

Auditor's Annual Report on NHS Devon Clinical Commissioning Group

2020-21

September 2021



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the CCG has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the CCG's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the CCG's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	Conclusion
Financial sustainability	Risk identified because of the CCG historic deficit	A significant weakness in arrangements was identified and also an improvement recommendation made
Governance	No risks of significant weakness identified	A significant weakness in arrangements was identified and three improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but two improvement recommendations made



Financial sustainability

We identified a risk of significant weakness in respect of the CCG's arrangements for financial sustainability in our original risk assessment. This was based on the historic deficit of the CCG. Our work confirmed that there was a significant weaknesses requiring a key audit recommendation for 2020/21 in relation to the overall arrangements for financial management of the CCG.

The financial challenge over the medium term remains high and urgent work is needed to ensure that adequate efficiencies are identified and delivered to mitigate this risk. Our findings are set out on pages 8 to 11.



Governance

We did not identify any risks of significant weaknesses in the CCG's governance arrangements in our initial risk assessment. Our further work however identified that there was a significant weaknesses in arrangements over the governance procedures relating to the S256 agreements entered into by the CCG. (S256 agreement of the National Health Act allows CCGs to enter into arrangements with local authorities to carry out activities with health benefits.) Our findings are set out on pages 12 to 19.



Improving economy, efficiency and effectiveness

We did not identify any risks of significant weaknesses in the CCG's arrangements for improving economy, efficiency and effectiveness in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. Our findings are set out on pages 20 to 23.

Opinion on the financial statements

We have completed our audit of your financial statements and issued an unqualified opinion on 14 June 2021, following the Audit Committee meeting on 10 June 2021. Our findings are set out in further detail on page 25.

Opinion on regularity

On 14 June 2021 we issued an unqualified regularity opinion.



Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body.

Our audit work has not identified any issues that would require us to issue any statutory recommendations.

Section 30 referral

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of an NHS body has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate.

We did not issue a Section 30 referral in 2020-21.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

Our audit work has not identified any issues that would require us to issue a report in the public interest.

Key recommendations



The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the CCG. We have defined these recommendations as 'key recommendations'.

Our work has identified two significant weaknesses in arrangements and therefore we have made two key recommendations. These recommendations are set out on pages 10 and 16.

The range of recommendations that external auditors can make is explained in Appendix C.

Commentary on the CCG's arrangements to secure economy, efficiency and effectiveness in its use of resources

All CCGs are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

CCGs report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 3, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the CCG can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the CCG makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the CCG makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the CCG delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19 on them, is set out on pages 8 to 24. Further detail on how we approached our work is included in Appendix B.



Financial sustainability



We considered how the CCG:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Summary of the CCG's arrangements

The CCG has processes in place which detail the responsibilities of Governing Body members and senior management for planning and managing the CCG's finances. These are set out in the CCG's standing financial instructions. The CCG identifies future cost pressures as part of its initial budget setting process, which involves meetings between budget holders and members of the finance team, on an ongoing basis throughout the year, usually through budget monitoring meetings. The Chief Finance Officer maintains an overview of the CCG's financial position and prepares a monthly report to the Finance and Performance Committee, which is then discussed at Governing Body. These reports typically set out key financial information, such as actual and forecast performance against budget and progress on delivery of efficiency savings.

The CCG's Long Term Plans are developed in conjunction with its partners in the Devon health care system, which enables the strategic priorities for this system to be taken into account, as well as key assumptions around demand and funding.

Context to the CCG and the Devon Healthcare System wide financial arrangements

NHS Devon CCG (and its predecessor CCGs) has not been able to operate within its Revenue Resource Limit for many years and as at 31 March 2021 had a significant accumulated deficit position of £251.5m. The expenditure of the CCG in 2020-21 was £2,241m.

