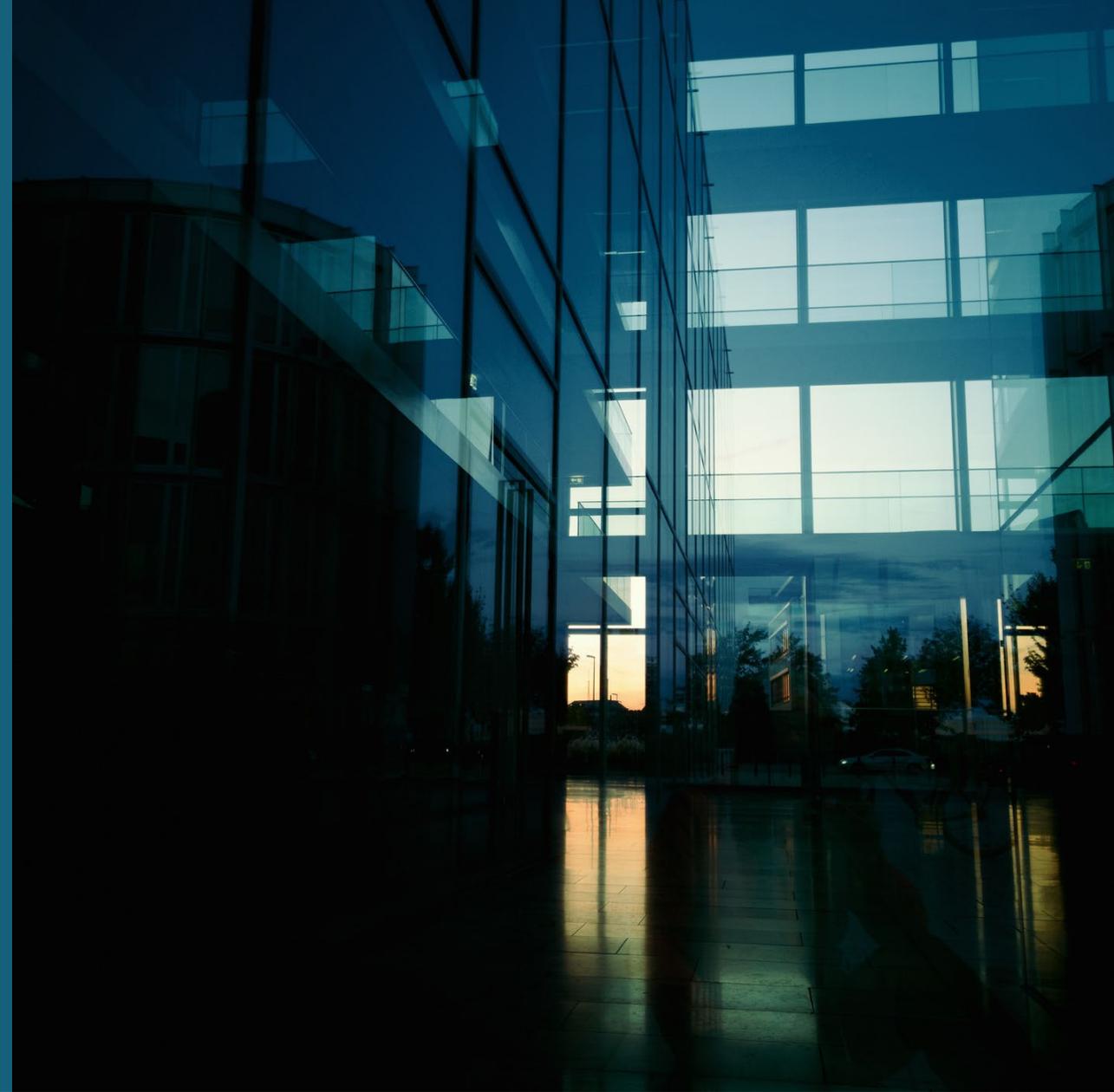


Auditor's Annual Report

NHS Newcastle Gateshead Clinical
Commissioning Group – year ended 31
March 2021

August 2021



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Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for NHS Newcastle Gateshead Clinical Commissioning Group ('the CCG') for the year ended 31 March 2021. Although this report is addressed to the CCG, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 11 June 2021. Our opinion on the financial statements was unqualified.



