



Auditor's Annual Report 2021/22

**NHS Frimley Clinical Commissioning
Group**

21 June 2022

Key contacts

Your key contacts in connection with this report are:

Dean Gibbs

Director

Tel: +44(0)7776163 710

Dean.Gibbs@KPMG.co.uk

Mohini Katoch

Manager

Tel: +44(0)7393 792509

Mohini.Katoch2@kpmg.co.uk

Keyue Peng

In-charge

Tel: +44 (0)7795 831 352

Keyue.Peng@kpmg.co.uk

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This report is addressed to NHS Frimley Clinical Commissioning Group (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 2021-22 audit of NHS Frimley Clinical Commissioning Group (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 21 June 2022. 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 5.</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>Management override of controls</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 assessed the controls in place for posting manual journals to the general ledger and performed testing of transactions displaying potentially high risk characteristics in order to assess whether they were appropriate and had been accurately recorded.</p> <p>We did not identify any material misstatements relating to this risk.</p>
<p>Fraudulent expenditure recognition</p> <p>Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. Due to the nature of CCG funding revenue is not material and therefore in line with guidance provided to public sector auditors we recognise the risk that expenditure is recognised inappropriately.</p> <p>Our risk assessment was particularly focused on the accruals recorded at the end of the year to ensure that they had been accurately recorded and could be agreed to services that had been provided prior to 31 March 2022.</p>	<p>We performed testing of the accruals that had been recorded at the end of the year in order to assess whether there was a requirement to make a payment based on services received at 31 March 2022. We also performed testing of transactions incurred around the end of the year in order to assess if they had been recorded in the correct financial period.</p> <p>We identified misstatements relating to the recording of accruals, which have not been corrected by management. Updating this would lead to a reduction in accruals and net expenditure, however we did not consider this material.</p>

Value for money

Introduction

We consider whether there are sufficient arrangements in place at 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	1 – No specific support needs.
Governance statement	There were no significant control deficiencies identified in the governance statement.
Head of Internal Audit opinion	Generally satisfactory with some improvements required

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	Significant risk identified?	Significant weaknesses identified?
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	One significant risk noted.	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

We have not identified any significant weaknesses that there are not appropriate arrangements in place as part of the procedures we have undertaken. We have provided a summary of the procedures performed and our key findings from these on pages 6 to 10.



Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2021/22 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2021/22 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2021/22 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and
- Performance for the year to date against the financial plan.
- Progress in developing the 2022-23 financial plan

Summary of findings

- For 2020-21 and 2021-22 the Covid pandemic has had a major impact on the NHS and this has resulted in changes to the financial planning regime. From March 2020 normal contractual arrangements 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 CCGs and providers. NHS organisations were also reimbursed with additional funding in order to reflect the additional costs incurred as a result of Covid-19.
- For 2021-22, block payment arrangements have continued between NHS commissioners and NHS providers, though the covid financial regime has been amended with most Covid costs now funded through block funding allocation rather than a retrospective reclaim as in 2020-21. The final draft outturn for the yearend accounts for NHS Frimley CCG, is a surplus of £5,845k mainly due to eSystem funding not fully utilised in year due to uncertainty around boundary decisions, lack of available clinical staff for recruitment within providers and governance
- The CCG had identified the key finance risks and these are reported through the Risk Report. We reviewed the finance committee and Governing Body papers which demonstrated appropriate scrutiny and challenge of key financial risks.
- Efficiency plans did not form a significant part of the 2021/22 financial planning arrangements. Tariff based 'savings' were driven nationally and applied to all relevant contracts. A further stretch target was required in H2, some of which was delegated to Frimley Health NHS Foundation Trust and the balance managed through slippage identified within budgets.
- The focus in 2021-22 has continued to be upon delivery and response to the pandemic. However, there are processes where efficiency schemes are scrutinised and signed off before entering committee scrutiny and approval. Transformation Boards were restated from Q1 21/22 and all schemes and initiatives were reviewed in light of Covid.
- Cost pressures are identified in a number of ways e.g. Internally, through meetings with the budget managers and externally, for example activity, e.g. Prescribing or acute activity changes, depending which area of spend it relates to. For hosted services (e.g. CHC in Hampshire and Surrey) they are notified by the lead CCG. The finance team evaluate the pressure and the likelihood of it actually occurring and any mitigations that can be put in place in discussion with the budget manager.