A Financial review of the Devon Health System was undertaken by NHSE/I in 2019. The introduction section of the report stated:

"The financial and operational performance of the Devon system has deteriorated sharply in 2019/20 and is projected to deteriorate further in 2020/21. In response to this deteriorating position, the Devon system required an urgent, external financial review, to better describe the main drivers of the current financial position, and to help build and drive a realistic and deliverable system financial recovery plan."

The report listed a number of conclusions that the CCG (and the wider system) should address to resolve its financial position. The report concluded that *"Without this urgent action it is likely that the system will continue to deteriorate its financial position by around £50 million each year which is clearly an indefensible position for the system and the South West region."* Further information on progress against the recommendations made in the report is set out overleaf.

The CCG was rated as 'inadequate' in the 19-20 NHS England performance ratings; one of only nine CCGs that year. In July 2021, it was notified that the Devon Integrated Care System would be entered into the Recovery Support Programme. This means closer working with NHS England to identify the key drivers of concerns that need to be resolved. We will consider the implications of this as part of our 2021/22 work.

2019-20 financial position

The CCG set a deficit budget for 2019-20 of £27m. As at month 7 of 2019-20, the CCG anticipated incurring expenditure in excess of its income and overspending its revenue resource limit by £66.5m. This was a breach of the CCG's statutory duties. At the time, we issued a Section 30 referral to the Secretary of State of Health on 6 April 2020 reporting this fact. For the year ending 31 March 2020, the expenditure of the CCG did indeed exceed its income by £66.5m.

2020-21 financial position

In January 2020, a paper was taken to the CCG's Finance and Performance Committee setting out that the budget for 2020-21 was a deficit of £47.8m with a savings requirement of £22.6m.

Due to the Covid-19 pandemic, the normal regime of financial planning used in 2019-20 was then paused in April 2020 and a temporary financial framework was put in place. During the first six months of 2020-21, the CCG was given a budget to operate within. This was based on its 2019-20 spend with a small uplift. Any expenditure variances from this budget (Covid or non-Covid related) were then funded retrospectively to ensure that for the first six months of 2020-21, the CCG had sufficient resources to respond to the pandemic. This regime was later extended to the full year. In its month 12 report to the Finance and Performance Committee, the CCG confirmed that the year-end position would agree to the budget with no variance – in effect the CCG would break-even. This was also confirmed in the year-end financial statements. The breakeven position however is due to the additional Covid-19 funding received by the NHS.

The response to the NHSE/I report referred to on the previous page was paused due to the pandemic and was taken to the Devon's System Transformation and Efficiency Committee in June 2021. In summary, of the 14 recommendations listed in the report:

- two the Devon System believe are no longer applicable;
- 11 are still in progress; and
- one has been achieved - due to the shift towards System Allocations in the NHS national planning framework.

The Devon Health Care System therefore still has considerable work to do to address these recommendations.

Savings

In their review of the Devon healthcare system, the NHSE/I concluded that savings were set at a high level without regard to what is achievable. Our 2019-20 work which looked at the CCG's arrangements for securing value for money confirmed this concluding that the underachievement of savings contributed to the deterioration of the financial position as the CCG had achieved only £38.6m of the planned £80.9m.

In 2020-21 the savings regime was suspended nationally due to the emergency funding situation arising as a result of Covid-19. However as the NHS emerges from the pandemic, the CCG will once again need to look to find efficiency savings and we would therefore recommend that as the ICS financial plans are developed, the savings process is reviewed and strengthened so that a robust savings plan is established, supported by business cases and delivery monitored to ensure a satisfactory level of delivery is achieved.

The above illustrates that the CCG has a persistent failure to meet statutory breakeven duty and has no clear plans to address the historic underlying deficit. In addition there is considerable work needed to address the recommendations raised in the NHSE/I review. We would classify this as a significant weakness of the CCG.



Financial planning for 2021-22 and beyond

For the 2021-22 financial year the CCG has forecast expenditure for the year to be £2,334.7m for the Devon wide Health Care System and is forecasting to breakeven due to the NHS Covid-19 funding regime in place. The Long Term Plan for the System is currently being drafted. We will consider this in more detail as part of our 2021-22 VFM work.

