



Auditor's Annual Report 2020/21

NHS South East London CCG

18 June 2021

Key contacts

Your key contacts in connection with this report are:

Fleur Nieboer

Partner

Tel: 07768 485 532

fleur.nieboer@kpmg.co.uk

Rachit Babbar

Manager

Tel: 07468 367 330

rachit.babbar2@kpmg.co.uk

Kudirat Sotayo-Aro

Manager

Tel: 07880 024 399

kudi.sotayo-aro@kpmg.co.uk

Contents

Page

Summary	3
Accounts audit	4
Value for money commentary	5

This report is addressed to NHS South 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.

Introduction

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2020-21 audit of NHS South East London 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 18 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>

Accounts audit

The table below summarises the key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Risk	Findings
<p><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 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 value accrued from the cost of the services.</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	Reasonable 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

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 South East London Integrated Care System to cover additional cost pressures due to Covid-19 and the provision of services. Following changes to the funding regime for months 7-12, the CCG presented a Financial Plan with a breakeven position in November 2020.</p> <p>The CCG's draft financial statements reported a year end surplus of £488k against a planned breakeven position. However, subsequent to the submission of draft financial statements, the CCG received notification of an additional "top up" allocation of £599k. This was reflected in the final version of the financial statements and increased the CCG's year end surplus from £488k to £1,087k.</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 by the relevant budget holders. Emerging cost pressures are identified through monthly review of budget statements by the finance manager and review of any material overspends by the Integrated Governance and Performance committee and since the pandemic, the Financial Oversight and Compliance Group.</p> <p>As the current funding regime has been extended through to September 2021, the CCG prepared a high level budget by services and Boroughs for Months 1-6 of 2021-22 (H1). The budget assumed a rollover of M7-12 budgets of 2020-21 and forecasts a breakeven position with a revenue resource allocation of £1.9bn, including system funding in respect of top-up (£217.1m) and Covid allocations (£130.5m). The current assessment however requires further savings of £6.1m in H1 to deliver a breakeven position, which are expected to be delivered through a combination of recurrent savings, non-recurrent savings, an exercise looking at all Covid commitments for H1 and identification of slippage against the CCG's budget of £9.7m for Covid is in progress.</p> <p>The CCG had identified the key risks to financial resilience and these were appropriately managed. Within the risk register, individual risks are marked and described with sufficient details. Each risk is marked with a score per category, and ways to mitigate the risk are noted. Our review of the financial plan confirmed the risks have been appropriately considered.</p> <p>We also found the CCG had prepared detailed long term future plan in January 2020 which covered many aspects of future aspirations and appropriately reflected operational plans and strategic priorities. The plan supported the sustainable delivery of strategic and statutory priorities and maintain services. However this plan has not been revised since the pandemic and we have therefore raised a low priority recommendation.</p>

Value for money

Financial sustainability (continued)	
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>Conclusion</p> <p>We have not identified any significant risks or weaknesses that may indicate that the processes for ensuring financial sustainability are not robust. We considered there were sufficient controls allowing the CCG to effectively manage resources and ensure continuity in the delivery of its services. The CCG's financial planning guidance provided a clear approach to setting budgets outlining financial objectives, targets and challenges.</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 consider the CCG to have effective processes in place to monitor and assess risk. Strategic risks are recorded and identified using the Board Assurance Framework, and any identified risks are reported to the appropriate governing body. Our review of the risk register found this was sufficiently detailed to effectively manage key risks.</p> <p>The CCG has ensured appropriate scrutiny, challenge and transparency on decision making. Business cases are presented to the Commissioning Strategy committee and Governing Body following internal review and approval. We reviewed one business case for 2020-21 relating to ICS Pathology Programme and found there was evidence of scrutiny and challenge.</p> <p>We recognise that the CCG needed to adjust some procurement process in year in response to the pandemic and ensure key decisions were not delayed. This included removing the procurement requirement for competitive tenders and obtaining quotations. The CCG relied upon the emergency provisions in the regulations which permit direct awards. The CCG used existing supply chains where possible and utilised national procurement arrangements put in place for key Covid-19 equipment and supplies. For the duration of the pandemic, and where expenditure impacts on the CCG, the Governing Body in SEL have delegated responsibility for approval to the South East London Clinical Commissioning Cost Review Group, with approval sought by email where a decision is required with short or no notice. We reviewed this and noted the approvals had been appropriately received.</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 Financial Oversight and Recovery Group. 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> <p>We have reviewed governance arrangements in relation to the transition to South East London CCG. We found there to be appropriate processes in place and we have not identified any significant weaknesses. There is 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 CCG have taken appropriate steps to ensure necessary "due diligence" was completed in advance of 1 April.</p> <p>Conclusion</p> <p>Based on the procedures performed we have not identified any significant weaknesses associated with governance.</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 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 were to be based on provider capacity, IPC guidelines and estates. The CCG forecasts a requirement to deliver savings of £6.1m in order to achieve the planned breakeven position for Months 1-6. These are expected to be delivered through a combination of recurrent savings, non-recurrent savings, an exercise looking at all Covid commitments for H1 and identification of slippage against the CCG's budget of £9.7m for Covid.</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 SEL CCG's Finance Oversight and recovery Group and Governing Body in order to report on financial performance, allowing the CCG 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. The SEL CCG have an internal financial strategy team who provide the detailed analytical reviews, and an active QI programme to identify any areas of improvement.</p> <p>There is a clear strategy in place for non-financial performance (SEL System Intentions) provides clear detail about the 2019/20 and 2020/21 strategy and objectives with each system intention assigned clear outcomes. The SEL CCG's Integrated Governance and Performance Committee (IGPC) receive a monthly report with an integrated view of performance across A&E, Planned Care and Mental Health. The SEL CCG's produce a SEL System temperature report – to understand the demand and capacity across the SEL system. The information is then evaluated by Benchmarking across SEL included in the reports to IGPC as well as detailed information on Lead SEL providers. This allows the CCGs to monitor the performance of services.</p> <p>SEL CCGs have a partnership board in which they provide overriding data from across the partnerships. SEL CCG refine the data that is provided to the IGPC board to ensure transparency. The work currently underway involves the COVID: public health and operational pressures data, this is supplied and updated for each IGPC 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 weaknesses associated with improving economy, efficiency and effectiveness.</p>



© 2021 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.