



Auditor's Annual Report 2020/21

NHS Bolton CCG

17 June 2021

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This report is addressed to NHS Bolton 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 Bolton 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 17th June. 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>Fraudulent Expenditure Recognition</i></p> <p>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 services.</p> <p>We therefore considered there to be a completeness and accuracy risk in relation to expenditure and accruals recognised in periods 12 and 13 as the CCG could have sought to reduce expenditure in order to meet its planned outturn target. Our testing therefore focussed on non-NHS expenditure due to the centralised and block funding nature of the financial regimes underpinning the CCG's NHS specific expenditure. Therefore our focus was over the purchase of healthcare from non-NHS bodies as well as non-NHS accruals during this period.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised a recommendation relating to the formalisation of the CCG's in-year and year-end accruals control.</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>
<p><i>Fraudulent revenue recognition</i></p> <p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p>	<p>We rebutted this risk as part of our audit planning procedures therefore we have no further matters to report.</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.
Head of Internal Audit opinion	Substantial 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 regimes in place for the 2020-21 financial year, including the national cost improvement process being paused for the entirety of this period.</p> <p>For months 1-6 of the 2020-21 financial year, the CCG received an initial budget allocation and additional costs relating to business-as-usual and Covid-19 were mitigated by retrospective top-ups which were claimed direct from NHS England/Improvement (NHSE/I). As a result of this financial regime, the CCG achieved a breakeven position for this part of the financial year.</p> <p>For months 7-12, a system wide envelope was allocated to Greater Manchester (GM) which included the initial allocation of the CCG alongside Covid-19 funding, growth funding and top-up allocation. The CCG developed a financial plan for Months 7-12 of 2020/21 which forecasted an original deficit position of £1.091m based on a total expected allocation of £247.991m. The position included Quality, Innovation, Productivity and Prevention (QIPP) measures of £2.633m. The plan was presented and approved at the CCG Board of the 13th November 2020 following consideration and review at the CCG Finance and QIPP committee. The approval of the plan by the Board noted the financial risk and the identified mitigations which included expected future funding of £0.920m in respect of the Additional Roles Reimbursement Scheme (ARRS) in relation to centrally held funding. The CCG expected to mitigate the residual £0.171m deficit through the remainder of the financial year.</p> <p>Whilst the financial regimes in place for the 2020/21 financial year have differed from those in previous years, we have identified that the CCG has ensured procedures, processes and controls relating to budget setting, monitoring and reporting have remained in place with monthly reporting through to the Finance and QIPP Committee and Governing Body (GB) consideration taking place on a regular and timely basis. The CCG increased monitoring and reporting for months 1-6 to ensure appropriate and sufficient transparency and approval of Covid-19 related expenditure which supported the CCG's monthly returns and claims to NHSE/I.</p> <p>In line with national guidance, 'Quality, Innovation, Productivity, and Prevention' (QIPP) schemes were put on hold during months 1-6 of 2020/21, with NHSE emergency measures significantly impacting the CCG's ability to achieve efficiencies through the contracting process. Prior to this the CCG had identified themed areas through the QIPP planning process for 2020/21 which was reported to the Executive Team. Further updates were provided to the Executive Team for consideration prior to changes in national guidance. QIPP schemes were reinstated for Months 7-12 to support the CCG's financial position and are tracked through the Chief Financial Officer's report to the Governing Body in addition to project documentation review by the Executive Team. The CCG reported forecast achievement of the identified £2.633m efficiency savings through the year. Current uncertainty in respect of the funding allocations for 2021/22 and the planning process mean confirmation of the level of efficiencies required have not been finalised, however the CCG had recognised an expected QIPP plan of £7.5m within the long term plan developed in August 2019.</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>The CCG ensures its financial plans are consistent with NHSE guidance through the use of the financial templates issued by NHSE/I and through adherence to the submission timetables determined by the DHSC. The Financial plan is aligned to the expectations set out in CCG workforce and operational plans in addition to any investment planning. This is ensured through the review and scrutiny of CCG plans through the Finance and QIPP Committee, Governing Body and NHSE/I assurance process.</p> <p>The CCG monitors financial risks to the financial plan through the monthly reporting to the Governing Body in the CFO report. Financial risks were also identified and quantified within the M7-12 financial plan with associated mitigating actions. Details and mitigating actions are required and established through the NHSE submitted financial plan. Financial risk is also included within the overarching risk management procedures in place at the CCG and subject to review and consideration through the quarterly review of the Board Assurance Framework. The Board Assurance Framework has contained a high level risk throughout the year in respect of the 'Failure to meet NHS Financial balance in 2020/21'.</p> <p>The CCG achieved a breakeven position in 2020/21 and has commenced planning for 2021/22 following publication of planning guidance by NHSE in March 2021. This instructed CCGs to submit a plan for the first six months of 2021/22 (H1). At the time of writing this report, full year CCG allocations for 2021/22 have not been published by NHSE, however the H1 allocation for the CCG has been set based on their H2 202/21 allocation. Per the national guidance, block payment arrangements between providers and CCGs will continue for the duration of this period.</p> <p>The CCGs draft plan for 2021/22 forecasts a breakeven position for the first six months of the year. The CCGs planned financial commitments in H1 exceed the allocation by £2.467m and therefore the breakeven position is planned to be met by efficiencies during the year. This includes £1.399m efficiencies required to meet Bolton CCG's share of the wider GM deficit position and the release of a previously required 0.5% contingency for CCGs, representing £1.134m for Bolton CCG.</p> <p>Conclusion</p> <p>Based on the procedures performed we have not identified any significant weaknesses that the CCG does not have sufficient financial sustainability arrangements in place to oversee and monitor their value for money achievement.</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 and controls in place to identify, monitor and assess risk. Due to the Covid-19 emergency response, the CCG did not undertake the 2020/21 Assurance Framework annual review, however scrutiny of the existing risks has been maintained through formal reporting structures, with agreement that the Assurance Framework continues to represent the current organisational risk profile. The on-going impact of the Covid-19 pandemic has been reflected within the Assurance Framework.</p> <p>The Governing Body receives reporting of identified strategic risks through the Assurance Framework. Quarterly updates are provided outlining the status and progress of risk scores assessed against impact and likelihood in line with the CCG's Risk Management Strategy.</p> <p>We have reviewed the CCG's BAF and Risk Management Strategy as part of our risk assessment. As part of this work we have been able to determine that the Risk Management Strategy lays out how the CCG approaches financial risks. Furthermore the CCG's BAF shows that the CCG has considered the likelihood and impact of each risk. Our review has demonstrated that these documents are complete and together display strong and robust arrangements in place to help identify, assess and monitor financial risk.</p> <p>The BAF is reported to the GB and AC where the detail provided in the papers is sufficient for Board members to take informed decisions. Risks are initially summarised in a table and colour-coded dependent on their risk score. Previous months scores are tracked so trends in risk scores can be easily monitored. Risks are then explained individually, providing risk description, existing controls, gaps in assurance, initial risk score and target score as well as actions required.</p> <p>The CCG's internal audit provider also provides an Anti Fraud Specialist (AFS) who regularly reports to the AC and delivers training to the GB and briefings to CCG staff. We have confirmed that the CCG has key policies in place in respect of fraud and whistleblowing with oversight from the Audit Committee.</p> <p>As previously highlighted within our 'Financial Sustainability' section, the Covid-19 pandemic has had a major impact on the NHS and this has resulted in changes to the financial regimes in place for the 2020-21 financial year. We have confirmed that the CCG prepared a budget for Months 7-12 which received appropriate approval through the Governing Body. Financial risks identified through planning were appropriately included within the financial plan submitted to the Governing Body and NHSE, and are continually monitored through the CFO finance reports presented to the Governing Body on a monthly basis.</p>