Auditor Judgement

Given the matters identified above, we confirm that a significant weakness exists over the financial sustainability of the CCG. We have made a key recommendation for the CCG to implement, which is set out on page 10 as well as an improvement recommendation as set out on page 11.

Key recommendation

Financial sustainability

01 Recommendation	The CCG should have a robust financial framework in place to ensure that financial sustainability is achieved in future years. This should include urgently addressing the recommendations raised in external reviews.
Why/impact	Without a strong and robust financial framework in place, expenditure in excess of budget will further increase the deficit of the CCG. The external review suggests that this could be to the value of £50m per year for the Devon wide Health Care System.
Auditor judgement	The CCG has historically breached its statutory financial duties and has no concrete plans to address weaknesses noted.
Summary findings	We found that the recommendations raised in the external report have not been fully addressed by management and that no plan is in place to address how the deficit is to be recovered. We acknowledge that discussions are being held with NHSE/I and the delay to this process was in part caused by the Covid-19 pandemic.
Management Comments	Agreed. Our work is focused on maintaining the financial balance achieved in each of the last two financial years as the additional funding received during the covid response period starts to be withdrawn. We will work with the aid of the Recovery Support Programme to produce a sustainable plan.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendation

Financial sustainability

02 Recommendation	We would recommend that as the ICS develops its financial plans that the savings process is reviewed and strengthened so that a robust savings plan is established that is supported by business cases and delivery monitored to ensure a satisfactory level of delivery is achieved.
Why/impact	A robust savings plan that is achievable will contribute towards a strong financial framework.
Auditor judgement	Our previous work looking at the CCG's arrangements for securing value for money and the NHSE/I review have highlighted weaknesses in the savings regime at the CCG. Due to the Covid-19 pandemic, an emergency funding regime was introduced by NHS England in 2020-21 and the need for savings was suspended. However without having a robust savings process in place, the CCG will continue to overspend its annual financial allocation.
Summary findings	In the 2019/20 value for money audit, we concluded that the underachievement of savings contributed to the deterioration of the financial position as the CCG had achieved only £38.6m of the planned £80.9m.
Management Comments	Agreed. Savings plans linked to improved service efficiency and transformation will form a key part of the sustainable financial recovery plan. The significant shortfall in 2019-20 was wholly attributable to schemes dependent on cost reduction actions being taken in the Provider Sector of the system. The CCG delivered fully on the elements of the savings programme that were on its directly influenceable spend. We will ensure that all savings plans are supported by clear delivery plans in all cases.



The range of recommendations that external auditors can make is explained in Appendix C.

Governance



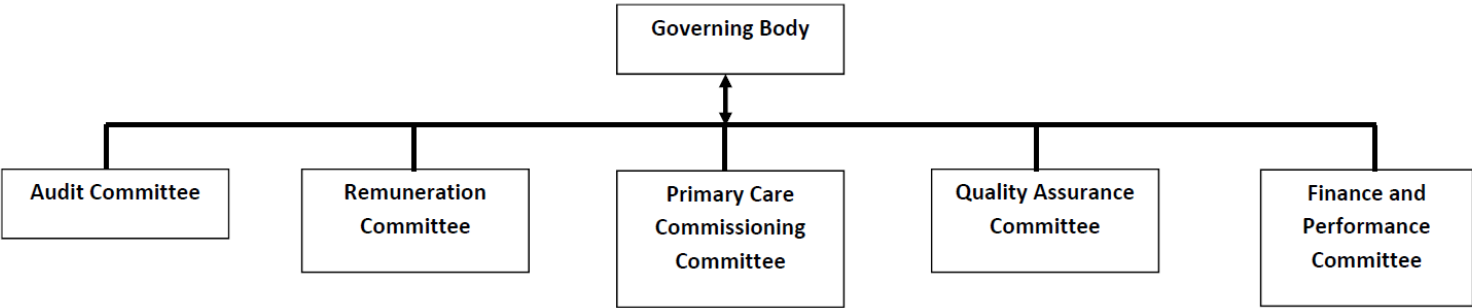
We considered how the CCG:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.
- monitors and ensures appropriate standards.

