



Auditor's Annual Report 2020/21

**NHS North East London Clinical
Commissioning Group**

7 June 2021

2020-21 Auditor's Annual Report in respect of:

NHS Barking & Dagenham Clinical Commissioning Group

NHS City & Hackney Clinical Commissioning Group

NHS Havering Clinical Commissioning Group

NHS Newham Clinical Commissioning Group

NHS Redbridge Clinical Commissioning Group

NHS Tower Hamlets Clinical Commissioning Group

NHS Waltham Forest Clinical Commissioning Group

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This report is addressed to North East London CCG (the CCG) and has been prepared for the sole use of the CCG. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Summary

Introduction

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2020-21 audits of the NHS North East London Clinical Commissioning Groups (NHS Tower Hamlets CCG, NHS Newham CCG, NHS Waltham Forest CCG, NHS City & Hackney CCG, NHS Barking & Dagenham CCG, NHS Havering CCG and NHS Redbridge CCG), the CCGs. 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 CCGs and of their 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 CCGs. 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 CCGs' 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 CCGs' accounts on 9 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 reports and our knowledge of the CCGs.</p> <p>We confirmed that the Governance Statements 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>Testing to date has not identified 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>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 performed the following procedures to address this risk:</p> <ul style="list-style-type: none"> • In line with our methodology, we evaluated the design and implementation of controls over journal entries and post-closing adjustments. • In line with our audit plan, tested the operating effectiveness of controls over journal entries and post closing adjustments. • Assessed the full population of relevant journal entries to identify journals displaying high risk characteristics. We followed up each of these journals in order to assess the appropriateness and accuracy of the transaction posted. • Assessed the controls in place for the identification of related party relationships and tested the completeness of the related parties identified. We verified that these have been appropriately disclosed within the financial statements. <p>We have not identified any material misstatements relating to this risk to date. We have not identified any recommendations relating to this risk to date.</p>
<p><i>Fraudulent expenditure recognition</i></p> <p>As the CCG is set a resource limit on the amount that can be spent there is a risk that expenditure may be manipulated in order to report that this target has been met.</p>	<p>We performed the following procedures to address this risk:</p> <ul style="list-style-type: none"> • We compared the contract outturn for the CCGs' main commissioning contracts with NHS providers to the block amounts agreed for the financial year and inspected evidence to support any variances from the agreed contract value. • We assessed the design of controls for reviewing and approving manual expenditure adjustments at the end of the year to verify that they have been completely and accurately recorded; • We inspected adjustment posted as part of the year end close procedures that reduced the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence. <p>We have not identified any material misstatements relating to this risk. We have not identified any recommendations relating to this risk.</p>

Value for money

Introduction

We consider whether there are sufficient arrangements in place for the CCGs 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	<i>“The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective”</i>

Commentary on arrangements

We have set out on the following pages commentary on how the arrangements in place at the CCGs 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 weakness identified

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>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 on account. The value of these was determined centrally, rather than being agreed between the CCG and the providers. NHS organisations were also reimbursed with additional funding as required in order to reflect the additional costs incurred as a result of Covid-19. For months 7-12 of NHSE/I provided allocations for each CCG, with further funding made available to the North East London Integrated Care System to cover additional cost pressures due to Covid-19 and the provision of services.</p> <p>We found that the budget monitoring and control processes were able to identify and incorporate significant 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 at each CCG. Emerging cost pressures are identified through monthly review of budget statements by the finance manager and review of any material overspends by the Finance and Performance committee.</p> <p>The CCGs had identified the key risks to financial resilience and these were appropriately managed. Each CCG had an appropriate risk register with risks individually marked and described. Our review of the financial plans confirmed that all identified risks been appropriately considered.</p> <p>Following changes to the funding regime for months 7-12 a deficit of £29m was forecast across the North East London system. In order to bridge the funding gap each CCG completed a review of financial commitments. We observed evidence of a thorough understanding of the cause of the cost pressures facing the CCGs, with savings identified to reduce the deficit that had initially been identified. At year end each CCGs did achieve their resource allocation.</p> <p>We also found that the CCGs had appropriate plans in place to support the sustainable delivery of strategic and statutory priorities and maintain services. We have reviewed the 2021-22 Financial plans and the detailed long term future plan for the North East London system, which covers a period of five years. This includes an analysis of forecast financial pressures and key actions required to deliver, such as QIPP programmes. All CCGs are required to break even and this is incorporated into the Long Term plan.</p> <p>Conclusion</p> <p>Based on the procedures performed we have not identified any significant risks or weaknesses in relation to arrangements in place to ensure financial sustainability.</p>

