



Auditor's Annual Report 2020/21

NHS Surrey Heath CCG

17 June 2021

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This report is addressed to NHS Surrey Heath 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 audit of NHS Surrey Heath 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. 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>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 set a rebuttable assumption that there is a risk revenue 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 2021.</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 2021. 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 been corrected in the accounts.</p> <p>No further material mis-statements were identified.</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	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	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. For Month 1-6, 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 NHSE/I provided allocations for each CCG, with further funding made available to the Frimley 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 by the relevant budget holders. Emerging cost pressures are identified through monthly review of budget statements by the finance team and review of any material overspends by the Quality, Performance and Finance committee under the newly formed Collaborative Board.</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. The key Surrey Heath risks identified in the Integrated Risk register support the Collaborative Board Assurance Framework, which is regularly reviewed by the board and relevant sub-committees. The Integrated Risk Register is reviewed and maintained by the Operational Leadership Team and reported to the Place Committee monthly. We have raised one recommendation around the maintenance and monitoring of the risk register.</p> <p>Following changes to the funding regime for months 7-12 the CCG presented a Financial Plan with a deficit of £4.176m in October 2020. In order to bridge the funding gap, the CCG completed a review of financial commitments across each area. We observed evidence of a thorough understanding of the cause of the cost pressures facing the CCG. Following work completed across the Integrated Care System the CCG reported a year end position (following audit adjustments) of a £1,662k underspend against the Revenue Resource Limit allocated to it for the year by NHS England. The CCG also reported meeting its other statutory targets in year that expenditure should not exceed income and that administration costs should not exceed the amount specified by NHS England.</p> <p>We found the CCG had appropriate plans in place to support the sustainable delivery of strategic priorities and maintain services. Financial planning was undertaken during the year covering the period to 31 March 2023 in order to identify the cost pressures faced by the Frimley Integrated Care System and how this would impact on the merged CCGs.</p> <p>Due to the continued affect of the Covid-19 pandemic the NHS is continuing to adopt revised financial arrangements for the first half of 2021-22. Financial planning has been undertaken for the first half of the year for the merged CCG, as part of which it has submitted a financial plan to NHS England showing it is anticipated to achieve its delegated limit and for the Integrated Care System to break even.</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 strategic risks are reported to the 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 Quality, Performance and Finance Committee and Governing Body following internal review and approval. We reviewed a sample of business cases for 2020-21 and found there was evidence of scrutiny and challenge. During the year the CCG approved the decision to merge with NHS North East Hampshire and Farnham CCG and NHS Surrey Heath CCG. We confirmed that there was appropriate scrutiny of the business case for the merger and that there had been appropriate consultation with members and local stakeholders in advance of the vote to approve the merger.</p> <p>As a result of Covid-19 it was necessary to amend some financial requirements in line with guidance issued by the Department of Health and Social Care. This included the need for competitive tendering for some services where there was an urgent need due to the pandemic as well as introducing rapid expenditure approval processes to ensure there were sufficient supplies. Appropriate oversight was provided to this by the Audit Committee throughout the year and we did not identify any instances of inappropriate expenditure being incurred as a result of the changes.</p> <p>We found there to be appropriate scrutiny and challenge of the budgets and appropriate approval through the budget holders and the Quality, Performance and Finance 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 team. Discussions between the finance team 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-19.</p> <p>Laws and regulations are primarily monitored through bulletins issued by the Department of Health and Social Care with the responsibility with the Executive Directors to ensure that teams across the CCG implement any changes. Any legal issues arising from changes in laws and regulations are dealt with by the appropriate committee for implementation.</p>

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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/Efficiency 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 and control 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>A quarterly paper is presented to the Frimley Collaborative Quality, Performance and Finance Committee and Governing Body in order to report on financial performance, allowing the CCG to assess the level of value for money being achieved. The CCG accesses and uses data from Right Care Right Place, and benchmarking information from the Benchmarking Network, where appropriate, in developing its pathway re-design and transformational plans.</p> <p>As part of the preparation for the merger on 1 April 2021 the Collaborative of CCGs in the Frimley area supported joint working across commissioning, quality and finance in the response to the pandemic and also to begin tackling inequalities across the system and variation in services across the ICS footprint. The CCGs brought together their governance structures during the year to enable closer joint working and review in preparation for the merger.</p> <p>The CCG participates in and contributes to the plans of the Frimley Care ICS mainly through Executive Director involvement (MD, DQN and CFO). The aim of this ICS is to transform and improve the health, care and wellbeing of our population and to further build a system that is sustainable and that will continue to improve. The hospital discharge programme will continue into 2021-22 as the pandemic continues, and as the urgent care response diminishes and the restoration of services continues. In addition, primary care services have been developed in response to the pandemic with the move to e-consulting increasing rapidly and the vaccination response. These changes are largely in line with NHSE guidance as part of the level 4 incident response to the pandemic. The actions in response are developed through various committees and Boards e.g. Urgent and Emergency Care Board.</p>



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