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- Processes for ensuring consistency between the financial plan set for 2021/22 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year today against the financial plan.

Summary of findings

- We found effective arrangements for the alignment of financial, workforce and operational plans. During the financial planning process, medium/long term plans are aligned to the budgets (financial plans) approved by budget holders. Budget holders also have joint ownership of workforce and operational plans, which ensures alignment of key planning documents within the CCG.
- We found that the CCG has an appropriate reporting framework in place. The detailed financial performance of the CCG is reported each month to the Finance and Performance Committee with identification of risks within the position. There was evidence of discussion and challenge by the Committee and board.
- Efficiency plans are set nationally as part of the planning envelope. Overall budget envelopes are reviewed with budget holders to understand the level of risk included, rather than risk rating specific schemes. Business Case template developed for invest to save schemes.
- A large proportion of the efficiency schemes will be delivered through tariff adjustments. For the CCG, continuing healthcare and prescribing are the main area of flexible expenditure. These schemes are being developed by their respective teams. Stretch targets will be managed by the ICB and potentially include decommissioning of services.
- At 31 March 2022 the CCG and the wider integrated care system was forecasting a deficit for 2022-23, however in line with the national planning timetable financial planning was not due to have been completed until June 2022. We have noted as part of the financial planning exercise that there are a number of pressures impacting the forecast financial performance of the integrated care system, in particular pressures facing the acute provider sector within the system and capacity constraints preventing achievement of the elective recovery targets. The CCG anticipates submitting a balanced financial plan following announced additional funding available to support systems in managing inflationary cost pressures, however we note that there is a risk to the achievement of this plan. We do not consider the risks to be material to the CCG and therefore have not raised a significant weakness.

Conclusion

The CCG had appropriate arrangements in place to manage its 2021-22 financial performance and has reported a small surplus for the year. While there are a number of risks associated with the 2022-23 financial performance facing the CCG and wider system we do not consider these to represent a significant weakness.



Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2021/22 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.

Summary of findings

- We consider the CCG to have effective processes in place to monitor and assess risk. The CCG has a risk management framework strategy and policy that defines the way that risks are captured, managed and reported. Strategic risks are recorded and identified using the Board Assurance Framework, and any identified risks are reported to the Governing Body.
- Strategic risks are identified by the Executive Team and recorded on the assurance framework this is presented to the Governing Body on a quarterly basis. The Audit Committee receive the assurance framework after that for assurance purposes
- We found that the CCG had appropriate controls in place around the prevention and detection of fraud. There is a local counter fraud service to provide assurance over arrangements to mitigate fraud and will report regularly to Audit Committee and Counter Fraud and Corruption Policy & Response Plan in place.
- We reviewed the governance arrangements in relation to budget setting and monitoring. Management information currently at CCG level is currently reported to Place committee and to the Quality, Performance and Finance Committee and to Board as part of the overall ICS financial position. Budgets are reviewed as part of a monthly meeting which includes senior finance management and management accountant representation, providing scrutiny and challenge to the year to date position, bringing collective knowledge together to ensure a robust position is reflected.
- The CCG ensures compliance with expected standards of behaviour through code of business conduct held within the Conflicts of Interest Policy available on the intranet site. Conflicts of Interests and related party declarations are routinely updated wholesale as part of the year end closedown process. Members are routinely asked for any updated declarations at meeting such as Audit Committee, PCCC, Governing Body and Place based Committees so that any changes or conflicts relating to agenda items can be captured. There is also a clearly documented gifts and hospitality policy.
- The standing financial instructions (SFIs) detail the financial responsibilities, policies and procedures to be adopted by the CCG. They apply to everyone working for the CCG. The SFIs appropriately detail escalation of making key decisions.



