



**NHS NORTH EAST ESSEX CCG,
NHS IPSWICH & EAST SUFFOLK CCG,
NHS WEST SUFFOLK CCG**

**Auditor's Annual Report
Year ended 31 March 2021**

6 September 2021

CONTENTS



Section	Page
Executive summary	3
Purpose and responsibilities	4
Financial statements audit	5
Value for money	6
Recommendations	6

EXECUTIVE SUMMARY

This Auditor's Annual Report provides a summary of the key issues arising from our audit of NHS North East Essex CCG, NHS Ipswich & East Suffolk CCG and NHS West Suffolk CCG ('the CCGs') for the year ended 31 March 2021.



Area

Financial statements

We issued an unqualified opinion on all three CCGs' financial statements.

This means that we consider that the financial statements give a true and fair view of the financial position and net expenditure for the year.

Regularity

We did not identify any matters where irregular expenditure had been incurred.

Value for money

We have not identified any significant weaknesses in respect of the CCGs' arrangements for securing economy, efficiency and effectiveness in the use of CCG resources; having regard to the specified criteria in the Code.

Other reporting

We did not consider it necessary to use our auditor powers or report on other matters.

The contents of this report relate only to those matters which we are required to report under the NAO Code of Audit Practice (April 2020). In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

PURPOSE AND RESPONSIBILITIES

Purpose of the Auditors Annual Report

This Auditor's Annual Report summarises the key issues arising from the work that we have carried out in respect of the year ended 31 March 2021.

It is addressed to the CCGs but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

Responsibilities of the CCGs

It is the responsibility of the CCGs to ensure that proper arrangements are in place for the conduct of their business and that public money is safeguarded and properly accounted for.

The CCGs are also each responsible for preparing and publishing its financial statements, annual report and governance statement.

Responsibilities of auditors

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice - April 2020 (the 'Code').

Under the Code, for each CCG, we are required to review and report on:

- Whether the financial statements give a true and fair view of the financial position of the CCG and of its income and expenditure for the year and have been properly prepared in accordance with the relevant legislation
- Whether the other information published together with the financial statements is consistent with the financial statements
- Whether the auditable parts of the remuneration and staff report are properly prepared
- Whether the governance statement complies with the guidance issued
- Whether financial transactions and resources authorised by Parliament have been used for the purposes for which it was provided
- Whether the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources
- Where appropriate, make statutory recommendations, referral matters to the Secretary of State or issue a Public Interest Report.

FINANCIAL STATEMENTS

Audit conclusion

We issued an unqualified audit opinion on the financial statements of all three CCGs.

This means that we consider that the financial statements give a true and fair view of the financial position and net expenditure for the year.

We reported our detailed findings to the Audit Committee in common on 7 June 2021.

Significant deficiencies in controls

We did not identify any significant control deficiencies during the audit of the financial statements of the CCGs.

Audit differences

For NHS West Suffolk (WS) CCG the audit identified misstatements that were corrected by management resulting in decrease of net expenditure for the year by £2.035 million.

There were also unadjusted audit differences identified by our audit which, if corrected, would have the following effect:

- NHS North East Essex (NEE) CCG: decrease net expenditure for the year by £4.989 million. (Materiality: £10,190k)
- NHS Ipswich & East Suffolk (IES) CCG: decrease net expenditure for the year by £4.097 million. (Materiality: £9,500k)
- WS CCG: decrease net expenditure for the year by £3.931 million. (Materiality: £6,700k)

We reported these audit differences to Those Charged with Governance and the Audit Committee confirmed that as the impact was not material, the final published financial statements would not require amendment.

VALUE FOR MONEY

Scope

We are required to review and report on each of the CCGs' arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in these arrangements we are required to report these in the auditor's report included in the financial statements, and to make recommendations for improvement in the Auditor's Annual Report.

Specified criteria

The National Audit Office (NAO) has issued guidance for auditors to report against three specified reporting criteria:

- Financial sustainability - planning and managing resources to ensure the CCG can continue to deliver its services
- Governance - informed decisions and properly managing risks
- Improving economy, efficiency and effectiveness - using information about costs and performance to improve the way the CCG manages and delivers its services.

The NAO guidance also includes a number of further areas for review within each criteria to allow the auditor to assess those arrangements.

Risk assessment

Our risk assessment did not identify any areas of potential significant weaknesses.

Funding and contracting arrangements for 2020/21

Our work has been performed in the context of guidance issued by NHS England/Improvement (NHSE/I) in response to Covid-19 and the suspension of normal Payment by Results contracting.

For the first six months, NHS providers moved to block allocations and funding top-ups from CCGs and NHSE/I were made to cover costs. For the second six months, Integrated Care System areas received an overall funding envelope based on payments for the first half of the year that was distributed across commissioners and providers. This arrangement was designed to enable all commissioners and providers to break-even.

Funding and budgeting for 2021/22 is again based on system funding envelopes.

As a result normal financial planning arrangements, savings and efficiency requirements, and performance monitoring arrangements were suspended.

Audit conclusion

We have not identified any significant weaknesses in the three CCGs' arrangements for securing economy, efficiency and effectiveness in their use of resources.

We had no matters to report by exception in the audit report on the financial statements. We also have no matters to report in our closing audit certificate on completion of our work on the CCG's value for money arrangements.

