

# Auditor's Annual Report on NHS Somerset Clinical Commissioning Group

2021/22

September 2022



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We are required under Section 21(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.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Executive summary



## Value for money arrangements and 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.

Auditors are required to report their commentary on the CCG's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. 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	2021/22 Auditor Judgment
Financial sustainability	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but improvement recommendations made.
Governance	No risks of significant weakness identified.	No significant weaknesses in arrangements identified.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but improvement recommendations made.

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.



## Financial sustainability

We did not identify any risks of significant weaknesses in the CCG's arrangements for financial sustainability in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have made improvement recommendations to the CCG. Our findings are set out in further detail on pages 6 to 9.



## Governance

We did not identify any risks of significant weaknesses in the CCG's governance arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified, or improvement recommendations needing to be made. Our findings are set out in further detail on pages 10 to 12.



## 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. We have made improvement recommendations to the CCG. Our findings are set out in further detail on pages 13 to 17.

# Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required by section 21 of the Local Audit and Accountability Act 2014 to express an opinion on the accounts that includes the auditor's view on whether the accounts: (i) present a true and fair view and comply with statutory requirements (ii) have been prepared in accordance with proper practices

We have completed our audit of your financial statements and issued an unqualified audit opinion on 20 June 2022, following the Audit Committee meeting on 14 June 2022, and the Governing Body meeting on 16 June 2022. Our findings are set out in further detail on page 19.

## Opinion on regularity

Auditors are required by section 21 of the Local Audit and Accountability Act 2014 to include in the opinion their view on the regularity of the CCG's income and expenditure, that is to say, that money provided by Parliament has been expended for the purposes intended by Parliament; resources authorised by Parliament to be used have been used for the purposes in relation to which the use was authorised; and that the financial transactions of the group are in accordance with any authority which is relevant to the transactions

We have completed our regularity work and issued an unqualified regularity opinion alongside our financial statements audit opinion on 20 June 2022. Our findings are set out in further detail on page 19.

## Statutory recommendations

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

We did not 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.

## 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.

We did not issue a Public Interest Report.



# Securing economy, efficiency and effectiveness in the CCG's use of resources

All Clinical Commissioning Groups 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. The CCG's responsibilities are set out in Appendix A.

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) 03, 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).



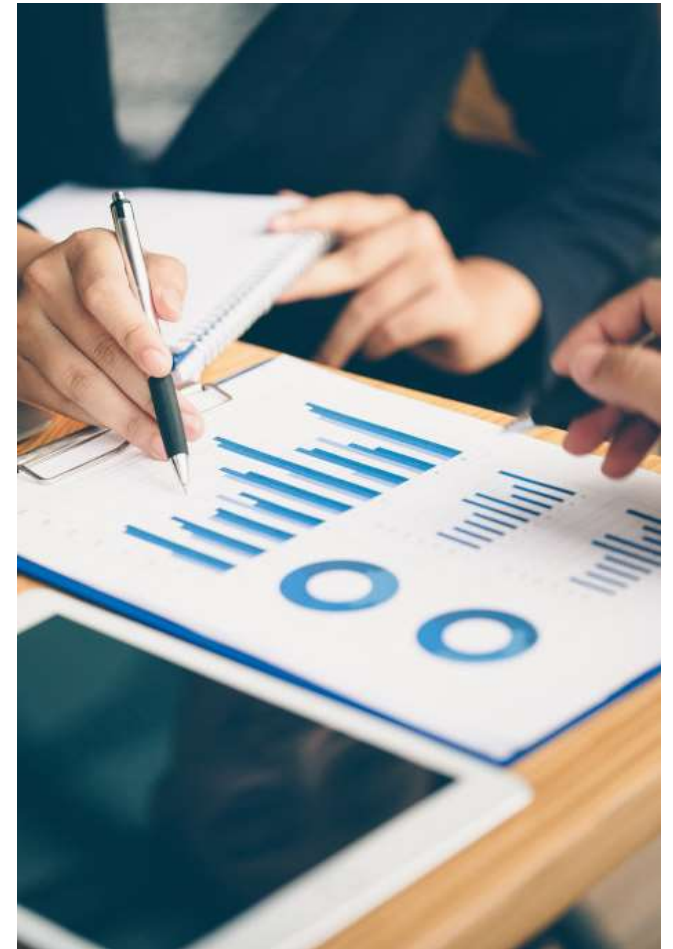
## Governance

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 the CCG's arrangements in each of these three areas, is set out on pages 6 to 18.