Governance arrangements

Appropriate leadership is in place at the CCG. The CCG is led by its Governing Body which is supported by an appropriate committee structure. Senior Officers attend the Governing Body meetings and are called to Committees as and when required to respond to the challenge of Committee members. The Committees are supported by formal groups who are a key source of information, see page 13 for details of the sub-group attached to each Committee. The Governing Body contains a number of clinical members who regularly attend meetings as well as officers with financial knowledge to provide appropriate challenge on these items.

Major decisions are made at the Governing Body. These are discussed at an Executive level prior to the presentation to Governing Body. The CCG requires minuted approval of the Governing Body decisions.



Governance



We considered how the CCG:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and system are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.
- monitors and ensures appropriate standards.

The Committee sub-groups are as follows:

Committee name	Sub-group
Audit Committee	- Information Governance (DSPSG) - Health and Safety - Working with Industry and Sponsorship Group
Primary Care Commissioning Committee	- Primary Care Operational Group
Remuneration and Strategic Workforce Committee	- EDI Group - Staff Partnership Forum - Strategic Accommodation Representative Group
Quality and Assurance Committee	- Quality Equality Impact Assessment (QEIA) - CHC – Verification Process (Panel) - CHC – Adults / LD - CHC – Children - CHC – Appeal Local Resolution Meeting - CHC - PUPOC Verification Process - CHC – IPOC (Individual Package of Care) - CHC – IPP Control Centre - CHC – Section 117 - CHC – Transforming Care Partnership - Devon Formulary Interface Group - LEDER (Learning Disability Mortality) - NEPDU (North and East Planning & Development Unit) - Local Quality Surveillance Unit - Infection Control Forum - Clinical Effectiveness – Clinical Policy Committee - Clinical Effectiveness – Clinical Policy Engagement & Consultation Panel - Clinical Effectiveness – Devon Formulary Interface Group - Safeguarding Steering Group - Patient Group Directive virtual review panel

Assessing and monitoring risk

The CCG has a Board Assurance Framework which links the risks of the CCG to the CCG's objectives. Each item has a "Board Assurance Framework Risk Reference" that is linked to a separate tab in the document where more information and updates by the risk owner are recorded.

In addition, the CCG has a risk management framework which includes the usual 5x5 scoring system. The typical process for identifying risks is that there is a yearly seminar for the Governing Body which in effect is a blank paper exercise where the long term plan, objectives, focus areas, priorities and key risks are all drafted for the forthcoming year. This practice was however suspended in 2020-21 due to Covid-19.

Corporate risk registers are taken to the Governing Body on a monthly basis. The report itself includes a summary cover paper which shows any new risks and movement on risks. The detailed corporate risk register is also listed in full as an appendix giving the Governing Body members the option to read the full register or the highlights.

The CCG's Internal Audit function is provided by ASW Assurance and the Head of Internal Opinion issued for 2020-21 stated:

"Significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objective, and that controls are generally being applied consistently. Some weaknesses in the design and / or inconsistent application of controls, which put the achievement of particular objectives at risk, are appropriately managed."

From our review, we are satisfied that risks identified are presented appropriately to the Governing Body and that there is sufficient challenge and monitoring of risk owners.

Budget Setting and Monitoring

The CCG has demonstrated that it has an appropriate annual budget setting process in place, although the budget for 2020-21 was paused with the introduction of the emergency funding regime in response to the Covid-19 pandemic. The CCG is however, looking to refresh its Long Term Plan following on from the impact of the Covid-19 pandemic.