VALUE FOR MONEY

Financial sustainability - planning and managing resources

Areas reviewed:

- How significant financial pressures relevant to short and medium-term plans identified and built into plans
- Plans to bridge funding gaps and to identify achievable savings
- Whether financial plans support the sustainable delivery of services in accordance with strategic and statutory priorities
- The consistency of financial plans with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system
- Identification and management of risks to financial resilience e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Auditor's commentary on arrangements

All three CCGs arrangements for 2020/21 were assessed in the context of changes to the NHS financial framework as part of the coronavirus pandemic response. Transaction flows were simplified in the NHS and the CCGs moved onto block contract payments to providers at the start of 2020/21. In the second half of the year, a revised financial framework was introduced, which built on these arrangements, but with a greater focus on system partnership.

A centrally issued allocation was received by each CCG up to month six, with retrospective top-ups for Covid-19 and other non-recurrent costs to fully fund all costs up to month six. At month seven, NHSE issued an overall system allocated based on the rate of expenditure at month five. This allocation was to meet all costs for the CCGs and providers, including any Covid-19 response and recovery costs for months seven to 12. The retrospective top-up allocations for months one to six ceased. All three CCGs met their financial targets in 2020/21.

All three CCGs had the arrangements we would expect to see to enable them to plan and manage their resources in order for them to continue to deliver their services. Overall review of all three CCGs arrangements confirmed the assumptions, cost pressures identified and information used was appropriate and in line with our expectations for such organisations.

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

In previous years, the CCGs set and achieved balanced financial plans. For 2020/21 the CCGs had set balanced plans, although this required the achievement of QIPP targets. The plans were aligned with the Integrated Care System (ICS)/ Sustainability and Transformation Partnership (STP) plans and followed their Medium Term Financial Strategy (MTFS). All three CCGs had set their operating plans in line with NHSE guidance. However, continual review and updating of the budgets for 2020/21 were put on hold due to Covid-19 and the guidance issued on 28 March 2020 "Reducing the burden and releasing capacity at NHS providers and commissioners to manage the Covid-19 pandemic". All three CCGs have commenced their financial planning for 2021/22 in line with NHSE guidelines, although it is currently unclear if this is required.

Each CCG sets an annual budget which is created by taking the prior year actual position as a starting point and adjusting for expected changes. As part of this process, each CCG identifies financial cost pressures and/or potential risks to the financial position in the short and medium term. In addition, when planning occurs management consider the potential costs at a system /department level, with each element feeding into the wider organisation's plan.

Planning typically consists of smaller financial plans which accompany activity plans that are used alongside trajectories and performance standards (such as the mental health plan) and these feed into the final budget / plan created by management and sent to relevant committees such as the Finance Committee for review and approval. This also ensures there is consistency across the ICS, and alignment of workforce, activity and finances. This process is facilitated by discussions with staff across the organisation who feed into these at each stage and the plans are shared with respective committees for review.

VALUE FOR MONEY

Financial sustainability - planning and managing resources

Areas reviewed:

- How significant financial pressures relevant to short and medium-term plans identified and built into plans
- Plans to bridge funding gaps and to identify achievable savings
- Whether financial plans support the sustainable delivery of services in accordance with strategic and statutory priorities
- The consistency of financial plans with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system
- Identification and management of risks to financial resilience e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

How the body plans to bridge its funding gaps and identifies achievable savings

Management prepare a “Finance report” on a monthly basis. This monitors performance against budget for each month as well as for the year to date, with a review of the actual position against budget performed in respect of costs and income. This also details the achievement of QIPP savings to date, as well as a general overview of the cash and debt for the month and year to date. This report was presented to the Governing Body each month, where the minutes confirmed that the Governing Body discussed and challenged the contents of these reports. The discussions covered the key risks and challenges being faced to meet the budget requirements.

Usually monthly budget reports are circulated to budget managers by the management accounting team shortly after the month end closedown. These reports pull together information from across the CCGs into a clear, single report which contains narrative on variances and commences the dialogue with budget managers. Our review confirmed the CCGs undertake annual budget setting processes which flow from the detailed financial plans. Discussions which take place during the planning round to inform the individual budgets which are devolved within the CCGs, with individual budget holders being involved in the detailed budget work. Review of the process confirmed that this has been an effective approach in the past, although we note due to Covid-19 2020/21 was an exceptional year.

Our review of financial plans prepared by each CCG and discussions with both senior management at each CCG and review of papers and minutes confirmed that all three CCGs prepare realistic budgets based on relevant information such as growth trends, inflation assumptions and calculations of investments required to achieve national targets.

The implementation of the financial regime, in particular the revised block funding to acute providers, meant that savings were difficult to achieve and the QIPP achievement ceased to be monitored by the CCGs, as it was no longer required in the new regime and therefore of limited relevance for the year. In a usual year, the QIPP schemes would ensure that any funding gaps had been bridged, hence for the purposes of consistency the CCGs have proposed a budget for 2021/22 and included a nominal QIPP savings target. However with the uncertain requirement for this savings this was completed for budget purposes using previous trends. Other factors have also been considered such as non recurrent expenditure including, Covid-19 impact, system top ups, inflation and activity growth based on national assumptions. When creating the budgets each CCG has completed its usual process for consistency (even though it may not be required). The process has included the assumptions previously used such as the inclusion of non-recurrent allocation and growth funding based on the CCG population. This demonstrates, and our review of documentation confirmed, that although the funding regime is currently different, there were still processes in place that the CCGs followed to ensure effective monitoring.

It is currently unclear whether and to what extent control totals and savings targets will be re-introduced for the remainder of 2021/22. The CCGs remain under a funding regime consistent with months seven to 12 of 2020/21 as at the date of this report, with an expectation that this top-up funding will remain in place for at least the first six months of 2021/22.