# Financial sustainability



## We considered how the CCG:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them 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 which may include working with other local public bodies as part of a wider system; and
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## 2021/22 Outturn

The normal regime of financial planning used up to 2019/20 was paused in March 2020 due to the Covid-19 pandemic, and a temporary financial framework was put in place for 2020/21, subsequently extended into 2021/22. In 2019/20, the CCG incurred a deficit of £16m and had an underlying deficit position of £19.6m, demonstrating the financial challenges within the Somerset system at the time. The changes in the funding regime allowed the CCG to deliver a break-even position in 2020/21.

During the first six months of 2021/22, the CCG was funded via a system allocation based on the funding envelope set in the second half of 2020/21, including a continuation of system top-up and fixed allocations for Covid-19. Funding arrangements for the second half of the year were a continuation of that financial framework, with adjustments for inflation, efficiencies and other policy priorities. The CCG reported a break-even position in its financial statements for the year ended 31 March 2022.

The funding arrangements in place in 2020/21 and 2021/22 largely insulated the CCG from immediate financial risk to ensure the focus of the system was on managing services through the pandemic, and then focussing on the restoration and recovery of services as 2021/22 progressed. As in 2020/21, this meant that the focus was taken away from delivery of significant savings to address the underlying deficit during the year. It also meant that the usual monitoring of demand, whilst still undertaken, had less direct impact on the CCG's finances than in previous years.

The CCG had an efficiency savings target of £3.5m in 2021/22, with £1.1m being the target for the first six months and £2.4m for the second half of the year. These savings were built into budget allocations across the care categories and the required savings were reported as achieved in the year end finance report.

The CCG responded appropriately to the national guidance and implemented appropriate arrangements for 2021/22. In our view, the change to the funding regime across the country since 2020/21 has enabled the CCG to deliver a break-even position in 2021/22, rather than this being solely through improved efficiency. The challenge for the CCG (from 1 July 2022 the newly created Integrated Care Board (ICB)) and the wider system will be to reduce the underlying system deficit in future financial years, when the Covid funding is removed from relevant allocations.

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# Financial sustainability

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## Financial planning for 2022/23 and savings plans

Financial planning has been increasingly undertaken on a system basis, with funding and accountability being provided to local systems at an Integrated Care System (ICS) level. The CCG's financial plans for 2021/22 showed the overall system position and were signed off by the Chief Finance Officers of the two Somerset providers in addition to the CCG's. This provides strong evidence of an awareness and understanding of the financial position across the system, and highlights the system working that was in place throughout 2021/22.

The draft 2022/23 plan submitted in April 2022, showing 3 months for the CCG and 9 months for the Somerset ICB, showed a deficit for the CCG/ICB of £9.3m and a total system deficit of £20.3m. The final 2022/23 plan was submitted in June 2022 and shows a planned breakeven position for the CCG/ICB and for the Somerset system as a whole.

This final plan requires efficiency savings for 2022/23 of £18.3m for the CCG/ICB, with £17.8m of these to be delivered recurrently. At the time of submitting the plan, pathway transformation savings of £5m were unidentified and red rated. Given the level of efficiency savings that have been required in the last two years, and the under delivery of system savings in 2019/20, this represents a significant challenge and we have made an improvement recommendation in respect of the arrangements in place for these savings.

## Medium term financial planning

The 2022/23 Plan sets out that the underlying deficit position of the CCG/ICB is £23.8m, with the deficit for the Somerset system being £65.3m. With the revised structure of the NHS now in place, following the demise of the CCG and establishment of the ICB, it is important that focus returns to medium-term financial planning to allow the system partners to work toward the delivery of a break-even position for Somerset on a sustainable basis. The Somerset ICS partners are currently working on a 5 year Financial Strategy to achieve year on year and underlying financial balance to the Somerset system. Multi-year planning guidance for formal submissions of longer term plans is expected from NHSE/I in October 2022. This will ensure financial plans and the financial challenge can be better evidenced over multi-year periods, rather than annual planning cycles.