Each month a report on the finances is taken to the Finance and Performance Committee and an explanation provided for any variances against budget is described.

Our review has noted that there is no formal sign off procedures by the budget holders over the budgets that they will be held to account for. We therefore recommend that the CCG introduces arrangements for a formal sign off of all budgets by each individual budget holder.

In response to the Covid-19 pandemic an emergency funding regime was introduced across the whole of the NHS. Historically the CCG has found itself in a deficit position, however the emergency funding resulted in the Devon Health Care System realising that it would deliver a surplus position as at the year ended 31 March 2021. Budgetary control measures were therefore introduced to utilise the surplus before the end of the financial year.

Under the NHS Act, NHS bodies have the power to enter into agreements (called S256 agreements) with Local Authorities so that by working in collaboration, funds are spent on the local population for improvement in community services. During our audit of the financial statements we noted that two such agreements (totalling £20m) had been entered into during the financial year ended 31 March 2021. We enquired into the governance arrangements surrounding these agreements and noted that the Chief Finance Officer had agreed with the Accountable Officer that discussions should be entered into, once the CCG had realised that the system was potentially holding a surplus.

As part of its Constitution, the CCG has a Scheme of Delegation, Standing Orders and Standing Financial Instructions which are the rules that the CCG works within. Serial number 11 of the Scheme of Delegation, which was in place during the 2020-21 financial year, documents:

"... who can execute a document by signature / use of the seal" and confirms that this is "Reserved or delegated to the Governing Body."



This indicates that the Governing Body should have given permission for the Chief Finance Officer to enter into the two S256 agreements, but no such permission was granted in this instance.

The Standing Orders which cover the financial year do state however:

“6.2 Execution of a document by signature, not requiring the seal – CCG employees are only authorised through their held officer role, by authority of the Accountable Officer or Governing Body to execute a document on behalf of the CCG in line with their delegated financial limits, as detailed in the Scheme of Reservation and Delegation and Financial Limits.”

This paragraph suggests that the Accountable Officer can give permission to enter into contracts where no seal is used. With regard to the two S256 agreements, no evidence was provided that the Accountable Officer had given permission, only that discussions between the parties should be held.

The Scheme of Delegation and Standing Orders appear to contradict each other and we would therefore recommend that the CCG reviews its Constitution including the Scheme of Delegation, the Standing Financial Instructions and the Standing Orders and ensures that there are no inconsistencies.

The S256 agreements were entered into as part of budgetary control measures. Section 3.6.2 of the CCG’s Constitution states:

“The Committee [Audit Committee] should ensure that the systems for financial reporting to the Governing Body, including those of budgetary control, are subject to review as to the completeness and accuracy of the information provided.”

There is no evidence to suggest that the proposal to enter into the S256 agreements was reviewed or considered by either the Audit Committee or the Governing Body. In addition, as this was a novel and technical accounting treatment and material by nature, the proposed treatment should have been discussed with the CCG’s External Auditors in advance to agree the accounting treatment proposed which the CCG ultimately recorded incorrectly. We therefore recommend that in future years, the Governing Body and Audit Committee have oversight on significant financial and budgetary control measures and that these are also raised in advance with the External Auditors. Given the value of the two agreements, we have classified this as a significant weakness of the CCG.

In addition, as the CCG’s governance procedures were not followed before the S256 agreements were entered into, we recommend that the CCG retrospectively approves these contracts. The CCG should also review other contracts entered into in 2020-21 to ensure that the governance procedures over those were followed.

Informed decision making

The Governing Body papers all follow a set template which requires standard information such as financial implication, risk and equalities etc. The Governing Body can refuse a paper if they feel that not enough information has been detailed in the report. This ensures that sufficient information is included for informed decision making to occur.

Stakeholder consultation is undertaken when changes to services are being proposed via public seminars and the “Virtual Voices” Public Engagement Forum.