VALUE FOR MONEY

Financial sustainability - planning and managing resources

Areas reviewed:

- How significant financial pressures relevant to short and medium-term plans identified and built into plans
- Plans to bridge funding gaps and to identify achievable savings
- Whether financial plans support the sustainable delivery of services in accordance with strategic and statutory priorities
- The consistency of financial plans with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system
- Identification and management of risks to financial resilience e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Covid-19 pandemic radically changed the requirements and demands of population that each of the CCGs operate in, and the CCGs had to urgently put in place measures to respond to that need. The financial regime mandated by NHS England was implemented by all three CCGs in response to the rapidly changing priorities that emerged as the pandemic developed.

Standard contracting arrangements between commissioners and providers was suspended. All expenditure in the first six months of the year was fully funded. With the implementation of system wide funding in the second half of the year, decisions about how this funding was to be allocated within the system were made locally by commissioners and providers.

Covid-19 reimbursement funding was also available during months one to six of the 2020/21 financial year. The purpose of this funding was to ensure that each of the CCG's income equalled its expenditure during this period. Information about the additional costs arising as a result of these activities was submitted to NHSE who then validated the details and performed a sense check over the funding. The tight monitoring of Covid-19 related spend has allowed the CCGs to claim the additional top up funding to recover the cost in the first half of the year.

Whilst the second half of the year moved to a system allocation, the services were still distorted by the additional demands of the Covid-19 response. However, the CCGs and the ICS have continued to monitor national and local targets and are now looking towards the reduction of elective backlog with restorative and recovery planning to move towards the achievement of targets. As part of its planning, the CCGs allocated funds to ensure delivery of investment to the national priorities including investment in Mental Health and primary care.

Covid-19 related challenges faced by the CCGs are similar to those currently facing all health sector entities in the country. We note that these issues have been taken regularly to the Governing Body and other committee meetings, with detailed action plans observed to be in place, including the monitoring of progress against these plans. This evidences that arrangements are in place to ensure proper use of resources in the face of these challenges.

Finally, the CCGs recognise the ongoing risk of financial pressures within their Governing Body Assurance Frameworks (GBAFs: the CCGs' risk management frameworks) and there are clear action plans, monitoring officers designated and monitoring of these pressures to mitigate the risk where possible and reduce it to an acceptable level.

VALUE FOR MONEY

Financial sustainability - planning and managing resources

Areas reviewed:

- How significant financial pressures relevant to short and medium-term plans identified and built into plans
- Plans to bridge funding gaps and to identify achievable savings
- Whether financial plans support the sustainable delivery of services in accordance with strategic and statutory priorities
- The consistency of financial plans with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system
- Identification and management of risks to financial resilience e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

Throughout 2020/21, the CCGs were being fully reimbursed for expenditure incurred, and the main risk discussed at the Governing Body meetings throughout the year was whether this funding regime would continue for the whole year. Once it became clear that this was the case, the focus of the budgeting process and discussions was with respect to the 2021/22 year.

Each CCG's own financial plan sits within the ICS plan, which was produced following national guidance and includes; finance, workforce, activity and capital. The ICS plan was agreed by the ICS Director of Finance and all individual organisations in the system. This was completed by the 15 June 2021 deadline, which demonstrated an effective process.

Each CCG has a clear understanding of their objectives and financial plans for the ICS, with the Accountable Officer for each of the CCGs being the Accountable Officer for the ICS, and regular meetings taking place between the systems Finance Directors and Chief Finance Officers.

The CCGs have participated in the monitoring of the ICS position with regular updates of the system position being reported to the ICS systems group and the bi-monthly ICS Partnership Board.

How the body identified and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Key risks to the financial position are presented to the Governing Body on a monthly basis with the ongoing impact of Covid-19 remaining one of the greater risks for all three CCGs. This is being monitored and managed to ensure that the financial position is not significantly impacted by the uncertainty caused by the pandemic. In addition, the CCGs are aware of the knock-on affect of the delays in operations and 'routine healthcare', and have this included as part of their risks. This position is also discussed and monitored at the Finance committee.

Financial reports have continued to review activity and whilst it has been difficult to manage demand with the fluctuating levels of resources required for the Covid-19 response, the CCGs have continued to monitor the situation by discussing the issue at relevant committees and considering the trends and expectations within those meetings and discussing it at the Covid Resource Allocation Committee (CRAC) meetings (detailed on the next page).

Overall, if events or conditions were to happen which lead to significant unplanned changes to management plans, then these would be identified through review of the operational activity and factored into performance reporting to the Governing Bodies and their sub committees. Significant unplanned changes are rare and the only example observed in respect of this in recent years has been the pandemic, for which national guidance was issued and additional funding provided.

VALUE FOR MONEY

Financial sustainability - planning and managing resources cont.

Areas reviewed:

- How significant financial pressures relevant to short and medium-term plans identified and built into plans
- Plans to bridge funding gaps and to identify achievable savings
- Whether financial plans support the sustainable delivery of services in accordance with strategic and statutory priorities
- The consistency of financial plans with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system
- Identification and management of risks to financial resilience e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

During the 2020/21 year a CRAC was established across the three CCGs to enable spending decisions related to the pandemic to be quickly and effectively reviewed. The decisions made by this committee, which is chaired by the CCG chairs, is reported to the Governing Bodies and overseen by the Finance Committees.

We are satisfied that the impact of the pandemic was incorporated into the management of risks associated with financial resilience.