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# Financial sustainability

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## Summary of the CCG's financial 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. We have not identified any evidence of the CCG failing to comply with these processes and we consider that they are relevant and appropriate.

The CCG identifies future cost pressures as part of its budget setting process and 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 reports monthly to the Finance and Performance Committee (FPC). These reports are also taken to the Governing Body meetings. These reports set out key financial information, such as actual and forecast performance against budget, progress on delivery of efficiency savings and wider developments within the healthcare sector which impact on the CCG's finances, both in the short and medium term. These reports are sent out in advance of the meetings, which enables questions to be formulated for discussion, and scrutiny and challenge to take place. The reports are timely and allow the reader to clearly understand the financial position of the CCG.

The CCG's financial plans are developed in conjunction with its partners in the Somerset healthcare system which enable the strategic priorities for this system to be taken into account, as well as ensuring key assumptions around demand and funding are consistent across the partners. This alignment ensures that financial planning is undertaken on a consistent and appropriate basis throughout the system. The Chief Finance Officer ensures that the CCG's financial plans are consistent with its workforce and operational plans, liaising with other senior management colleagues as appropriate. Where issues need to be addressed, these are escalated first to the FPC, and then to the Governing Body as appropriate.

Our work on arrangements for 2021/22 found no indications of significant weakness in respect of financial sustainability.



# Improvement recommendations



## Financial sustainability

### Recommendation 1

The CCG/ICB must work with its ICS partners to develop realistic and deliverable savings plans for the efficiency savings required in 2022/23.

### Why/impact

The CCG delivered a breakeven position in 2020/21 and 2021/22, with only modest efficiency savings required due to the focus on dealing with service delivery during the pandemic. Detailed supporting plans for the delivery of the savings required, and regular monitoring, will be required if a breakeven position is to be achieved in 2022/23.

### Auditor judgement

Given the lower level of efficiency savings that have been required in the last two years due to Covid, and the under delivery of system savings in 2019/20, the level of savings represents a significant challenge.

### Summary findings

The 2022/23 plan requires efficiency savings for 2022/23 of £18.3m for the CCG/ICB, with £17.8m of these to be delivered recurrently. At the time of submitting the plan in June 2022, pathway transformation savings of £5m were unidentified and red rated.

### Management Comments

The CCG/ICB have worked with its ICS partners to develop realistic and deliverable savings plans for the efficiency savings required in 2022/23. Progress will be monitored regularly by the System Finance Group.



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 effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Leadership and Committee effectiveness

The CCG is led by its Governing Body, which is supported by an appropriate committee structure. Senior officers attend the Governing Body and Committees to present reports and to answer questions during the meetings. The Governing Body contains a number of clinical members who regularly attend meetings. Our attendance at the Audit Committee demonstrates appropriate challenge of financial and non-financial items. We consider that appropriate leadership is in place.

Major decisions are made at the Governing Body. These are discussed at an Executive level prior to the presentation to Governing Body and sufficient, appropriate information is provided as part of the Governing Body papers to enable informed decision making, with minuted approval of decisions.

We identified no issues with respect of leadership and Committee effectiveness.

## Risk management

Risk management is embedded into the decision making, planning, performance reporting and delivery processes of the CCG. The Governing Body Assurance Framework demonstrates that there is a review and management process for risks at the CCG, with update reports on the Corporate Risk Register considered by the Audit Committee. From our review, we are satisfied that risks identified are presented appropriately to the Governing Body and the Audit Committee and that there is sufficient challenge and monitoring of risk owners. We therefore considered that risk management arrangements were appropriate.

## Policies, procedures and controls

The CCG has a constitution in place which is shared with all staff members upon joining the CCG and is openly available on the CCG's website. The CCG aim that the constitution will allow GP practices to influence the local healthcare services available to their patients. All GP practices across the Somerset healthcare system are signed up to the Constitution. The CCG also complies with all the values of the NHS Constitution.

