



Auditor's Annual Report 2020/21

NHS Leeds CCG

June 2021

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This report is addressed to NHS Leeds 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 Leeds 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 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 11 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>Non-pay expenditure recognition with NHS and Non-NHS bodies</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 consider this risk would be most likely to occur through manipulating accruals at the end of the year.</p> <p>In the audit plan we stated that we also considered there was a risk of the CCG seeking to increase expenditure in 2020-21, for example if additional funding was available to reimburse Covid-19 related costs throughout the period of audit in support of the local health economy. Our risk assessment did not identify this risk and therefore our risk remained focused on completeness of expenditure in respect of healthcare expenditure.</p> <p>We do not consider there to be a significant risk over prescribing or primary care expenditure.</p>	<p>We did not identify any material misstatements relating to these 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:

NHS Oversight Framework – Patient and Community Engagement	Green Star
Governance statement	There were no significant control deficiencies identified in the governance statement
CCG annual assessment	Outstanding
Head of Internal Audit opinion	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	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 weakness identified

Financial sustainability	
Description	Commentary on arrangements
<p>In assessing whether there was a significant risk of financial sustainability we reviewed:</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>The CCG has a historic balance of surpluses which has been delivered through its arrangements to ensure financial sustainability. These include understanding its costs and development of appropriate plans to deliver cost reductions/QIPP, this includes appropriate governance and management arrangements around these plans.</p> <p>The Covid19 pandemic had a major impact on the NHS and this has resulted in a number of changes to the financial planning regime during 20/21. 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 Leeds 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 West Yorkshire & Harrogate ICS for onward agreed distribution to CCGs and providers.</p> <p>The CCG presented a balanced budget to the Governing Body in March 2020 for the financial year 2020/21. Due to a reduction in CCG allocations compared to the published allocations for 2020/21, and to a lesser extent cost pressures as a result of the Covid-19 pandemic, the CCG revised its financial planning position in November 2020 to reflect a potential deficit of £14.8m if only confirmed funding streams were received.</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 Governing Body.</p> <p>Our testing identified that the CCG had sufficient controls in place to monitor risks and uncertainties. The CCG's financial performance was monitored via the monthly Finance report which was presented to the Audit Committee, the Executive Management Team (EMT) and the Governing Body. In addition, the CCG maintained a risk with the Governing Body Assurance Framework (GBAF)/Corporate risk register regarding financial sustainability. Due to the risk and uncertainty, the CCG identified heightened risk surrounding financial sustainability and accordingly increased the risk score to 16 as at 1 October 2020 from 6 (as at 1 April 2020). This ensured the continuous review of the risk by the Governing Body. This focus helped ensure appropriate attention was placed on the financial position and the CCG reported a balanced position as at 31 March 2021.</p>

Financial sustainability (continued)	
Description	Commentary on arrangements
	<p>Planning guidance for 2021/22 was not issued until March 2021 therefore the financial plan could not be prepared before 31 March 2021. This was appropriately communicated to the Governing body in March 2021, prior to the start of 2021/22. In the absence of planning guidance the CCG worked to identify expected funding commitments for 2021/22 to meet current and new expectations. In response to the lack of clarity surrounding funding the CCG appropriately made the decision to plan on the basis of no new funding receipts unless Covid-19 critical. This was appropriately communicated to the Governing Body.</p> <p>To respond to the risks and uncertainties surrounding the 2021/22 process and support completion of planning within tight deadline, the Governing Body delegated authority to support financial planning submission data to the Executive Management Team (EMT) in March 2021. The CCG received indicative allocation information in April 2021 and a plan was drafted which was reported to EMT in April 2021.</p> <p>The CCG submitted a balanced plan M1-M6 (H1) 2021/22 to West Yorkshire in May 2021, this will form part of the wider West Yorkshire and Harrogate system plan to be submitted to NHSE. A review of this plan identified that the CCG had created its plan in accordance with NHSE planning guidance issued in March 2021.</p> <p>The CCG is required to achieve £7.6m of efficiencies in H1 to achieve a breakeven position, this represents efficiencies of circa 1% of the CCG's allocation, which is consistent with efficiency targets for other NHS bodies and is not significant to the overall level of expenditure. The process proposed for identifying 2021/22 efficiencies was reported to the Governing Body in May 2021 and later into May 2021, EMT received a report highlighting a risk based analysis of potential cost saving schemes of £9.1m for H1 and a further £5.4m for H2.</p> <p>The long term financial sustainability should be considered in the context of the HM Government's White Paper for a new Health and Social Care bill which was published in February 2021. The proposals which have yet to be put before Parliament would see the creation of a statutory Integrated Care System (ICS) body in West Yorkshire that would take on the functions of the present West Yorkshire CCGs. As these proposals are yet to be put before Parliament we are unable to comment on the nature and scope of the ICS or how the CCG's position will form part of it.</p> <p>Conclusion</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>In assessing whether there was a significant risk relating to governance we reviewed:</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 Governing Body, 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; 	<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 Governing Body. The Governing Body review the Corporate risk register on a bi-monthly basis. Our review of the 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</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 April 2020.</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 Executive Management Team (EMT). These costs were appropriately scrutinised by EMT and approved to reclaim if assessed to be in line with the NHSE reclaim criteria. Any reclaimable costs were input into NHSE/I monthly returns. Per the November 2020 return, the CCG recognised £15.8m 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 within 10 working days of the month end to which the report relates. Discussions between dedicated Finance Managers and budget holders allowed for appropriate challenge and response to adverse variances.</p>

Governance	
Description	Commentary on arrangements
<ul style="list-style-type: none"> Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and How the Governing Body ensures decisions receive appropriate scrutiny. 	<p>The CCG maintained a policy register, detailing all active organisational policies and when these were last reviewed. The Audit Committee reviewed the adequacy and effectiveness of 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. A standing agenda item was included on the Audit Committee agenda to review policies. 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>Conclusion</p> <p>Based on the procedures performed we have not identified any significant risks that the CCG does not have sufficient governance arrangements in place to oversee and monitor value for money achievement.</p>

Improving economy, efficiency and effectiveness

Description	Commentary on arrangements
<p>In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:</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 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, 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.</p> <p>Our review the Quality and Performance Committee terms of reference identified that 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 Outcomes Framework and Improvement and Assessment Framework, including those set out in the NHS constitution and Code of governance.</p> <p>A monthly Integrated Quality and Performance Report is presented to the Quality and Performance committee. This report monitors a range of indicators/KPIs and target measure. This also includes information regarding how the CCG is performing against each measure, a summary of the performance and actions taken by the CCG to mitigate poor performance. All performance indicators were RAG rated depending on how the CCG was performing against the target indicators.</p> <p>Our review of the EMT report titled 'Prioritisation and Programme Management' clearly identified EMT's role regarding economy, efficiency and effectiveness, providing three key responsibilities: Assurance: "is our plan being delivered?"; Direction: "are the benefits we anticipated being delivered?"; Alignment: "do we need to take/are we taking action to remain aligned, are proposed developments aligned to our strategy?"</p> <p>Conclusion</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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