

# Auditor's Annual Report

NHS North Tyneside Clinical  
Commissioning Group – year ended 31  
March 2021  
August 2021



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# 01

## 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 North Tyneside 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 14 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 14 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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# 02

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 14 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 new statutory bodies 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 North Tyneside 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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# 03

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	No	No
Governance	11	No	No
Improving economy, efficiency and effectiveness	13	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” with funding allocations covering most NHS activity 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 £1.407 million along with a carried forward surplus of £5.409 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 Finance Committee, 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 £2.276 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 Finance 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 with the biggest risk to achieving financial balance being the challenge of ensuring a balanced position across the ICS/ICP to ensure a balanced position without a material impact to the CCG.

The CCG successfully managed this challenge, given the year-end outturn of £1.407 million along with a cumulative carried forward surplus of £5.409 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 were working to the following four Corporate Objectives:

1. Commission high quality care for patients, that is safe, value for money and in line with the NHS Constitution;
2. Meet the CCG’s financial duties and support delivery of the CCG’s other objectives, on a sustainable basis;
3. Work collaboratively with partners and stakeholders to develop sustainable health and social care in North Tyneside and the wider Cumbria & North East system; and
4. Continue to develop North Tyneside CCG as a patient focused, clinically led commissioning organisation with a continuous learning culture.

From our review of committee minutes, we have confirmed that all reports include a section identifying how each item links to the corporate objectives.

The CCG’s own identified key risk areas for 2020/21 have included the following:

- response to COVID 19 impacts on system’s ability to deliver healthcare to meet the needs of the population;
- risk that commissioned services are not of sufficiently high quality;
- safeguarding vulnerable adults and children and primary care compliance with statutory safeguarding processes because of the pandemic;
- failure to deliver control total and to financially support services effectively because of: activity over performance; failure to make efficiency savings; and/or other factors;
- risk of not being able to implement New Models of Care to meet the needs of the population;
- COVID 19 poses a risk to staff health and CCG operations;
- risk of inadequate procedures for Health Care Acquired Infection (HCAI) resulting in a patients contracting an avoidable infection which could prove fatal; and
- CCG IT systems at risk of cyber-attack, jeopardising day to day operations and impacting on service delivery and patient safety.

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.

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# 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.

The CCG's 2021/22 annual budget was reported to and agreed by the Governing Body in June 2021.

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 is therefore required to make initial financial plans covering this period. The interim financial arrangements required North Tyneside CCG to work along side partners in the North ICP to develop a plan that contributed to an overall balanced system plan for Cumbria and North East ICS. A balanced system wide plan was submitted 6th May.

Risks to achieving the system wide budget included:

- 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 ICP – 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 Finance 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, the three members of the committee are very knowledgeable and experienced. 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 based on the NHS Audit Committee handbook.

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 engage 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 Performance and Quality Report, which is reported to the public session of every Governing Body, and also to every Quality & Safety Committee, which in turn is reported to each Audit Committee. This is evidenced via our attendance at committees and also via minutes of meetings;
- The CCG is a member of and participates in Quality Review Groups (QRGs) with trusts to review quality & safety;
- During Covid-19 the CCG has added additional 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 Primary Care Committee has a sub committee reporting to it, i.e. the Primary Care Quality Group, which evaluates GP Practices performance.

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. It was identified that at March 2021, of the CCGs two main providers, only Northumbria Healthcare FT achieved the standard of 95%;



# 3. VFM arrangements – improving economy, efficiency and effectiveness

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

- cancer waiting times; particularly 62 day performance standards. Breast also remains a concern both locally and nationally;
- Referral to Treatment performance as a result of the restricted capacity;
- six week diagnostics as a result of Covid-19;
- ambulance response times in categories two, three and four; and
- risks of further 52 week breaches as a result of the pandemic.

### 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. This is evidenced by the CCG's corporate objective 3 which outlines that the CCG will work collaboratively with partners and stakeholders to develop sustainable health and social care in North Tyneside and the wider Cumbria & North East system.

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.

The CCG's Future Care programme underpins partnership working. The North Tyneside Future Care Programme Board is established as a committee of the North Tyneside Future Care Executive, in accordance with its terms of reference.

In addition, a North Tyneside Place Based Transformation Plan 2020-22 has been agreed with relevant partners and stakeholders. This Plan outlines key programmes of work along with an action plan to monitor the key milestones for programmes of work.

Other key areas of partnership work have continued, including:

- strong links with the Patient Forum. The Governing Body receive an update from the Patient Forum at every meeting and routinely receive a copy of the Patient Forum newsletter;
- strong partnership arrangements with North Tyneside Council including the development and delivery of the joint health and wellbeing strategies; and
- work 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.



# 04

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 12 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	£37,400
<b>Total fees</b>	<b>£37,400</b>

## 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).



## Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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