The CCG's internal auditors deliver an appropriate programme of work and their reports support the Audit Committee in assuring itself that systems, processes and controls are operating effectively. The Local Counter Fraud Specialists (LCGS) undertake a programme of work to support the Audit Committee, including a mix of proactive and investigatory work. Internal Audit and the LCFS attend all Audit Committee meetings and findings are reported appropriately.

Arrangements in place are considered to be appropriate.

# Governance

## Partnership Governance arrangements

The CCG's Special Educational Needs (SEND) partnership with Somerset County Council was subject to a review by Internal Audit in 2021/22. This was to review the actions taken since an OFSTED/CQC inspection issued a Written Statement of Action due to significant areas of weakness identified in the arrangements. The Internal Audit report sets out that significant progress has been made with the agreed actions, despite Covid, with further work underway. The report does note weaknesses in governance, meaning partner organisations did not have the ability to raise important issues and questions. The report makes two key recommendations, which have been accepted by management who have also provided appropriate management responses. We do not consider this to be a significant weakness in the CCG's arrangements and will not repeat the recommendations in Internal Audit's report as we are satisfied that the CCG has accepted the findings and agreed appropriate actions.

## Transition from CCG to ICB

A key risk and area of focus for the CCG during the year has been the preparations for the transition to Somerset ICB. The CCG has been reporting on the closedown of the CCG and ICB establishment on a fortnightly basis, in addition to formal reporting to the Audit Committee and the Governing Body. The reports set out key achievements since the last report, priority areas for the next fortnight, the key risks, milestone tracker and workstream updates.

Additionally, the CCG asked Internal Audit to do a piece of advisory work to support the transition. The findings of the report was that the processes follow all aspects of good practice and are co-ordinated with Project Management Office (PMO) support. Our view is that the CCG's arrangements for the transition, including the involvement of Internal Audit, represent best practice.

## Budget setting and monitoring

The CCG has an appropriate annual budget setting process in place, which we have also commented on in the financial sustainability section of this report. Key stakeholders are involved with the process, including in approvals, with the system approach evident throughout.

To enable them to understand financial performance against budget, operational budget holders are provided with monthly monitoring reports. Discussions between the finance team and budget holders facilitate appropriate challenge and responses to adverse variances. Service activity against plan is presented and integrated into reports to the FPC and Governing Body, noting that the link between activity and finance continued to be influenced in 2021/22 by the nationally imposed finance regime as a result of the Covid-19 pandemic. These arrangements ensure that the budget setting and monitoring process remains robust and appropriate.

## Impact of budget setting, management and reporting

There are appropriate policies and procedures are in place with regard to budget setting, financial management, and reporting. However, despite this, the CCG has a significant underlying deficit. As commented on under the financial sustainability section of this report, the CCG (and subsequently the ICB) needs to work with its health economy partners to manage the underlying service delivery issues that have led to this position.

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# Governance

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## Financial management and reporting

We consider that financial management processes are appropriate. Budget reviews are undertaken monthly and are reported to the FPC on a timely basis. Variances against budgets are investigated to identify reasons for variances and the mitigating actions required.

The monthly Finance Reports go to each Governing Body meeting, and we consider that the reporting is sufficiently detailed to enable effective decision making.

Financial performance is a key objective for senior managers in terms of the reporting, identification of risks and responses to these risks. There is no evidence of a lack of capacity in the finance department, with budget monitoring and submissions being made on time and to an overall high standard.

There is no evidence of serious or pervasive weaknesses in the CCG's processes for preparing its financial statements. The current and prior year audits did not identify any material errors. This is detailed further in the 'Opinion on the financial statements' section of this report. The standard of draft financial statement provided for audit has been good and there is no history of failure to meet statutory reporting deadlines. Unmodified audit opinions have been issued on the 2021/22 and previous financial statements, which also provide assurance over the effectiveness of the CCG's arrangements in this area.

## Monitoring and ensuring appropriate standards

The CCG has arrangements in place to monitor compliance with legislation and regulatory standards and no significant breaches were noted in year.