VALUE FOR MONEY

Governance - informed decisions and properly managing risks

Areas reviewed:

- How risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- The annual budget setting process
- Systems and processes are in place to ensure budgetary control, support statutory financial reporting requirements are met and corrective action is taken where needed
- Whether the CCG makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- Observance of appropriate standards, such as meeting legislative / regulatory requirements and standards in terms of officer or member behaviour

Auditor's commentary on arrangements

Risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

As expected each of the CCGs' Audit Committees (and later in the year the Audit Committee in Common) serves the key purpose and functions (as described in the AGS) of reviewing the adequacy of:-

- All risk and control related disclosure statements
- Mechanisms for identifying and managing key risks facing the organisation through the operational effectiveness of policies and procedures relating to internal control and risk management including the Governing Body Assurance Framework (GBAF).

We consider an internal audit (IA) function as key to the arrangements from which the Audit Committee obtains assurances over the effective operation of internal controls. For the Suffolk & North East Essex (SNEE) CCGs IA is part of the governance and risk assessment structure and is outsourced to a third party firm (RSM). We know this to be a reputable firm. Based on our review of documentation as well as our interactions with the Audit Committees during the year, we have seen that the IA projects were based on a risk-based plan agreed with management and approved by the Audit Committees.

We noted that for IESCCG & WSCCG the Audit Committee received 12 IA reports for 2020/21 of which four were given a "Substantial Assurance" opinion, three were given "Reasonable Assurance" and five were advisory, where an opinion is not given due to the nature of the review. The same number of reports was received for North East Essex (NEECCG) with the same split of assurance opinions. As such, our review of the IA reports did not highlight any control assurance gaps represented by "No Assurance" or "Limited Assurance" type opinions. Included within these IA reviews were assurances the Audit Committee obtained surrounding governance mechanisms during the Covid-19 period. One was advisory and two were given "Substantial Assurance" opinions. However we identified an area for improvement regarding obtaining internal control assurances relating to external organisations providing support services and functions to the CCGs e.g. Service Auditor Reports (SARs) for NHS - SBS, Capita. We noted from review of the Risk Management IA report for NEE CCG, IA agreed a low priority management action:

'to ensure that sources of third party assurance, against the identified controls, are documented with a sufficient level of detail to enable the reader to identify exactly what the assurance is, including the timeliness of the assurance.'

From discussions with management we understand the communications to the Audit Committee in common regarding Service Auditor Reports are generally only by exception e.g. where such reports are delayed. Control failures did exist for NHS - SBS for 2020/21 and the impact was assessed by BDO as part of the Financial Statements audit and compensating controls were found to be adequate.

VALUE FOR MONEY

Governance - informed decisions and properly managing risks

Areas reviewed:

- How risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- The annual budget setting process
- Systems and processes are in place to ensure budgetary control, support statutory financial reporting requirements are met and corrective action is taken where needed
- Whether the CCG makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- Observance of appropriate standards, such as meeting legislative / regulatory requirements and standards in terms of officer or member behaviour

This assessment was, however, only for the purpose of obtaining assurances to support the material accuracy of the financial statements and not to form an opinion on the effectiveness of the system of internal control.

Our work has therefore identified a potential risk that the Audit Committee may not be fully aware of the adequacy of the service provider controls, the impact on the CCGs' control environments and any necessary actions that should be taken. We have included a recommendation for the CCGs to formalise arrangements whereby the Audit Committee receives, at a minimum, a summary of the internal control assurances obtained from the SARs, weaknesses or failures identified and any required compensating controls, including the effectiveness thereof.

In terms of risk management arrangements, IA performed a Risk Management review during the year. Per the IA Reports:

The objective of the audit was to review the effectiveness of the CCG's risk management framework, including the adequacy of the Governing Body Assurance Framework (IESCCG & WSCCG), Directorate Risk Registers (IESCCG & WSCCG), Corporate Risk Register (NEECCG) and supporting risk management processes.

A "Reasonable Assurance" opinion was given for the audits. The IA review and positive opinion provide comfort that expected risk management arrangements such as the GBAF and Directorate Risk Registers, key committees such as Audit Committees, Clinical Scrutiny Committee (IESCCG & WSCCG), Operational Executive Committee (NEECCG) responsible for monitoring and reviewing risks, are in place. We noted that the IA review also identified some areas of improvement relating to alignment of processes across the three CCGs and agreed a management action to create, monitor and implement an action list for risk management alignment. This was rated a medium priority action. With the implementation of a statutory Integrated Care Board (ICB) by 1 April 2022 in mind, we support this recommendation and consider that implementing it would improve the efficiency of the risk management arrangements, and potentially reduce the draw on management time in preparing / observing different models in the three separate CCGs.

NHS England has a statutory duty to undertake an annual assessment of CCGs. The most recent CCG Annual Assessment is for 2019/20, published in Nov 2020, and IESCCG, WSCCG and NEECCG were rated "Outstanding", "Good", and "Outstanding" respectively. Our work did not identify any evidence of significant non-compliance with statutory requirements set by the Department of Health and Social Care (DHSC). We note that there are some main providers that have performance issues and have been placed in special measures and the GBAF (IESCCG) describes these performance issues as affecting the risk of the CCGs failing to meet its constitutional performance requirements as stipulated by the DHSC. The risks associated with these providers are being managed through the GBAF (IESCCG & WSCCG) and Corporate Risk Register (NEECCG) risk management arrangements. Corresponding controls such as performance/contract monitoring and performance reporting are discussed in the "Improving the 3 E's" section.