Opinion on regularity

In our audit report we gave an unqualified opinion on regularity. This means that in our opinion, in all material respects the expenditure recognised in the financial statements has been applied for the purposes intended by Parliament.



Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 11 June 2021 we reported that the CCG's consolidation schedules were consistent with the audited financial statements.



Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the CCG's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the CCG's arrangements.

Following the completion of our work we have issued our audit certificate which formally closes the audit for the 2020/21 financial year.

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Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the CCG and whether they give a true and fair view of the CCG's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, issued on 11 June 2021 gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

We are also required to form and express an opinion on whether the CCG's expenditure has been, in all material respects, applied for the purposes intended by Parliament (our regularity opinion). Our audit report also included an unqualified opinion on regularity.

Qualitative aspects of the CCG's accounting practices

We have reviewed the CCG's accounting policies and disclosures and concluded they comply with Department of Health and Social Care Group Accounting Manual 2020/21, appropriately tailored to the CCG's circumstances. There were no significant changes to accounting policies.

Going concern

We discussed with the CCG the going concern assumption, as set out in accounting policy 1.1, which states that "if services continue to be provided, the financial statements are prepared on a going concern basis". In considering management's going concern assumption, we are required to consider at least 12 months after the date our opinion is signed. In light of the February 2021 White Paper proposals for CCGs, we recommended the CCG expand upon the going concern policy, to clarify the proposals would result, if the legislation is passed, in the CCG's functions transferring to a new statutory body by April 2022 (i.e. the CCG's services would

continue to be provided).

Compliance of the CCG template with the Government Accounting Manual (GAM)

We noted there were a small number of areas where the CCG template used by NHS Newcastle Gateshead CCG did not fully comply with the GAM, including:

- the split of disclosures into programme and administration expenditure; and
- the wording of some accounting policies.

We were satisfied there were no material omissions, noting the additional narrative included by the CCG at the foot of the operating costs disclosure.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full cooperation of management.



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Section 03:

Commentary on VFM arrangements

3. VFM arrangements – overall summary

Approach to Value for Money arrangements work

We are required to consider whether the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **financial sustainability** - how the CCG plans and manages its resources to ensure it can continue to deliver its services;
- **governance** - how the CCG ensures that it makes informed decisions and properly manages its risks; and
- **improving economy, efficiency and effectiveness** - how the CCG uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work so we can understand the arrangements that the CCG

has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria. On the following page we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Overall, we have not identified any significant weaknesses in arrangements.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	9 to 10	No	No
Governance	11 to 13	No	No
Improving economy, efficiency and effectiveness	14 to 15	No	No



3. VFM arrangements – financial sustainability

Risks of significant weaknesses in arrangements

Our work did not identify any risks of significant weaknesses in the CCG’s arrangements.

Overall commentary on the financial sustainability reporting criterion

Background to the NHS financing regime in 2020/21

Following the onset of the Covid-19 pandemic in March 2020, the original NHS Planning Guidance 2020/21 was suspended and a new financial regime was implemented. For the first half of the year (April to September 2020) all NHS trusts and NHS foundation trusts were moved to block contract payments ‘on account’ and the usual Payment by Results national tariff payment process was suspended. The Financial Recovery Fund was also suspended and NHS providers were able to claim for additional costs due to COVID-19. Whilst commissioner allocations for 2020/21 had already been notified, individual commissioner financial positions were kept under review and top-up payments were issued to CCGs to cover the difference between allocations and expected costs.

For the second half of the year (October 2020 to March 2021) there was a move to “system envelopes” i.e. principally those NHS organisations providing services in the geographical areas of Northumberland, North Tyneside, Newcastle and Gateshead. Funding allocations covering most NHS activity were made at the system level, including resources to meet the additional costs of the Covid-19 pandemic. There were no further general retrospective top-up payments and all Covid-19 costs from that point were funded through the fixed Covid-19 funding allocation with a few exceptions.

Systems were expected to achieve financial balance within this envelope. Individual organisations were able to deliver surplus or deficit positions by mutual agreement within the system, however, NHS trusts were still required to meet statutory break-even duty and CCGs were required to meet their resource limits.

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

Following the introduction of the new finance regime the CCG approved and submitted a revised financial plan.

We reviewed the assumptions underpinning the revised plan, the reports provided to the Governing Body, the minutes of relevant meetings where the revised financial plan was considered and did not identify any significant issues.