The CCG has a code of conduct which all staff sign up to upon employment. This ensures that they are aware of their responsibilities with regards to legislation and regulation and this covers all of the areas which we would expect it to.

The CCG's Standards of Business Conduct and Managing Conflicts of Interest Policy sets out expectations of staff and Governing Body and Committee members. Arrangements for making a declaration of interest are in place at the beginning of all Governing Body or committee meetings. Members of the Governing Body, plus other staff classified as 'decision-makers', are required to complete an annual declaration. The CCG has a clear policy for declaring and recording gifts and hospitality and there is evidence that members and staff are using the system put in place.

Our review of the governance arrangements in place in 2021/22 did not identify any indications of significant weakness.

# 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 and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Performance Monitoring & Reporting

We concluded there were good processes in place for reporting both financial and non-financial performance data during 2021/22. The Integrated Performance Assurance Report (IBAR) report is the key source of assurance in respect of quality and performance reporting. The information is updated on a monthly basis and reported to Governing Body and FPC at each meeting. The report identifies areas that are currently a challenge for the CCG or for the system as a whole, supported by the actions being taken to mitigate the issues identified.

From our discussions with the Head of Performance we also acknowledge that further work continues to be undertaken to produce a more streamlined IBAR and ensuring there is succinct alignment with the Single Oversight Framework metrics. The report will focus on actions being taken and will ensure that key exceptions are adequately identified, reported and addressed. The new revised version of the IBAR will be presented to the ICB in September 2022. Despite this change, reporting throughout 2021/22 provided meaningful information and allowed appropriate understanding, scrutiny and challenge of performance.

We noted that the CCG takes a proactive approach to benchmarking data, with arrangements in place to benchmark costs and performance, which enables the CCG to identify potential areas for improvement. Recent examples are in respect of Continuing Health Care and Prescribing.

NHSEI have not yet updated the national benchmarking data to May 2022 and therefore we cannot determine how the CCG has performed in the last 12 months against the indicators in our own benchmark.

Our review of the March 2022 IBAR noted some areas where performance is lower or where there are significant variances across the system, although we note that performance measures continue to be impacted by the Covid-19 pandemic:

- The A&E Departments 4-Hour performance in March was at 59% and during the cumulative period (April-March 2022) was 70.3%, lower than the same period in 2019/20 (79.4%)
- Patients waiting 18 weeks or less from referral to treatment was 61% compared to the statutory target of 92%. The national focus is treating all long wait patients rather than the 18 week target.
- The number of patients waiting over 52 weeks for treatment is 2,627 (18%), with those waiting over 78 weeks being 591 (4%) and 156 patients waiting over 104 weeks. The targets for long waiting patients is by 30 June 2022 there will be zero patients waiting in excess of 104 weeks, with the same measure applying to 78 weeks waits by 31 March 2023.
- The % of patients waiting 6+ weeks for diagnostic tests was 28%. This represents performance of 71.9% against the 99% standard, an increase of 3.1% from March 2021.
- Estimated diagnosis rate for people with dementia was reported as 53.6%, compared to the national ambition of 66.7%.

# Improving economy, efficiency and effectiveness

As part of our review, we discussed the individual KPI's with the Head of Performance and the process for monitoring performance at system and CCG level. We concluded there are good arrangements in place for updating the current position and monitoring actions and we have noted on the previous page that further development work is being undertaken in respect of the IBAR. We also noted that the IBAR does not currently include KPI target scores and would recommend that this is included as part of the updated IBAR to give context to the data.

The KPIs reporting wait times have all been impacted by the Covid-19 pandemic which has seen an increase in waiting times nationally, therefore the system is not an outlier in this area. Somerset has not achieved the national target for dementia diagnosis and performance has deteriorated significantly over the Covid-19 period. This is partly because of the longstanding lack of post-diagnostic support available, and over the Covid-19 period, diagnoses decreased because of the vulnerability of this cohort, affecting the ability to do the assessments, particularly in care home settings. This is known and understood by the CCG.

The new national focus is upon treating all long wait patients; by 30 June 2022 there are to be zero patients waiting in excess of 104 weeks and by 31 March 2023 zero patients waiting in excess of 78 weeks. In order to achieve these targets, the CCG introduced from April 2021 monthly reporting of very long waits (in excess of 52 weeks by weekly wait banding).