VALUE FOR MONEY

Governance - informed decisions and properly managing risks

Areas reviewed:

- How risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- The annual budget setting process
- Systems and processes are in place to ensure budgetary control, support statutory financial reporting requirements are met and corrective action is taken where needed
- Whether the CCG makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- Observance of appropriate standards, such as meeting legislative / regulatory requirements and standards in terms of officer or member behaviour

The overall Head of Internal Audit (HOIA) opinion for 2020/21, for all three CCGs, is that the organisation has an adequate and effective framework for risk management, governance and internal control. However, IA work has identified further enhancements to the framework of risk management, governance and internal control, to ensure that it remains adequate and effective. The HOIA opinion also concluded that there were no issues from IA work that need to be considered as significant control issues within the Annual Governance Statements (AGS) of the CCGs.

Regarding arrangements surrounding fraud detection and prevention, we have seen that the CCGs have an accredited Local Counter Fraud Specialist (LCFS) as a key component of the arrangements for detection and prevention of fraud. The LCFS function is also outsourced to RSM. We've noted that the LCFS attends the CCG Audit Committees, and provides progress reports and updates. This arrangement, which supports addressing the detection and prevention of fraud, is as expected and we noted that Covid-19 related risks had been considered.

The annual budget setting process is appropriate.

Please refer to the section on “*One off changes to arrangements as a result of COVID-19*” on page 16.

Effective systems and processes are in place to ensure budgetary control, to communicate relevant, accurate and timely management information (including non-financial information where appropriate), support statutory financial reporting requirements and ensure corrective action is taken where needed.

Budgetary control arrangements - enquiries with management determined that monthly budget reports containing narrative on variances are circulated to budget managers by the management accounting team shortly after the month end closedown. We confirmed via discussions with management and review of minutes that this still occurred given the unusual financial arrangements for 2020/21, with the focus on variable costs typically subjected to pressures, such as CHC and prescribing. As described in the AGS, the purpose of the Finance Committee includes ensuring that the CCGs operate within agreed budgets and proposing plans and necessary actions to maintain financial balance and the Finance Committees continued to meet throughout the year. Given the unusual financial regime and the achievement of financial targets and the required break-even financial position, we believe the CCGs' arrangements are adequate in these circumstances.

Management information including non-financial information - In their Joint Management Team 2020/21 report, in reference to Business Intelligence (BI), IA noted:

The integrated Performance Report (IPR) has been consistently reported and provides members with a summary of performance against national targets, contractual targets, clinical quality and patient safety issues, financial position and transformation activity. The report outlined the overarching performance highlights, whilst also providing the additional narrative for those providers where there were key exceptions to support the actions being taken to improve performance.

VALUE FOR MONEY

Governance - informed decisions and properly managing risks

Areas reviewed:

- How risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- The annual budget setting process
- Systems and processes are in place to ensure budgetary control, support statutory financial reporting requirements are met and corrective action is taken where needed
- Whether the CCG makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- Observance of appropriate standards, such as meeting legislative / regulatory requirements and standards in terms of officer or member behaviour

We consider the content and the wide-spread member review of the IPR supports arrangements for communicating management information including non-financial contributing to making informed decisions.

The CCG makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

Through enquiry with management we understand that the governance processes within the CCGs operate at various levels to ensure that decisions are given sufficient scrutiny and clinical input. From our review of the IA Governance reviews performed during the year, we can see strong governance arrangements appeared to be in place. IA performed a two-part governance review for IESCCG & WSCCG and a separate review for NEECCG. The first part was conducted with the objective:

to ensure that robust and effective governance mechanisms were in place to provide oversight, monitoring and scrutiny of the CCGs operations during the COVID-19 period and the second, to follow up the revisions made within the governance structure to ensure these remain effective and have been fully embedded.

For both, a “Substantial Assurance” opinion was given. The IA reviews determined arrangements included key committees within the governance structure reporting to the Governing Body, updating of the governance structure to include the Covid-19 Resource Approval Committee (CRAC), timely notifications process to facilitate challenge, as well as an Audit Committee self-assessment questionnaire to monitor effectiveness.

The CCG monitors and ensures appropriate standards, such as meeting legislative / regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The CCGs assert that, as public sector organisations, the 7 Nolan Principles are at the heart of everything they do and that a mandatory training programme ensures all staff and office holders are appropriately equipped to perform their roles. NHSE’s “Managing Conflicts of Interest: Revised Statutory Guidance for CCGs 2017” requires CCGs to undertake an annual IA of conflicts of interest management. We confirmed that an annual IA of Conflicts of Interest Management was performed for the CCGs. The purpose of the review was to allow the Governing Body to take assurance that the CCGs have effective processes in place to monitor, manage and report upon their management of conflicts of interest.

A “Reasonable Assurance” opinion was given. From our review of the IA report, IA determined that arrangements included a Standards of Business Conduct and Conflicts of Interest Policy, Register of Conflicts of Interests, Registers of Gifts and Hospitality and Procurement Decisions, mandatory training and staff and member declarations.

VALUE FOR MONEY

Governance - informed decisions and properly managing risks

Areas reviewed:

- How risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- The annual budget setting process
- Systems and processes are in place to ensure budgetary control, support statutory financial reporting requirements are met and corrective action is taken where needed
- Whether the CCG makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- Observance of appropriate standards, such as meeting legislative / regulatory requirements and standards in terms of officer or member behaviour

IA also noted an area of best practice whereby declarations made in committee meeting minutes are held centrally in a Log of Declarations for the CCGs. The annual review, IA's positive opinion, together with the arrangements mentioned and the added area of best practice identified by IA, support good governance arrangements surrounding member or officer behaviour.