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Improving economy, efficiency and effectiveness

Description

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.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- 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.

Commentary on arrangements

The CCG monitors cost and performance information through the Finance reports produced for Finance and QIPP Committee, as well as Governing Body executive summaries providing higher level updates alongside illustrative performance indicator tables. This is sufficiently detailed to enable informed decision making. The CCG utilises the Atlas of Variation, Right Care, Model Hospital and the Menu of Opportunities to support performance improvements where applicable. The Financial Resilience network is reviewed and case studies are circulated where appropriate.

It is mandatory that the NHS Standard Contract is used when commissioning clinical services. This helps ensure that the required laws and regulations are incorporated and adhered to and that services will deliver the expected standards.

Arrangements have been impacted in 2020/21 as a consequence of the national instructions in respect of contracting for Months 1-6. Cost centre budget information is presented to budget holders on a monthly basis through Tableau, with budget holder reports reviewed and challenged through the Contract Finance and Activity Group or individual budget holder meetings. These were paused during months 1-6 and reinstated from month 7.

Where arrangements were not suspended for non-NHS contract arrangements, the CCG meets quarterly to monitor and review the financial and activity performance of providers such as Spa Medica Ltd, through the Quality and Performance Group. For the CCG's NHS Providers, the guidance to revert to block contract payments meant normal monitoring meetings have been suspended during the current year.

On a monthly basis the Governing Body receives the CCG's Corporate Performance Report. The report documents performance against key priority measures for the CCG including elective care, cancer care, urgent and emergency care, mental health and Children's and maternity care. Achievement against set standards is RAG rated against an agreed target for monthly performance and year to date.

CCG reporting is supported through internal dashboards generated using Business intelligence and the Tableau system which support CCG leads in tracking performance against national, GM and historic performance. The dashboards and reports are provided to the respective Boards for review, for example the Urgent Care performance is reported to the Urgent Emergency Care Board.

The CCG gains assurance over the accuracy of the operational and non-financial performance through routine business intelligence reports which are produced and data quality checked to ensure that the data is accurate.

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Commentary on arrangements

In respect of partnership working, NHS Bolton CCG is set to become part of an Integrated Care System (ICS) with other Greater Manchester CCGs from 1 April 2022. The ICS is a more advanced version of the Sustainability and Transformation Programme (STP) and will require the ICS to provide a collective operational plan to NHSE and NHSI to deliver a shared financial target across the locality.

The CCG also works alongside Bolton FT as part of the Bolton Partnership. The Partnership is established to provide greater communication and collaboration between the CCG and the main local provider for the benefit of the Bolton public health economy. Key stakeholders from both organisations in addition to the Council are involved with the Partnership Board and the monthly meetings.

These arrangements have helped to support the local response to the Covid-19 pandemic, with delivery of designated isolation beds, the Hospital discharge programme, Community Mental Health redesign representing areas impacted through the arrangement. An overarching strategic commissioning plan has been in development during the year which includes a number of collaborative delivery programs underpinning it with clear measurable outcomes that translate partnership working into established actions and measurable targets for the future.

Going forward, ICS governance is expected to be the responsibility of the GM Partnership Executive Board once this has been established.

The CCG also has a pooled budget agreement with Bolton MBC under section 75 of the 2006 NHS Act.

Conclusion

Based on the procedures performed we have not identified a significant weakness that the CCG does not have sufficient arrangements in place for improving economy, efficiency and effectiveness.



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