



Auditor's Annual Report 2020/21

NHS Wakefield CCG

15 June 2021

Key contacts

Your key contacts in connection with this report are:

Tim Cutler

Partner

Tel: 07818 845252

Tim.Cutler@kpmg.co.uk

Salma Younis

Senior Manager

Tel: 07775 824398

Salma.Younis@kpmg.co.uk

Rachel Craig

In-charge

Tel: 07776647568

Rachel.Craig@kpmg.co.uk

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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 2020-21 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 15 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 Department of Health and Social Care (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>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 CCG reports 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 amount accrued in the cost of the services.</p> <p>We consider there to be an existence and accuracy risk in relation to expenditure recognised at the year-end as the CCG may seek to overstate expenditure given the levels of funding available in the year of audit whilst still achieving its breakeven duty.</p>	<p>We tested the design and operation of controls over expenditure. We inspected a sample of expenditure transactions through to supporting documentation and also selected a sample of transactions posted around the year end to ensure they had been accounted for in the correct period.</p> <p>We also considered the outputs of the national Agreement of Balances (AoB) exercise with other NHS organisations to give us assurance with regards to the completeness and existence of expenditure recognised with 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>Our work tested the operating effectiveness of controls in place with regards to the posting of journal entries to the accounting ledger.</p> <p>We identified higher risk journal transactions and agreed these back to supporting evidence/documentation to ensure they had been posted appropriately. We considered any significant transactions that were outside the course of the CCG's usual business.</p> <p>We did not identify any material misstatements relating to this risk.</p>
<p><i>Fraudulent revenue recognition</i></p> <p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p>	<p>We rebutted this risk as part of our audit planning procedures therefore we have no further matters to report.</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	Outstanding (2019/20)
Governance statement	There were no significant control deficiencies identified in the governance statement.
Head of Internal Audit opinion	Unqualified – 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	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

Domain - Financial sustainability	
Description of risk	Summary of findings
<p>In assessing whether there was a significant risk of financial sustainability we will review:</p> <ul style="list-style-type: none"> ▪ 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; ▪ 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 ▪ Processes in place for managing identified financial sustainability risks 	<p>Summary of risk assessment</p> <p>The COVID-19 pandemic has had a major impact on the NHS and this has resulted in changes to the financial regime in place during 2020-21. On 17 March 2020, normal contractual arrangements with NHS providers were suspended and the NHS moved to block contract payments for months 1-6. The CCG received an initial budget allocation and additional costs, relating to business-as-usual and COVID-19, were mitigated by retrospective top-ups which were claimed directly from NHS England/Improvement. As a result of this financial regime during the first half of the year, the CCG achieved a breakeven position for this period.</p> <p>For months 7-12 the CCG allocation was agreed from the funding envelope that was allocated at an Integrated Care System level. Additionally as part of this phase, system funding was allocated by NHSE/I to Wakefield CCG as host of the West Yorkshire and Harrogate Integrated Care System (WY&H ICS) for onward agreed distribution to CCGs and providers. For 2020-21, this amounted to £239.9m.</p> <p>Whilst the financial regimes in place for the 2020-21 financial year have differed from those in previous years, 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 in-year 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>2020-21 was the third year of a 4 year recovery plan with a requirement to deliver a £2.2m surplus. The CCG presented its operational finance plan, showing achievement of the required surplus, to the Governing Body in March 2020 (pre COVID). The plan recognised a £2.4m efficiency gap that needed to be addressed, although uncommitted contingency reserves of an equal amount were held, thus providing mitigation. However under the new regime, the CCG was required to submit a break even position, thus “pausing” the recovery plan. CCG’s draft unaudited accounts show a surplus of £185k for the year ending 31 March 2021.</p> <p>The agreed outturn for 2021-22 as per the recovery plan was a surplus of £1.5m. At the time of writing, the CCG has submitted the half year financial plan for 2021-22 forecasting a balanced position. The plan is based on NHSE/I guidance that the current arrangements will remain in place for at least the first half of 2021-22; and there is uncertainty about the remainder of the year.</p> <p style="text-align: right;"><i>(continued)</i></p>

Value for money - financial sustainability

Domain - Financial sustainability	
Description of risk	Summary of findings
<p>In assessing whether there was a significant risk of financial sustainability we will review:</p> <ul style="list-style-type: none"> ▪ 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; ▪ 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 ▪ Processes in place for managing identified financial sustainability risks 	<p>Therefore the continued impact of the pandemic, as well as the long term demand changes it will cause, means it is difficult to quantify the impact on the finances within the sector.</p> <p>The West Yorkshire Partnership Board received a planning paper in March 2021 that set out the planning priorities for 2021-22. The paper set out the approach that would be taken to develop joint operational plans with the various partners, to enable achievement of the shared priorities for 2021-22. As the financial planning guidance was not confirmed at the time, the paper focused on the national context and what learning could be applied from the pandemic. As the lead CCG for the WY&H ICS, the CCG has a key role in leading these discussions and ensuring the system level plan is delivered by all stakeholders.</p> <p>At a system level for 2020-21, the Partnership reported an underspend mainly due to planned activity levels not occurring as a result of the pandemic. There was a recognition that these underspends would be unlikely to continue going forward.</p>
	Conclusion
	<p>Based on the procedures performed we have not identified any significant weaknesses that the CCG does not have sufficient financial sustainability arrangements in place to secure value for money.</p>