One off changes to arrangements as a result of COVID-19

We noted changes that impacted the considerations for Governance included:

- Annual budget setting: The 2020/21 budget was not agreed and approved by the Governing Bodies for each CCG in advance of the start of the year as would normally be the case. The Governing Bodies delegated responsibility to the finance committees for sign off in the first part of the year and went on to approve the M7-12 budgets once allocations were received. This is not unexpected given the 2020/21 funding arrangements and suspension of normal financial planning arrangements, savings and efficiency requirements, and performance monitoring arrangements as described under "Funding and contracting arrangements for 2020/21" in the Executive Summary. We noted that the Finance Committee approved the high-level M1-4 budgets.
- The CCGs created a temporary joint COVID-19 Resource Approval Committee (CRAC) and updated the governance structures accordingly. This was *to aid the governance processes and decision making with regard to the COVID-19 pandemic across the local healthcare system*. IA performed a Financial Governance (Advisory) review for the Suffolk CCGs and one for NEE, the purpose of which was to consider whether the revised arrangements proposed by the CCGs had been adequately designed to ensure effective financial governance controls are in place to manage risks within the CCGs during the period of the COVID-19 pandemic. IA concluded that the CCGs had established an emergency procedure which conforms/largely conforms to both NHSE&I recommendations. We consider the creation of the CRAC and associated IA reviews good governance practice.

VALUE FOR MONEY

Improving economy, efficiency and effectiveness - using information to improve services

Areas reviewed:

- Use of financial and performance information to assess performance and identify areas for improvement
- Evaluation of services provided to assess performance and identify areas for improvement
- How the CCG delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve
- Commissioning and procurement of services in accordance with relevant legislation, professional standards and internal policies, and how the CCG assesses whether it is realising the expected benefits from these arrangements

Auditor's commentary on arrangements

Financial and performance information has been used to assess performance to identify areas for improvement.

We have seen arrangements where financial as well as performance information is reported and reviewed across various areas of each of the CCGs and also across all three organisations where applicable.

Through enquiries with management we understand that Finance committees use information on direct delivery within the CCGs (CHC and prescribing) and performance in the wider system through the ICS finance report. Per management, this information provides the organisations' leaders with the ability to effectively assess performance and implement work to address or investigate areas where performance is unacceptably low or dropping.

Within the "Review of Economy, Efficiency & Effectiveness of the Use of Resources" section of the AGS we noted that:

A monthly Integrated Performance Report (IPR) is described as providing performance updates on Constitutional Standards, Clinical Quality and Patient Safety, Contractual Performance, Redesign programmes and the Programme Management Office and that it is submitted to the Governing Body and Clinical Scrutiny Committee.

Our review of IA reports determined that the IPR had been consistently reported and was a summary of performance addressing those areas as described in the AGS, including actions to be taken for improvement. From enquiries with management we understand that the IPR is used to capture performance in commissioned services alongside those directly provided by the CCGs. In our view the content of the IPR, and reviews of it by the Governing Body and sub-committees demonstrates that the CCGs use financial and performance information to assess performance to identify areas of improvement. As detailed in the governance section of this report we also noted where the IPR supports arrangements for communicating management information, including non-financial, contributing to making informed decisions.

We noted that NEECCG, specifically, also has a Quality Committee. We have seen through review of the Governing Body minutes and IA work that the Quality Committee provides an overview report to the Governing Body for consideration. IA noted :- *the report discussed the patient safety and quality exceptions which had been identified in the services commissioned by NEECCG. IA also noted that the Quality Committee receives and reviews quality dashboards with narrative reports about patient experiences relating to all the service providers commissioned by the CCG for: Planned Care; Urgent Care; Primary Care and Mental Health Care.* The minutes noted that the Governing Body was assured that the Quality Committee was satisfied that where performance was not reaching the required standard that the necessary steps were being undertaken to achieve standards

We noted a good practice example of using information to assess performance to identify areas of improvement is the "Suffolk and North East Essex Integrated Care System Reflections on System Learning from Covid-19 March - September 2020" report which captured the system learning from the first wave response

VALUE FOR MONEY

Improving economy, efficiency and effectiveness - using information to improve services

Areas reviewed:

- Use of financial and performance information to assess performance and identify areas for improvement
- Evaluation of services provided to assess performance and identify areas for improvement
- How the CCG delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve
- Commissioning and procurement of services in accordance with relevant legislation, professional standards and internal policies, and how the CCG assesses whether it is realising the expected benefits from these arrangements

This report was referenced in the CQC's "Collaboration in urgent and emergency care" report under the area of "Capturing System Learning" which is discussed in further detail under the "The CCG delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve" section of this commentary on page 19.

Services provided by the body are evaluated to assess performance and identify areas for improvement.

Services are commissioned from a range of organisations, including acute hospital trusts, GP practices, voluntary organisations and other NHS and non-NHS providers. One of the 8 clinical priorities of IESCCG is to ensure high quality local services. Included in WSCCG's 6 clinical priorities is to deliver financial sustainability through quality improvement. For NEECCG, a strategic objective is to transform care and drive continuous improvement in quality and safety and achieve the best possible outcomes for service users through high-quality care. Per the Annual Reports "contracts with providers are closely managed by a dedicated, highly-skilled contracting team to ensure services are high quality and safe, whilst providing value for money" for the people of Suffolk and North East Essex.