Monitoring and ensuring appropriate standards

The CCG has good arrangements in place around compliance with legislation and regulatory safeguards. There have been no data breaches recorded.

The CCG has sufficient policies in place covering gifts and hospitality and ‘freedom to speak up’.

Auditor Judgements

Our work has identified a significant weaknesses in the CCG’s governance arrangements in 2020-21, in relation to the S256 agreements. We have therefore raised a key recommendation in respect of this matter. See page 16 for further details. We have also raised three improvement recommendations in relation to retrospective review of the S256 agreements, review of the Constitution and associated documents and the formal sign off of budgets by budget holders. See pages 17 to 19 for further details.

Key recommendation

Governance

03 Recommendation	We recommend that the Governing Body and Audit Committee have appropriate oversight on significant financial and budgetary control measures and that these are also raised in advance with the External Auditors.
Why/impact	The CCG should ensure that it follows the policies and procedures it has set itself so that there are no breaches in governance arrangements.
Auditor judgement	The CCG has not complied with its own policies and procedures.
Summary findings	Setting up S256 agreements as a budgetary control measure was a novel approach and required technical accounting knowledge. In accordance with the Constitution this should have been reviewed by the Audit Committee and approved by the Governing Body before entering into the contract. There is no evidence to suggest that the proposal was reviewed or considered by either the Audit Committee or the Governing Body. Additionally as these agreements were material in nature, they should have been discussed in advance with the External Auditors.
Management comment	We will ensure that if there are any similar arrangements in 2021-22 the authorisation process is strengthened,



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendation

Governance

04 Recommendation We recommend that the CCG retrospectively approves the S256 agreements in order that the correct governance procedures have been applied over these transactions. Additionally, we recommend that the CCG reviews other significant contracts entered into in 2020-21 to ensure that the correct governance procedures have been followed.

Why/impact Governance procedures ensure that the CCG's transactions remain lawful. There is the possibility that by not following the correct procedures, the CCG could find that it enters into unlawful transactions.

Auditor judgement We noted a breach in the policies and procedures as the S256 agreements did not go through the correct governance arrangements.

Summary findings The S256 agreements should have been reviewed by the Audit Committee (per 3.6.2 of the Constitution) and approved by the Governing Body (per Serial Number 11 of the Scheme of Delegation) before entering into the contracts. There is no evidence to suggest that the proposal was reviewed by the Audit Committee or the Governing Body.

Management comment Agreed. We will present the two S256 agreements to Audit Committee.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendation

Governance

05 Recommendation We would recommend that the CCG reviews its Constitution including the Scheme of Delegation, the Standing Financial Instructions and the Standing Orders and ensures that there are no inconsistencies.

Why/impact The Constitution, Scheme of Delegation, Standing Orders and Standing Financial Instructions are the rules and procedures by which the CCG operates. Inconsistencies between these could result in the CCG inadvertently breaching its own policies and procedures.

Auditor judgement There are inconsistencies within the formal processes of the CCG which could lead to unlawful decisions being made.

Summary findings During our review of the Constitution, Scheme of Delegation, Standing Orders and Standing Financial Instructions we noted that Serial Number 11 of the Scheme of Delegation appears to be inconsistent with S6.2 of the Standing Orders. Serial Number 11 states that the authority to execute a document by signature / use of a seal is Reserved or delegated to the Governing Body, however S6.2 (and 6.2.1) suggests that the Accountable Officer has authority to also give this permission (for documents not requiring the use of a seal).

Management comment The Standing Orders, SFIs and Scheme of Delegation will be reviewed as part of the transition from CCG to the new Integrated Care Board. This process will include this specific action.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendation

Governance

06 Recommendation	The CCG should introduce arrangements for a formal sign off of all budgets by each budget holder.
Why/impact	Without a formal sign off and agreement by the budget holders, the CCG is unable to effectively hold the budget holders to account.
Auditor judgement	The CCG has no formal budget sign off procedures.
Summary findings	Our review noted that whilst the budget holders are involved in the budget setting process, there is no formal sign off procedures in place.
Management comment	The sign off process was simplified during the period under review as part of our response to the covid pandemic. We will review appropriate process as we exit that period.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the CCG:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the CCG assesses whether it is realising the expected benefits.