Value for money - governance

Domain - Governance	
Description of risk	Summary of findings
<p>In assessing whether there was a significant risk relating to governance we will review:</p> <ul style="list-style-type: none"> Processes for the identification, monitoring and management of risk; Controls in place to prevent and detect fraud; The review and approval of the 2020-21 financial plan by the Board, including how financial risks were communicated; Processes for monitoring performance against budgets and taking actions in response to adverse variances; How compliance with laws and regulations is monitored; Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and How the Board ensures decisions receive appropriate scrutiny. 	<p>We consider the CCG to have effective processes and controls in place to identify, monitor and assess risk. We have reviewed the CCG's Risk Register and Governing Body Assurance Framework (GBAF) showing that the CCG has considered the likelihood and impact of each risk with rationale and how the CCG intended to reduce the risk to an achievable targeted level. Our review has demonstrated that these documents are complete and together display strong and robust arrangements in place to help identify, assess and monitor financial risk.</p> <p>Strategic risks are recorded and identified using the GBAF, and any identified risks are reported to the Governing Body. The Governing Body (GB) review the Risk Register on a bimonthly basis (GB meetings were changed to quarterly during 2020/21), ensuring there is sufficient and appropriate oversight and challenge as well as ensuring it remains current and reflects wider NHS planning guidance. Our review of the risk register found this was sufficiently detailed to effectively manage key risks.</p> <p>We reviewed the additional governance arrangements implemented by the CCG in response to the pandemic and found that appropriate measures were put in place to respond to any additional risks identified. These arrangements were presented and approved by the Chief Officer, Chief Finance Officer, Audit Committee Chair and Finance Committee Chair in March 2020 and then ratified at the next Governing Body meeting in April 2020..</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 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 found that a schedule of additional costs were routinely presented to the Senior Leadership Team (SLT). Review of minutes shows that these costs were appropriately scrutinised by SLT and approved to reclaim if assessed to be in line with the NHSE reclaim criteria.</p> <p>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>

Value for money - governance

Domain - Governance	
Description of risk	Summary of findings
<p>In assessing whether there was a significant risk relating to governance we will review:</p> <ul style="list-style-type: none"> Processes for the identification, monitoring and management of risk; Controls in place to prevent and detect fraud; The review and approval of the 2020-21 financial plan by the Board, including how financial risks were communicated; Processes for monitoring performance against budgets and taking actions in response to adverse variances; How compliance with laws and regulations is monitored; Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and How the Board ensures decisions receive appropriate scrutiny. 	<p>As set out on page 18, the pandemic has had a major impact on the NHS and this has resulted in changes to the financial regimes in place for the 2020-21 financial year. However, as part of our work we considered the process for review and approval of the pre-COVID 2020-21 financial plan by the Governing Body and determined that there had been suitable scrutiny and challenge within this process. We confirmed that where financial risks are identified as part of planning, that these are communicated within the risk register going forward and discussed within the Audit Committee and at Governing Body meetings on a regular basis.</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 Executive Committee for management, clinical and executive input, before then going to Governing Body for final decision.</p>
	Conclusion
	<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 secure value for money.</p>

Value for money - improving economy, efficiency and effectiveness

Domain – Improving economy, efficiency and effectiveness	
Description of risk	Summary of findings
<p>In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we will review:</p> <ul style="list-style-type: none"> • The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved; • How the performance of services is monitored and actions identified in response to areas of poor performance; • The engagement with partnerships and how the performance of those partnerships is monitored and reported within the organisation; and • The monitoring of outsourced services to verify that they are delivering expected standards. 	<p>We note that from 17 March 2020, all Quality, Innovation, Productivity and Prevention (QIPP) 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 were to be based on provider capacity, Infection Prevention and Control guidelines and estates. The draft financial plan prepared in March 2020 included an efficiency requirement of £2m, however these schemes were then not developed and implemented as a result of the pandemic. For the second half of the year, the CCG forecast a breakeven budget after retrospective top-up funding and an efficiency saving of £0.8m.</p> <p>Within the Integrated Care System, and as host, the CCG works closely with the other NHS entities to support delivery of the agreed Financial Improvement Trajectory at a system level and also at individual NHS entity level.</p> <p>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.</p> <p>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.</p>
	<p>Conclusion</p>
	<p>Based on the procedures performed, we have not identified a significant risk and/or significant weakness that the CCG does not have sufficient arrangements in place for improving economy, efficiency and effectiveness to secure value for money.</p>



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