For evaluating and assessing performance of services provided, we expect fundamental arrangements to be in place such as defined service specifications or requirements and monitoring against those specifications to assess achievement, as well as identify areas of improvement. We have seen arrangements such as the Procurement Policy (Suffolk CCGs) which requires, amongst other things, a service specification to be completed in the NHS standard contract template, where appropriate, and quality requirements agreed and specified. The (Draft) Procurement Policy (NEECCG) noted that performance monitoring will require effective monitoring systems to be implemented, to include key performance indicators, standards and targets.

Through discussions with management we were informed that significant work is undertaken on the quality of services and performance against standards. From our review of IA work, we noted IA were advised that contract monitoring meetings had been largely postponed throughout the Covid-19 pandemic. IA identified contract monitoring meetings and quality and contract performance monitoring meetings ongoing during the year. We noted that one of these examples of on-going monitoring meetings related to one of the providers which is in special measures. We have also seen examples of minutes from Norfolk and Suffolk Foundation Trust (NSFT) and East Suffolk North Essex Foundation Trust (ESNEFT) of quality performance meetings.

IA also performed a review of Primary Care Commissioning during the year. The purpose of the review was an assessment of the CCGs' compliance against their delegated Primary Care Commissioning function. A "Reasonable Assurance" opinion was given for NEE CCG and "Substantial Assurance" for the joint IESCCG & WSCCG review.

We did not identify any significant issues from our review in this area.

VALUE FOR MONEY

Improving economy, efficiency and effectiveness - using information to improve services

Areas reviewed:

- Use of financial and performance information to assess performance and identify areas for improvement
- Evaluation of services provided to assess performance and identify areas for improvement
- How the CCG delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve
- Commissioning and procurement of services in accordance with relevant legislation, professional standards and internal policies, and how the CCG assesses whether it is realising the expected benefits from these arrangements

The CCG delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

The NHS Long Term Plan sets out the aim that every part of England will be covered by an ICS by 2021, replacing STPs but building on their work to date. As such, partnership working is essential to the way the CCGs operate. In some areas STPs have evolved to become Integrated Care Systems (ICS), a new form of even closer collaboration between the NHS and local councils. SNEE is already listed as an ICS (i.e. considered an early wave ICS) and has an ICS Partnership Board in place, strongly indicating effective partnership working across the system.

An example we have seen which highlights the CCGs delivering their role within significant partnerships and engaging with stakeholders is evidenced in the "Collaboration in urgent and emergency care" report published by the CQC. As part of a national programme of provider collaborative reviews (PCRs), in autumn 2020, the CQC performed a review of how providers had collaborated in urgent and emergency care (UEC). The aim of these reviews is to support providers of health and social care services by sharing learning and helping to drive improvements for those accessing care. The CCGs were selected for participation in this review and some key SNEE initiatives were positively referenced within the report. These included the "Home but not alone" Ipswich and East Suffolk Alliance initiative referenced in the area of "Collaborations that make a difference". Under the area of "Capturing System Learning", the CQC referenced the "Suffolk and North East Essex Integrated Care System Reflections on System Learning from Covid-19 March - September 2020" report which captured the system learning from the first wave response.

The Audit Committee in common approved the Ipswich and East Suffolk Alliance Partnership Agreement between the IES CCG and the membership of the IES Alliance Board. Per the agreement presented to the Audit Committee in common, the purpose is to demonstrate the Alliance Board's commitment to working together in an even more integrated way to build upon success to-date, and strengthen trust, transparency and collaboration between to achieve the shared vision.

The agreement notes that the primary purpose of the Alliance is to deliver the outcomes of the respective well-being boards and detailed outcomes expected. We have reviewed an update on the progress against the FY20/21 Delivery Plan for the Alliance Board. The updates show delivery against milestones summarised against each of the Alliance's outcomes. This is evidence that arrangements are in place to monitor partnership performance against expectations.

VALUE FOR MONEY

Improving economy, efficiency and effectiveness - using information to improve services

Areas reviewed:

- Use of financial and performance information to assess performance and identify areas for improvement
- Evaluation of services provided to assess performance and identify areas for improvement
- How the CCG delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve
- Commissioning and procurement of services in accordance with relevant legislation, professional standards and internal policies, and how the CCG assesses whether it is realising the expected benefits from these arrangements

Where the CCG commissions or procures services, this is done in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits

Established policies and committee oversight surrounding commissioning and procurement of services are considered to support the arrangements to ensure this is done in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

The Suffolk CCGs have a “Commissioning Procurement Policy”. The purpose of the policy includes ensuring:

- Compliance with relevant national legislation, policy and guidance, the CCGs’ Constitutions, Standing Orders, Schemes of Reservation and Detailed Financial Policies
- Providers are treated in a transparent, proportionate and non-discriminatory manner with equality of treatment a core requirement
- The best possible value for money is provided.

The Procurement Policy for the NEECCG sets out the objectives of the policy which include:-

- To set out how the CCG will meet statutory procurement requirements (a “Regulatory Framework Appendix” is included which references various sources)
- To ensure the CCG does not engage in anti-competitive behaviour
- Providers are treated in a transparent, proportionate and non-discriminatory manner with equality of treatment a core requirement.

We have not covered whether the above policies have been implemented in practice during 2020/21 in part due to the wide ranging changes to the commissioning process as part of the pandemic - also referred to in “one off changes”.