Performance and performance monitoring

The CCG has adequate performance monitoring arrangements in place. A performance report is taken to the Governing Body meeting each month. These reports include an overarching summary and then provide members with the detail behind each indicator so that the members can provide challenge. The data covers the NHS healthcare providers within the system.

The data contained in the reports comes from NHS England's monthly national validated reports, although the CCG does also have access to non-validated daily reports.

In some areas of the performance report, the performance is simply compared to the national average with no explanations provided. The performance reporting could therefore be strengthened given the detailed information that is available from the Business Intelligence Team. We therefore recommend that the monthly performance reports taken to the Governing Body are improved to highlight the issues that the CCG / System is facing and the actions that need to be taken to address these issues.

Recommendations are made to the CCG by various assurance providers and regulators. The CCG does not currently maintain a central register of the recommendations made. We therefore recommend that the CCG should maintain a central register of open recommendations made by assurance providers or regulators to give greater oversight to Those Charged With Governance (that is, the Audit Committee) and time taken to address the recommendations can be monitored with intervention undertaken where delays are occurring.



Partnership working

The CCG works closely with the Local Care Partnerships, which are made up with representatives from each Health Care body within the system as well as from the Local Health Authorities.

2020-21 has not been a normal year for the NHS as it has had to respond to the national Covid-19 pandemic. There has been no financial loss to the CCG, as the emergency funding regime brought in by NHS England has provided sufficient funding for Devon CCG. Whilst performance has deteriorated in some areas, this is due to the pandemic and the CCG is now in a recovery phase as the pandemic is easing.

Procurement and commissioning

The CCG has a procurement policy in place and no evidence was noted that the CCG has failed to operate a fair procurement exercise.

Auditor Judgement

Our work has not identified any significant weaknesses in the CCG's arrangements to improve economy, efficiency and effectiveness in 2020/21, however we have raised two recommendations around strengthening of the narrative in the performance reports and the CCG maintaining a register of recommendations, which are set out on page 22 and 23.

Improvement recommendation



Improving economy, efficiency and effectiveness

07 Recommendation	We recommend that where variances are provided in the monthly performance reports, greater detail is presented to show the nature of the variance, the impact that it has on the CCG / System and a plan of action to address.
Why/impact	The more information that the Governing Body has around performance, the better informed it is and the more appropriate any decisions made will be.
Auditor judgement	Detailed performance information should be provided to those who makes decisions to ensure that the correct decision is ultimately made.
Summary findings	In some areas of the performance report, the performance is simply compared to the national average with no explanations provided. The performance reporting could therefore be strengthened given the detailed information that is available from the Business Intelligence Team.
Management comment	Agreed



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendation



Improving economy, efficiency and effectiveness

08 Recommendation	The CCG should consider maintaining a central register of open recommendations made by assurance providers or regulators.
Why/impact	A central register of open recommendations will give greater oversight to Those Charged With Governance and time taken to address the recommendations can be monitored with intervention undertaken where delays are occurring.
Auditor judgement	Greater oversight over open recommendations will provide the CCG with more information when decisions are being made.
Summary findings	We found that the CCG does not currently maintain a register of open recommendations.
Management comment	Internal and External Audit recommendations are routinely tracked by Audit Committee. Finance Committee also has a focus on the implementation of the recommendations of the National Intensive Support Team. We will look to formalise any similar reports and actions when received.



The range of recommendations that external auditors can make is explained in Appendix C.

COVID-19 arrangements



Since March 2020 COVID-19 has had significant impact on the population as a whole and how NHS services are delivered.