The CCG has reported an outturn position at 31 March 2021 of £1.4 million along with a carried forward surplus of £16.9 million; this was in line with expectations and forecasts. We have considered the arrangements in place in respect of budget management as part of the Governance criterion, further in this report.

During the year the CCG reported its financial position to the Executive Committee, the Audit Committee and then subsequently the Governing Body. There is evidence of appropriate scrutiny and challenge based on our review of minutes.

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

As part of the 2020/21 budget setting, the CCG identified £1.4 million of Quality, Innovation, Productivity and Prevention target. As a result of COVID-19, many of the original plans were delayed or superseded by the new financial regime, where savings were linked to NHS provider contracts. The CCG’s Executive Committee has continued to meet during the year and as part of their remit receive regular financial updates which are considered before being sent to Governing Body as part of the overall assurance process.

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

The CCG has aligned its financial plans with the NHS Long Term Plan and more locally, the North East and North Cumbria Integrated Care System (NENC ICS) Strategic Delivery Plan which is a key enabler of delivering its strategic plan, operational plans and statutory duties. Working as a wider ICS, and also within the North of Tyne and Gateshead Integrated Care Partnership (ICP), is very much a key driver in ensuring local health services are sustainable in the long-term.



3. VFM arrangements – financial sustainability

Overall commentary on the financial sustainability reporting criterion - continued

How the CCG 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

The CCG has been required to work within the system envelope set for its ICP for the second half of 2020/21, under the revised financial regime.

There is a ICP planning group in place with includes representatives from all bodies . This group comes together to discuss issues and coordinate action, for example work is ongoing in relation to elective recovery plans that are included within the system plans for H1 to make progress n elective activity to get back to pre-pandemic levels.

In addition, Finance leads from the ICP bodies meet on a regular basis with the aim of managing achievement of the system control total.

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

As outlined above, arrangements are in place for internal CCG committees to receive regular financial updates for consideration before being reported to Governing Body.

During 2020/21, the CCG was reporting an underspend for all of the financial year, subject to receipt of COVID-19 reimbursements, with the biggest risk to achieving financial balance being the challenge of ensuring a balanced position across the ICS/ICP without a material impact on the CCG.

The CCG successfully managed this challenge, given the year-end outturn of £1.4 million along with a cumulative carried forward surplus of £16.9 million.

The CCG has noted that the latest planning guidance has indicated cumulative historic under and overspends will continue to be reported at a CCG level; however, any future access to historic underspends will additionally take into consideration the net position of the system.



3. VFM arrangements – governance

Risks of significant weaknesses in arrangements

Our work did not identify any risks of significant weaknesses in the CCG’s arrangements.

Overall commentary on the governance reporting criterion

Background

The CCG has had to adapt how it has worked during 2020/21, including how management has overseen the organisation during this critical period. The CCG has maintained a focus on good governance arrangements from the very start of the pandemic, recognising they remained vital to support the changed ways of working.

How the CCG monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The CCG’s overarching governance framework is encapsulated in its Assurance Framework, which is in turn supported by reporting and monitoring of strategic and corporate risks.

In 2020/21, the CCG’s strategic objectives were:

- achieve the CCG’s statutory duties;
- through the regional integrated care system (ICS), engage in strategic planning relating to the commissioning of high-quality health services and organisational development;
- transform lives together through the delivery of commissioned health services based on clinically led, patient-focused and evidenced based programmes;
- deliver the CCG vision of improving patient involvement, experience and outcomes through transformation;
- make effective financial decisions which balance individual, local, strategic and population needs;
- ensure that strong corporate and information governance processes are in place;
- engage with the public on key issues to ensure patients experience the highest level of care available to

them; and

- collaborate and communicate with all relevant stakeholders in relation to the commissioning of high-quality health services.

Additional significant risks monitored by the CCG in 2020/21 have included:

- changes to CHC assessments as a result of the Covid-19 pandemic;
- medium to long-term financial uncertainty;
- the impact on safeguarding vulnerable groups as a result of the pandemic; and
- cyber-attacks (operational risk).

The CCG has appropriate arrangements in place for monitoring their corporate objectives, including formal quarterly reporting to the Governing Body along with supporting oversight by other Committees.



