



Auditor's Annual Report 2020/21

NHS Bury CCG

10 June 2021

Key contacts

Your key contacts in connection with this report are:

Rashpal Khangura

Director

Tel: 07876 392195

rashpal.khangura@kpmg.co.uk

Matthew Ackroyd

Senior Manager

Tel: 07342 086610

matthew.ackroyd@kpmg.co.uk

Forget Chasakara

Assistant Manager

Tel: 07917 780402

Forget.chasakara@kpmg.co.uk

Contents

Page

| | |
|----------------------------|---|
| Summary | 3 |
| Accounts audit | 4 |
| Value for money commentary | 5 |

This report is addressed to NHS Bury 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 Bury 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 10 June 2021. This means that we believe the accounts give a true and fair view of the financial performance and position of the CCG.</p> <p>We have provided further details of the key risks we identified and our response on page 4.</p> |
| Annual report | <p>We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the CCG.</p> <p>We confirmed that the Governance Statement had been prepared in line with the DHSC requirements.</p> |
| Value for money | <p>We are required to report if we identify any matters that indicate the CCG does not have sufficient arrangements to achieve value for money.</p> <p>We have 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>Expenditure Recognition</i></p> <p>As the CCG is set a revenue resource limit for its expected requirements there is a risk that expenditure may be manipulated in order to spend up to this limit or demonstrate they have not breached this limit in year.</p> <p>The setting of a control total can create an incentive for management to under or overstate the level of non-pay expenditure compared to that which has been incurred.</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:

| | |
|---------------------------------------|--|
| CCG assessment framework | Green |
| 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 | One significant risk identified | No significant weaknesses identified |
| Governance | No significant risks identified | No significant weaknesses identified |
| Improving economy, efficiency and effectiveness | No significant risks identified | No significant weaknesses identified |

| Financial sustainability | |
|--|---|
| Description | 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 Covid19 pandemic has had a major impact on the NHS and this has resulted in a number of changes to the financial planning regime during the 2020/21 period. On 17 March 2020 normal contractual arrangements with NHS providers were suspended and the NHS moved to block contract payments on account for months 1-4; which was then extended to months 5-6. The value of these block payments 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 the final phase of the finance regime months 7-12, NHSE/I provided allocations for each CCG, with further funding made available to Bury CCG to cover additional cost pressures due to Covid-19 and the provision of services. Additionally as part of this phase, system funding was allocated by NHSE/I to the Greater Manchester ICS for onward agreed distribution to CCGs and providers.</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. We note that as a more top down 'command and control' framework was put in place the budgets were not agreed by budget holders as they would normally be. Approval instead went directly to the Finance, Contracting and Procurement Committee (FCP) and the Board. We saw evidence of appropriate review and sign off by both of these bodies. Emerging cost pressures are identified through a number of both local and regional forums with these being evaluated jointly by the finance team and budget managers prior to inclusion in a financial model and discussion/presentation to FCP.</p> <p>In April 2020 an annual budget was presented to the Governing Body for approval. Due to the significant uncertainty around the funding regime at the time this was intended as an interim budget based upon the pre-pandemic budget and funding regime and the Operating Plan submission made on 5th March 2020. This budget recognised a financial gap of circa £20m, with a cost savings (QIPP) target of £9m (or 3%) meaning the deficit in the plan was £11m. We note that it was made clear in the budget paper presented to the Governing body the level of uncertainty around the funding regime and some of the potential risks, as well as potential upsides, to delivery. As a result of the identified deficit the outturn would have put the CCG in breach of the statutory requirements of section 30 of the Local Audit and Accountability Act 2014, we therefore made a referral to the Secretary of State in accordance with our statutory duties as your appointed external auditor.</p> <p>We note that, as the funding regime became clearer, the deficit position was unlikely to materialise in year and this updated position was reported to FCP throughout the year as funding mechanisms were revised. This was borne out in the draft year end position indicating a small surplus had been achieved including the CCG making an additional £4.5m contribution to the pooled budget with Bury Council.</p> |

| 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>At the time of writing, the 2021/22 financial planning guidance has not yet been finalised, however the funding regime will continue for at least the first six months of the period with continued uncertainty about the remainder of the year. Following early indicators of NHSE planning guidance, in March 2021 the CCG presented a financial plan for the 2021/22 financial year. This plan recognised the underlying system deficit as well as the ongoing uncertainty of the funding regime in the second half of the year. The plan appeared realistic in flagging the financial uncertainty, the need to increase and catch-up with activity reduced as a result of Covid, as well as recognising that savings would likely be required during the year. The CCG acknowledged that this forecast had been prepared on the basis of expected funding and cost efficiencies/reductions will be required if additional funding is not secured.</p> <p>Subsequently the CCG submitted plans for H1 of 21/22 which show a balanced position after the recurrent pick up of a number of Greater Manchester investment priorities, receipt of £1.9m growth funding and dependent upon the delivery of a challenging QIPP programme of £2.1m. We note that work is ongoing to identify QIPP savings and deliver a QIPP programme that will deliver across the full financial year and deliver recurrent benefits. Continuing Health Care (CHC) has been identified as one such area where QIPP might be delivered.</p> <p>Conclusions</p> <p>We were satisfied from the work performed that the CCG had appropriate arrangements in place to manage and monitor its achievement of financial sustainability.</p> |