We have considered how the CCG's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

In the section of this report covering financial sustainability we stated that the normal regime of financial planning across the entire NHS was paused in April 2020 due to the emergence of the Covid-19 pandemic and a temporary financial framework was put into place.

This new framework was implemented to ensure there was sufficient funding in place for all NHS organisations.

This additional funding enabled the CCG to achieve breakeven.

Although the CCG has maintained strong financial control throughout the pandemic, the additional financial support provided by NHS England masks the CCG's underlying financial position.

The previous challenges facing management still remain and, if anything, have been hindered by the pandemic due to the inevitable shift in short term focus for the CCG.

Governance

As a result of the lockdown restrictions announced on the 16th March 2020, the CCG moved to ensure that all but a handful of essential staff were able to work from home. This has continued throughout the pandemic, with no significant impact identified on productivity. From the outset of lockdown arrangements, the Governing Body and Committee meetings were undertaken remotely. Governance arrangements were strengthened in respect of procurement, with additional checks being required for any Covid related expenditure. The strategic risk register has also been updated to ensure Covid-related risks are recorded appropriately, mitigated and monitored.

Improving economy, efficiency and effectiveness

The CCG has maintained performance reporting throughout the Covid-19 pandemic although most clinical areas showed a decrease in demand due to the impact of the pandemic. The CCG is now working on the recovery phase and how performance can be improved.

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 14 June 2021.

Other opinion/key findings

We issued an unqualified regularity opinion on the financial statements on 14 June 2021.

Audit Findings Report

More detailed findings can be found in our Audit Findings report, which was published and reported to the CCG's Audit Committee on 10 June 2021.

Whole of Government Accounts

To support the audit of the Department of Health and Social Care group accounts and the Whole of Government Accounts, we are required to examine and report on the consistency of the CCG's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work did not identify any issues.

Preparation of the accounts

The CCG provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Issues arising from the accounts:

The key issue was:

- S256 agreements – the CCG had entered into two S256 agreements with Local Authorities. The largest contract was with Devon County Council with a value of £15m and was paid on 28 April 2021; the agreement wasn't signed until 7 May 2021. As this transaction was incurred after 31 March 2021, this was expenditure relating to 2021-22 which should not have been included in the 2020-21 accounts. Because this was not material to the overall accounts, the CCG declined to amend. We recorded this as such in our Audit Findings Report.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



Appendices

Appendix A - Responsibilities of the CCG



Role of the Accountable Officer:

- Preparation of the statement of accounts
- Ensuring that income and expenditure is in line with relevant laws and regulations
- Assessing the CCG's ability to continue to operate as a going concern.

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Accountable Officer is also responsible for ensuring the regularity of expenditure and income.

The Accountable Officer is required to comply with the Department of Health & Social Care Group Accounting Manual and prepare the financial statements on a going concern basis, unless the CCG is informed of the intention for dissolution without transfer of services or function to another entity. An organisation prepares accounts as a 'going concern' when it can reasonably expect to continue to function for the foreseeable future, usually regarded as at least the next 12 months.

The CCG is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - Risks of significant weaknesses - our procedures and conclusions

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, the conclusions we have drawn and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
Financial sustainability was identified as a potential significant weakness, see page 3 for more details.	We: - reviewed the CCG's 2020-21 outturn position - reviewed the general financial arrangements underpinning financial management - reviewed the NHSE/I report across the whole of the Devon Health economy and the corresponding response to date	Our work has identified a significant weakness in arrangements for 2020-21, despite the funding for the NHS in 2020-21 being set at a level which provided the CCG the opportunity to deliver a surplus in year. See page 8 for further details.	A significant weakness has been identified.

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the CCG's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the CCG under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the CCG. We have defined these recommendations as 'key recommendations'.	Yes	10 and 16
Improvement	These recommendations, if implemented should improve the arrangements in place at the CCG, but are not a result of identifying significant weaknesses in the CCG's arrangements.	Yes	11, 17 to 19 and 22 to 23

