Continued overleaf</i></p>

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>Summary of findings</p> <p><i>Continued from previous page</i></p> <p>Key policies and procedures such as the CCG's Scheme of Delegation sets out how and where decisions are made. Our review has demonstrated that the CCG has a well-developed committee structure which helps ensure key decisions receive appropriate scrutiny by first going to strategy and delivery Meetings and Senior Leadership Team for management, clinical and executive input, before then going to Governing Body for final decision.</p> <p>As set out on page 4, the pandemic has had a major impact on the NHS and this has resulted in continued changes to the financial regimes in place for the 2021-22 financial year. We confirmed that where financial risks were identified as part of planning, that these are reflected in the risk register, and reported as part of the finance reports to the Finance Committee and the Governing Body.</p> <p>Conclusion</p> <p>Based on the procedures performed we have not identified any significant risks and/or significant weaknesses that the CCG does not have sufficient governance arrangements in place to oversee and monitor their value for money achievement.</p>

Value for money

Improving economy, efficiency and effectiveness

Description

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.

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

- 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.

Commentary on arrangements

Summary of findings

We found appropriate processes are in place to ensure the CCG used information about costs and performance to improve the way it manages and delivers services. Our review of the Quality, Performance and Governance Committee identified that the role of the Committee is to oversee management of the CCG's performance and delivery of agreed outcomes by reviewing performance against statutory frameworks including the NHS Oversight Framework, and those set out in the NHS Constitution and Code of Governance.

Performance, Quality and Assurance Reports are presented to the Governing Body on a quarterly basis. This report monitors a range of indicators/KPIs; provides the target measure; how the CCG is performing against each measure; a summary of the performance and actions taken by the CCG to mitigate poor performance. Performance indicators were RAG (red, amber, green) rated depending on how the CCG was performing against the target indicators. The Finance Committee also receives Activity Monitoring Reports at each meeting that set out activity levels for the providers the CCG works with. This includes commentary on relative performance compared to other providers in the wider ICS and also nationally (where data is available).

Within the Integrated Care System, and as host, the CCG works closely with the other NHS entities to support delivery of the agreed financial plan within the system level funding envelope, and also at individual NHS entity level. The functions and accountabilities of Wakefield CCG will transfer to a newly established Integrated Care Board (ICB) under the West Yorkshire Integrated Care System (WY ICS) from 1st July 2022. The CCG will, like all CCGs nationally, be closed down at midnight on 30th June 2022.

There is continuity from the current CCG executive team within the WY ICS, with the current CCG Chief Officer having been appointed as the Accountable Officer for the Wakefield area, and the current CCG Chief Finance Officer being appointed as the ICS Director of Finance. The CCG also has members of staff involved in all areas of the transition from CCG to ICB.

Governance leads across West Yorkshire have developed a draft constitution for the ICB. This describes the proposed membership of the ICB and how it will operate. Leads have been appointed to develop proposals for the future operational structure. Partner organisations have developed governance arrangements for collaboration at place through provider alliances and a Provider Collaborative and for formal decision-making on delegated matters through the Wakefield District Health and Care Partnership Committee (WDHCP). Terms of Reference for the WDHCP Committee have been agreed (subject to approval by the ICB) and representatives have been appointed. Terms of Reference for an Integrated Assurance Committee have also been agreed.

Continued overleaf

Value for money

Improving economy, efficiency and effectiveness

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- 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.

Commentary on arrangements

Summary of findings

Continued from previous page

The Connecting Care Executive oversees the Better Care Fund, with the local authority, Wakefield Council. The minutes of these meetings are included in the Governing Body papers.

The CCG, as per other NHS entities, outsources its financial services to Shared Business Services. The CCG payroll is processed by South West Yorkshire Partnership NHS FT and its internal audit function is provided by Audit Yorkshire. As the CCGs transition to the ICB from 1 July 2022, there have been discussions on how to consolidate the outsourced services so that there are efficiencies gained at an ICB level.

Subcontractors are required to submit monthly performance reports to the CCG, which alongside regular contract meetings, evidences appropriate monitoring of outsourced services. Examples of which include third party providers of healthcare services.

Conclusion

Based on the procedures performed we have not identified any significant risks and/or significant weaknesses that the CCG does not have sufficient improving economy, efficiency and effectiveness arrangements in place to oversee and monitor their value for money achievement.



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