3. VFM arrangements – governance

Overall commentary on the governance reporting criterion - continued

How the CCG approaches and carries out its annual budget setting process

The normal budgeting process for 2020/21 was superseded by the pandemic and the revised financial regime that was put in place, as described earlier. For 2021/22, a revised financial regime continues to be in place, with a focus on Covid-19 recovery and system-working remaining.

Following the outbreak of Covid-19 last year, interim financial arrangements were put in place to allow the NHS to focus its efforts on managing the pandemic. The NHS has been notified that these interim financial arrangements will continue into the first half of 2021/22 financial year, covering the period April – September (also referred to in NHSE guidance as H1).

The CCG are therefore required to make initial financial plans covering this period. The interim financial arrangement required Newcastle Gateshead CCG to work alongside partners in the North ICP to develop a plan that contributes to an overall balanced system plan for the Cumbria and North East ICS. A balanced system wide plan was submitted 6th May.

Risks to achieving the system-wide budget include:

- overspending budgets;
- under delivery of financial efficiencies;
- impact of changes to the hospital discharge programme;
- further Covid-19 waves;
- elective recovery fund (achievement of); and
- uncertainty around the financial envelope available for the second half of 2021/22.

Despite the revised financial regime, the CCG has maintained a focus on close budget monitoring, within the wider CIP – as demonstrated by its achievement of its control total for 2020/21.

How the CCG ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Comprehensive financial monitoring reports are taken to the Governing Body, along with updates to the Audit Committee and Executive Committee. Based on our attendance at these Committees and review of other Committee and Governing Body papers, these reports are discussed and challenged and also include detail on pressure areas and financial risks.

How the CCG ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency: this includes arrangements for effective challenge from the audit committee

The Audit Committee, which is a formal committee of the Governing Body, has been integral to ensuring the CCG has maintained good governance during the past year. The Committee has provided the Governing Body with an independent and objective view of the CCG's system of internal control, including financial systems, business systems, performance information, financial information and compliance with laws, regulations and directions governing the CCG.

Based on our attendance at the Audit Committee, there is appropriate challenge of officers, as part of the Committee's oversight responsibilities. This is supported by the results of the 2020/21 Audit Committee's self-assessment survey of its operation and effectiveness during 2020/21.

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the CCG has appointed internal auditors (IA) and local counter fraud specialists. Work plans are agreed with management at the start of the financial year and reviewed by Audit Committee prior to final approval.

The Counter Fraud team at AuditOne undertake and provide regular training and briefings to ensure the CCG's staff remain alert to the risk of fraud. This team reports to the Audit Committee as demonstrated through our attendance at the meetings in 2020/21.

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3. VFM arrangements – governance

Overall commentary on the governance reporting criterion - continued

The CCG also engages with the AuditOne internal audit team who are responsible for providing annual assurance on the CCG’s internal control environment. IA report progress on the Audit Plan to the Audit Committee, with an overall ‘substantial’ opinion again being given for 2020/21.

We have reviewed the Internal Audit plans for 2020/21 and 2021/22 and confirmed planned work appears appropriate and reasonable. Progress reports are presented to each Audit Committee meeting, including follow-up reporting of recommendations not fully implemented by due dates. This allows the Committee to effectively hold management to account on behalf of the Governing Body. Our attendance at Audit Committees throughout the 2020/21 period confirms the significance placed on internal audit findings



3. VFM arrangements – improving economy, efficiency and effectiveness

Risks of significant weaknesses in arrangements

Our work did not identify any risks of significant weaknesses in the CCG’s arrangements.

Overall commentary on the improving economy, efficiency and effectiveness reporting criterion

Background

In considering performance during 2020/21, it is important to recognise the revised regime in place. When the pandemic arose in early 2020, normal performance management processes and procedures were stood down and internal CCG governance changed to reflect the requirement to deal with the COVID-19 pandemic and the local NHS response to it.

Against the backdrop of the pandemic, the CCG has started working with partners on workstreams in light of the February 2021 White Paper proposals to transfer the functions of CCGs to new statutory bodies, the Integrated Care Systems (ICS), from 1 April 2022. The ICS has set out its vision for the region, recognising that life expectancy for people in the North East and Cumbria remains amongst the poorest in England with some of the most stark health inequalities and high levels of preventable disease and early death rates. The ICS wants to change this by working together as an Integrated Care System whereby every partner organisation is fully committed to and focused on creating a common purpose and joint determination to drive improvements in health, wealth and wellbeing.