Governance	
Description	Commentary on arrangements
<p>This relates to the arrangements in place for overseeing the CCGs' performance, identifying risks to achievement of their 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>Strategic risks are recorded and identified across the CCGs using the Board Assurance Framework, and any identified risks are reported to the appropriate Governing Body. Our review of the risk registers found these were sufficiently detailed to effectively manage key risks.</p> <p>The CCGs have ensured appropriate scrutiny, challenge and transparency on decision making. Business cases are presented to the Finance and Performance Committee and Governing Body following internal review and approval. We reviewed a sample of business cases for 2020-21 and found these included appropriate financial and non-financial assessment and that there was evidence of scrutiny and challenge.</p> <p>We recognise that the CCGs needed to adjust some procurement process in year to ensure key decisions were not delayed. This included removing the procurement requirement for competitive tenders and obtaining quotations. The CCGs relied upon the emergency provisions in the regulations which permit direct awards. The CCGs used existing supply chains where possible and utilised national procurement arrangements put in place for key COVID-19 equipment and supplies (e.g. ventilators). For the duration of the pandemic, and where expenditure impacts on all seven CCGs, the Governing Bodies in NEL have delegated responsibility for approval to the North East London Commissioning Alliance Joint Commissioning Committee (JCC), with approval sought by email where a decision is required with short or no notice (though to date this has not been required).</p> <p>The financial planning regime has 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. We have also reviewed changes to procurement processes during the pandemic.</p> <p>We found there to be appropriate scrutiny and challenge of the budgets and appropriate approval through the budget holders and the Finance and Performance Committee. In order to understand their financial performance against their budget. Operational budget holders are provided with a monthly budget statement which is also reviewed by the Finance Manager. Discussions between Finance Managers and budget holders allowed for appropriate challenge and response to adverse variances. We also found appropriate processes in place to ensure accurate recording and monitoring of the additional costs associated with Covid.</p>

Governance (continued)	
Description	Commentary on arrangements
<p>This relates to the arrangements in place for overseeing the CCGs' performance, identifying risks to achievement of their 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 also found appropriate processes in place to ensure the CCG monitored compliance with relevant legislative and regulatory requirements. Identification of new regulatory requirements was the responsibility of the relevant area (e.g. finance, contracting, procurement). Significant changes are communicated through the NHSE/I planning guidance. We have seen evidence of papers prepared by the CCG for relevant committees to make these committees aware of implications specific to the CCG.</p> <p>We identified one instance in Waltham Forest CCG of a special payment made to a former employee that did not receive the approval required under Managing Public Money for a special payment in advance of the payment being made. The CCG obtained retrospective approval from its Governing Body for the payment and has sought retrospective approval from NHS England, which was awaited at the time of drafting our report. We have raised a recommendation to management relating to the approval for special payments, however we did not consider that this reflected a significant weakness in arrangements.</p> <p>In October 2020 the seven North East London CCGs voted to merge into a single North East London CCG. The seven CCGs already shared a joint Accountable Officer and a joint Commissioning Committee. We have reviewed governance arrangements in relation to the transition to North East London CCG. We found there to be appropriate processes in place and we have not identified any significant weaknesses. There was a transition oversight group in place with the aim of overseeing the transition but also ensuring that proposals and decisions keep in focus the needs of CCG residents and patients and that system priorities. The CCGs took appropriate steps to ensure necessary 'due diligence' was completed in advance of 1 April. We have reviewed the original business case that was put together in support of the GP vote in October and approved by the Governing Bodies in common. The business case was detailed and included information relevant to the long term plans of the CCG. We have not identified any concerns with the transition to-date.</p> <p>Conclusion</p> <p>Based on the procedures performed we have not identified any significant risks or significant weaknesses in relation to 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 CCGs seek 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/CIP 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 provider capacity, IPC guidelines and estates.</p> <p>We found appropriate processes in place to ensure the CCGs 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 monthly paper is presented to the relevant CCGs' Finance and Performance Committee and Governing Body in order to report on financial performance, allowing the CCGs to assess the level of value for money being achieved. Management also maintains and monitors costs by reviewing the information received from the Benchmarking Network. While the annual programme budgeting exercise conducted by NHS England was suspended due to Covid19, the Operational Delivery Group (NEL) monitor the performance of all seven NEL CCGs and hence performance is benchmarked for North East London.</p> <p>Non-financial performance is monitored through quarterly performance reports presented to the Governing Body. These ensure the performance against NHS targets is monitored. We note for 20-21 the key area of focus has been the Covid 19 response. For 2021-22 an area of focus will be ensuring that the CCGs continue to monitor and report progress against system intentions during the recovery phase.</p> <p>We have seen evidence of effective partnership working at the CCGs which is also evidenced by the work done at an ICS level to achieve financial balance in the system. The CCGs have a partnership board in which they provide overriding data from across the partnerships. The CCGs refine the data that is provided to the ICP board to ensure transparency. The work currently underway involves the COVID: public health and operational pressures data, this is supplied and updated for each ICP meeting. Multi-borough oversight data is supplied for each meeting as part of a rolling update to the data pack.</p> <p>Conclusion</p> <p>Based on the procedures performed we have not identified any significant risks or significant weaknesses associated with arrangements in place for improving economy, efficiency and effectiveness..</p>



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