For oversight arrangements, through attendance of Audit Committee in common meetings during the year we have seen that the members obtain assurance that a process is in place to monitor compliance with the Standing Orders and Standing Financial Instructions/Scheme of Delegation in relation to waivers of competitive tendering. The Audit Committees also review the CCGs’ Hospitality and Gifts Register.

The establishment of a Procurement Board that works across all three CCGs within Suffolk and North East Essex was approved by the Governing Body in January 2021 (IESCCG & WSCCG) and in February 2021 (NEECCG). The Procurement Board is established to provide oversight and challenge to ensure procurement policy and processes are delivered appropriately to secure quality and value for money services through procedures which are transparent, proportionate, fair and non-discriminatory. Its purpose also includes promoting governance routes across the CCGs to improve understanding of project and procurement sign off and compliance within the CCGs’ constitutions and detailed financial policies.

VALUE FOR MONEY

Improving economy, efficiency and effectiveness - using information to improve services

Areas reviewed:

- Use of financial and performance information to assess performance and identify areas for improvement
- Evaluation of services provided to assess performance and identify areas for improvement
- How the CCG delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve
- Commissioning and procurement of services in accordance with relevant legislation, professional standards and internal policies, and how the CCG assesses whether it is realising the expected benefits from these arrangements

The Primary Care Commissioning Committee (PCCC, formerly GP Commissioning Committee in NEE CCG) monitors primary care performance. Per the IA Primary Care Commissioning report, IA determined that primary care commissioning is facilitated by the Primary Care Team and performance primarily monitored through the PCCC. As reported above, IA provided positive opinions across the CCGs. As described in the AR, the purpose of the Commissioning Governance Committee includes demonstrating that the CCGs and member practices are acting fairly and transparently, and that final commissioning decisions are made in ways that preserve the integrity of the decision making process.

The IA Report described earlier under “Governance” evidenced other supporting arrangements such as Standards of Business Conduct and Conflicts of Interest Policy, Register of Conflicts of Interests, Registers of Gifts and Hospitality and Procurement Decisions.

We expect the contract and performance monitoring arrangements described in “*Services provided by the body are evaluated to assess performance and identify areas for improvement.*” should/would address the realisation of expected benefits.

We noticed that of the IA reviews performed during the year, as well as for 2019/20, although they included Primary Care Commissioning, and Safeguarding Adults - Oversight of Providers, there wasn't a specific review of commissioning/procurement and contract management. Given the importance of this area, the newly established Procurement Board, separate Procurement policies for the CCGs and some key providers in special measures, we support the proposal to include “Commissioning and Contract Management” in the IA Plan for 2021/22, as agreed by the Audit Committee in common. We understand this review was initially planned for 2020/21, however was moved due to the revisions in contracting processes in relation to Covid-19.

One off changes to arrangements as a result of COVID-19

We noted changes that impacted the considerations for Improving the 3 E's included:

- NHSE/I Performance monitoring arrangements were suspended
- IA were advised by the Procurement Lead that there have been no commissioning procurement decisions made since 1 April 2020 (IESCCG & WSCCG)
- Per the IA Report 2020/21 Conflicts of Interest - the Procurement Lead advised there were no procurement decisions made across the CCGs since January 2020 due to the COVID-19 pandemic (Decisions register last updated January 2020) (IESCCG & WSCCG)
- IA were advised that contract monitoring meetings had been largely postponed throughout the COVID-19 pandemic. (IESCCG & WSCCG)

VALUE FOR MONEY

Improving economy, efficiency and effectiveness - using information to improve services

Areas reviewed:

- Use of financial and performance information to assess performance and identify areas for improvement
- Evaluation of services provided to assess performance and identify areas for improvement
- How the CCG delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve
- Commissioning and procurement of services in accordance with relevant legislation, professional standards and internal policies, and how the CCG assesses whether it is realising the expected benefits from these arrangements

- Due to the impact of Covid-19 all procurements were stopped in April 2020; some procurements have been restarted, whereas others are now being reviewed in light of the changes due to covid-19 or the progression of time impacting on the options available (IESCCG & WSCCG)
- NEECCG Quality Committee reported to its Governing Body that regular Quality and Contract Performance Meetings for most providers had been stood down during the Covid-19 period. We understand they had been re-instated in March 2021.

RECOMMENDATIONS

We have not identified any significant weaknesses in the arrangements the CCGs have for securing economy, efficiency and effectiveness in the use of resources, but have identified the following opportunities to further enhance arrangements in addition to those already identified and reported by Internal Audit in their work for 2020/21.

Area	Observation & implication	Recommendation	Management response
Governance	<p>3rd Party Service Provider control assurances.</p> <p>Currently, the outcomes of the 3rd party provider control assurance reports are not reported to the Audit Committee in common. Hence, they may not be aware of the adequacy of the service provider controls, which may impact on the CCGs' control environment and any necessary actions that should be taken.</p>	<p>Report to the Audit Committee in common a summary of the internal control assurances obtained from the various service auditor reports, including weaknesses or failures identified and any required compensating controls.</p>	<p>Management accepts this recommendation and will agree the best method of implementation with the Audit Committee.</p>

FOR MORE INFORMATION:

Lisa Blake
Engagement Lead

t: +44 (0)1473 320716
m: +44 (0)7791 397160
e: lisa.blake@bdo.co.uk

Satinder Jas
Senior Audit Manager

m: +44(0)7971 716 511
e: satinder.jas@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the entity and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,000 offices in more than 100 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

© September 2021 BDO LLP. All rights reserved.

www.bdo.co.uk