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Summary of findings

- A scheme of delegation is in place which sets out where different decisions/approvals should take place. Key decisions are made through management and escalation process for such matters at divisional operational, executive management and Board level.

Based on the risk assessment procedures performed we identified a significant risk associated with governance. Integrated Care Boards (ICBs) are currently planned to be established as statutory bodies from 1 July 2022 (previously planned for 1 April 2022) with the CCG ceasing to exist at this point. Given the significance of this change and impact on governance arrangements we identified this as a significant risk to value for money.

NHS Frimley CCG have planned for the transition to Integrated Care System working and considered the priority areas of development for the CCG/ICS. We have reviewed Frimley's engagement with the transition to an ICS and noted Frimley's robust partnership working processes, including a ICS Executive Group which contains representatives from each of Frimley's boroughs and from senior management within the CCG. The ICS Transition Programme Board and the CCG's Remuneration Committee was involved in the establishment of the CEO's pay and terms and conditions against the National HR Framework.

The CCG also worked on meeting the ICB minimum requirement of two Non-Executive Directors and work on the job descriptions was done using the nationally provided core job descriptions which would be adapted.

Our inspection of meeting minutes from May-September 2021 showed managements awareness of the adjustments to decision making, challenge and review in an Integrated Care.

We reviewed the minutes for the governing body that agreed the approach for the ICS ahead of the 20th June national planning resubmission. There have also been clear considerations to establish clear financial governance arrangements. Initial proposals included:

- Increased monitoring on transformation funding commitments in year with a quarterly review of actual expenditure against planned expenditure. It is then proposed that any year-to-date underspends are returned to a system wide pool with the ICB agreeing whether funds remain with the project or allocated against the £28.3m system risk This will cover all System Development Funding, and local transformation funded via growth funding awarded to the system.



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- 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.

Summary of findings

- Through June, levels of residual balance sheet flexibility and deferred income are to be identified and released to support the £28.3m if not already assumed to be covering existing committed costs. Full transparency of these funds are expected to be shared with the ICB board.
- Finance work with Quality & Strategy partners to establish a clear decommissioning process for the system.
- A clear post implementation evaluation & review process is adopted and exit strategies will be identified should transformation activities not demonstrably deliver the intended outcomes.

Therefore our review of the preparation for the transition, including progress against the transition plan, project management and oversight over the transition preparations allow us to conclude that although there are three risks on the risk register rated 12 or above for the transition to the ICB, we consider that there are appropriate arrangements in place to manage this.



Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- 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;
- How the CCG has engaged with ICS partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider 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.

Summary of findings

- We found appropriate processes in place to ensure that the CCG used information about costs and performance to improve the way they managed and delivered services. The CCG prepares a monthly finance report with summary of financial position and forecasts against the budget. This is presented at Finance Committee and used to identify any improvements.
- Operational performance is monitored weekly via their Incident Control Centre and under the leadership of their Gold Commander. These reports are shared with the senior leaders across the CCG.
- The CCG utilise national benchmarking systems such as the model health system and performance benchmarking provided via the CSU & regional team when required.
- The ICS activities are reported to the ICS Partnership Board and also to the CCG Board which are attended by the Accountable Officer and members of the Executive Director team for the CCG.
- The CCG has been working in partnership with all organisations in the ICS under a command and control structure required for a level 4 incident for part of the year. The pandemic has resulted in very little service development during the year as urgent and emergency care has been the focus and then latterly, the restoration of core services. The main development has been the hospital discharge programme which has been a partnership approach with the 5 local authorities (Slough, Bracknell Forest, RBWM, Surrey and NEH&F) along with neighbouring CCGs to support discharge of patients from local acute hospitals to free up capacity for acutely ill patients. This will continue into 22/23 as the pandemic continues, and as the urgent care response diminishes and the restoration of services continues.

Conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with the arrangements for improving economy, efficiency and effectiveness.



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