| Governance | |
|---|--|
| Description | Commentary on arrangements |
| <p>This relates to the arrangements in place for overseeing the CCG's performance, identifying risks to achievement of its objectives and taking key decisions.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> ▪ Processes for the identification and management of strategic risks; ▪ Decision making framework for assessing strategic decisions; ▪ Processes for ensuring compliance with laws and regulations; ▪ How controls in key areas are monitored to ensure they are working effectively. | <p>We considered the CCG to have effective processes in place to monitor and assess risk. The CCG has a Risk Management Strategy in place which guides the risk management activity that takes place. Strategic risks are recorded and identified using the Board Assurance Framework, and any identified risks are reported to the FCP and Governing Body. The Governing Body is provided with regular copies of the Board Assurance Framework (BAF), corporate Risk Register and the FCP risk report, which gives details on key movements (or indeed lack of movement) in the risk environment of the CCG. The Governing Body review the Corporate risk register on a regular basis. Our review of the BAF and the corporate risk register found this was sufficiently detailed to effectively manage key risks.</p> <p>The CCG have ensured appropriate scrutiny, challenge and transparency on decision making. The CCG operates under a scheme of delegation, therefore all spend is challenged and authorised at an appropriate level throughout the CCG. Spend is requested and allocated via business cases, each of which are scrutinised and challenged in line with the operational scheme of delegation. Our work has considered in particular the redesign of intermediate care services and the decision taken to permanently appoint those staff previously funded non recurrently. We noted that detailed papers and business cases were put forward for approval to the Governing Body or appropriate committee per the scheme of delegation</p> <p>In March 2020 NHSE announced revised arrangements for planning for NHS contracting and payments which were to apply for part of 2020/21 in response to the Covid-19 pandemic. We reviewed additional governance arrangements implemented by the CCG in response to the Covid-19 pandemic and found that appropriate measures were put in place to respond to any additional risks identified in light of the pandemic. These arrangements were presented and approved by the Governing Body in March 2020 with further iterations presented and approved as controls evolved over time. This included the maintenance and review of an Operational and Urgent decision log.</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 found that schedule of additional costs were routinely presented to the CFO as well as being highlighted in routine finance reports to FCP. Any reclaimable costs were input into the non-ISFE return. Per the December 2020 non-ISFE return, the CCG recognised £9.1m Covid related expenditure.</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. Each budget holder was provided with a monthly budget report. Discussions between dedicated Finance Managers and budget holders allowed for appropriate challenge and response to adverse variances.</p> |

| 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>The Audit Committee reviews the adequacy and effectiveness of key policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications. They reviewed policies and procedures for all work related to counter fraud, bribery and corruption as required by the NHS Counter Fraud Authority. The Audit Committee considered policy amendments to be recommend for approval to the Governing Body. We found the process for reviewing, implementing and ensuring compliance with the CCG's organisational policies was adequate to allow the monitoring of internal controls.</p> <p>We also noted that the CCG had up to date policies in place with regards gifts and hospitality, declarations of interest, whistleblowing and Fraud, Bribery and Corruption.</p> <p>Conclusions</p> <p>We were satisfied from the work performed that the CCG had appropriate governance arrangements in place to enable it to successfully deliver value for money.</p> |

Improving economy, efficiency and effectiveness

| Description | Commentary on arrangements |
|---|---|
| <p>This relates to how the CCG seeks to improve its systems so that it can deliver more for the resources that are available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> ▪ The planning and delivery of efficiency plans to achieve savings in how services are delivered; ▪ The use of benchmarking information to identify areas where services could be delivered more effectively; ▪ Monitoring of non-financial performance to assess whether objectives are being achieved; and ▪ Management of partners and subcontractors. | <p>We note that from the 17 March 2020 cost and performance improvement (QIPP or 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 were to be based on provider capacity, infection prevention control (IPC) guidelines and estates.</p> <p>We found appropriate processes in place to ensure the CCG used information about costs and performance to improve the way they manage and deliver services. We have not identified any significant weaknesses or significant risks associated with improving economy, efficiency and effectiveness.</p> <p>Our review of monthly finance reports to FCP and governing body show that not only QIPP measures were measured but there was also detailed reporting with regards to additional Covid costs and reimbursement available with particular regard to the Hospital Discharge Programme which accounted for the bulk of both additional spend and funding in the year. We also noted that these reports highlighted cost pressures and risks to outturn performance where relevant, with a summary of key actions for Committee and Board members at the end of each report.</p> <p>We noted that the CCG has recognised the importance of working with and within the local health economy in order to improve economy, efficiency and effectiveness. We note that the CCG jointly published it's 'Locality Plan Refresh' in 2019 which continues to inform decision making and ways of working with key partners. This can be seen in part through the continued use of a pooled budget arrangement with Bury Council and we note that in year the CCG made a significant additional contribution to the budget's social care remit of £4.5m over and above that originally agreed. We have seen evidence of this having been through appropriate approval processes and sign off by the CCG's governing body.</p> <p>We also noted that the CCG has continued to monitor in year its underlying performance, removing the impacts of the current funding regime. We have seen that this regular monitoring has taken place giving the CCG sight of the potential impacts upon future year finances and its underlying deficit position. We observed that the CCG had begun to develop mitigations to close this funding gap however without clarity around the operational and financial regime for 2021/22 and beyond it is uncertain as to whether planned mitigations will be deliverable or mitigate all of the identified gap.</p> <p>Conclusions</p> <p>We were satisfied from the work performed that the CCG had appropriate arrangements in place to enable it to improve economy, efficiency and effectiveness.</p> |



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