How financial and performance information has been used to assess performance to identify areas for improvement

As a result of the pandemic, normal performance management arrangements were stood down. As with all CCGs, this CCG has experienced a deterioration in some key NHS performance indicators, as detailed further in this section.

How the CCG evaluates the services it provides to assess performance and identify areas for improvement

The CCG has a number of controls in place for monitoring performance including:

- continuously evaluating the performance of providers through the Integrated Delivery Report (finance,

performance and quality), which is reported to the public session of every Governing Body and the Audit Committee. This is evidenced via our attendance at Committees and also via minutes of meetings and we note the comprehensive presentations that accompany this report, which usefully covers the wider Integrated Care Partnership;

- clinical exception reports are regularly taken to the Quality and Safety Committee; and
- during Covid-19 the CCG has increased its focus on nursing homes and has provided additional support to them, for example providing training to assist in coping with the pandemic. Further enhancements have been made to homes and community services regarding safe discharges; and

The CCG is assessed annually by NHSE, with an overall rating given; for 2019/20, the CCG was assessed as ‘outstanding’, which was the same assessment as the prior year.

The March 2021 performance report highlighted the following key risk areas:

- risk of delivery of NHS Constitutional and national expectations as a result of Covid-19;
- A&E four hour standard - this standard is subject to national scrutiny;
- ambulance response times;
- cancer waiting times;
- Improving Access to Psychological Therapies (IAPT); and
- Referral to Treatment waiting times.



3. VFM arrangements – improving economy, efficiency and effectiveness

Overall commentary on the improving economy, efficiency and effectiveness reporting criterion - continued

How the CCG ensures it 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

Partnership working remains a priority for the CCG and ahead of the new Integrated Care System, it is already focused on delivery of 'place-based' working, via its **Collaborative Newcastle** and **Gateshead Cares** partnerships.

The role of the integrated care system (ICS) has been vital over the past year, in the region's response to the pandemic. There has been an ICS-level coordination of the Covid-19 response, with:

- joint working with local partners, including local authorities, police and fire;
- new ways of working, including virtual consultations and GP hubs;
- various initiatives including the capacity tracker tool, developed to monitor care home capacity; and
- many other cross-boundary initiatives, including ones focused on supporting staff wellbeing.

Other key areas of partnership work include:

- strong partnership arrangements with Newcastle and Gateshead Councils, including the development and delivery of the joint health and wellbeing strategies;
- continued development of the Primary Care Networks (PCNs), in spite of the pandemic, recognising the significant role of the PCNs in delivery of the vaccination programme; and
- working with the local voluntary sector organisations and community groups to identify the needs of the diverse local community to improve health and healthcare for the local population.

The local health and wellbeing board will remain a key area of focus going forward under the new ICS. The Health and Wellbeing Board is playing a key role to play in providing shared leadership and ensuring there is an integrated strategic approach in recovering from the pandemic.

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

As set out earlier in this report, a revised financial regime has been in place for 2020/21 and in 2021/22 to date, to support the NHS response to the pandemic. The CCG has, however, continued to monitor performance in spite of block contracts being in place, as part of understanding and monitoring performance.

There is appropriate oversight of contract and quotation waivers by the Audit Committee.

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Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provide auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make a referral to the Secretary of State; and
- Make a written recommendation to the CCG which must be responded to publicly.

We have not exercised any of these statutory reporting powers

We are also required to report if, in our opinion, the governance statement does not comply with relevant guidance or is inconsistent with our knowledge and understanding of the CCG. We did not identify any matters to report in this regard.

Reporting to the NAO in respect of consolidation data

The NAO, as group auditor, requires us to report to them whether consolidation data that the CCG has submitted is consistent with the audited financial statements. We have concluded and reported that the consolidation data is consistent with the audited financial statements.



4. Other reporting responsibilities and our fees

Fees for work as the CCG's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee on 17 March 2021. Having completed our work for the 2020/21 financial year, we can confirm that our fees are as follows:.

Area of work	2020/21 fees
Planned fees in respect of our work under the Code of Audit Practice	£47,300
Total fees	£47,300

Fees for other work

We have undertaken NHSE-mandated assurance work for the CCG in respect of the Mental Health Investment Standard for 2019/20; due to the timing of deadlines, the 2019/20 work was reported in 2021. The fee for this assurance work was £7,500 plus VAT (prior year £9,500 plus VAT).



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