For the monitoring of dementia rates, the CCG has a multi-organisational Dementia Operational Oversight Group (DOOG) and an associated Dementia Task and Finish Group established to look holistically at the entire Dementia pathway (including diagnosis) and services offered in Somerset.

We noted the relevant performance and monitoring reports for each of the KPIs which were reviewed and assurance was provided that adequate arrangements are in place for the monitoring of these key benchmark targets going forwards, and hence considered arrangements were appropriate.

We also noted instances where the CCG / system has responded to national issues and applied local remedies. The second part of the Ockenden report was published on 30 March 2022. This contains a further 15 essential actions for trusts to review and action plan for compliance where needed. Both provider Trusts in Somerset are developing action plans and compliance is monitored by the LMNS (Local Maternity and Neonatal System). The CCG Quality and Safety team and NHSEI provide oversight for assurance of the submitted evidence and compliance with the recommendations. The CCG has provided an overview report to Governing Body in May 2022. and ongoing oversight is provided through the IBAR. This provides further assurance over the monitoring of performance and recommendations.



# Improving economy, efficiency and effectiveness

## Partnership Working

Health and care services in Somerset have been working together closely over the past few years to improve services and provide more joined up care for the people of Somerset. There have already been a number of achievements by working in partnership; which have been made possible by different organisations – NHS hospitals, GPs, councils, care homes, commissioners, voluntary and community organisations and others – joining forces to agree and plan for local people’s needs.

In December 2020, there was formal designation for Somerset as an Integrated Care System (ICS) and from July 2022 the ICS has legal status, with the CCG officially demising.

From our review of Governing Body minutes, we noted there has been regular reporting and updates from the Accountable Officer in respect of the ICS development and transition, supported by a full overview report in March 2022 setting out the Integrated Care Board’s vision and approach, including governance arrangements and year one priorities.

“Fit for my Future” is Somerset’s Health and Care Strategy that aims to support the health and wellbeing of the people of Somerset by changing the way it plans, buys and provides services. It is a joint strategy originally led by Somerset County Council and Somerset CCG who are responsible for planning and buying health services to meet the needs of people in Somerset, now and in the future. Ahead of the ICS launching, the Strategy has been refreshed in consultation with key stakeholders to ensure it continues to be fit for purpose and meets the needs of the ICS.

Reporting on Fit for my Future activities has been provided to the Governing Body, and through review of meeting minutes we have concluded that there have been robust updates against individual programmes providing oversight of the work carried out to monitor and challenge the way services are delivered and proposing changes to drive economy and efficiencies across the system.

The above provided evidence that the CCG continues to understand the partnerships that it is part of, and effectively monitors and uses these relationship to improve outcomes and services for the people of Somerset.

## Procurement

The CCG outsources its procurement function to the South Central and West Commissioning Support Unit (CSU).

Procurement activity is monitored and reported through the FPC. The Committee receives a Performance Exception report monthly flagging key areas to be considered.

The CCG’s Standing Financial Instructions enable the competitive tender process to waived where applicable. For expenditure above £30,000 these can be signed by the Director of Finance, Performance, Contracting and Digital. All instances where the waiver process has been used are reported to the Audit Committee to provide transparency of compliance. From our review of Audit Committee papers, we noted that the waiver report provides key information such as the value and reason for tender waiver, however it does not provide confirmation of where or who has provided approval. To further enhance arrangements and to provide the Audit Committee with assurance of compliance with SFI’s we recommend that this information is included within the waiver compliance report.

Our review of FPC paper packs provided evidence of robust procurement considerations including fully costed options appraisals at Outline Business Case approval stage.

Oversight and monitoring of clinical activity is provided through the Primary Care Commissioning Committee. (PCCC). Our review of PCCC papers confirmed there are robust processes in place.

# Improvement recommendations



## Improving economy, efficiency and effectiveness

### Recommendation

To further enhance quality and performance reporting, the ICB should consider including KPI target scores to give context to the performance data and ensure it is explicitly clear where targets are or are not being achieved.

### Why/impact

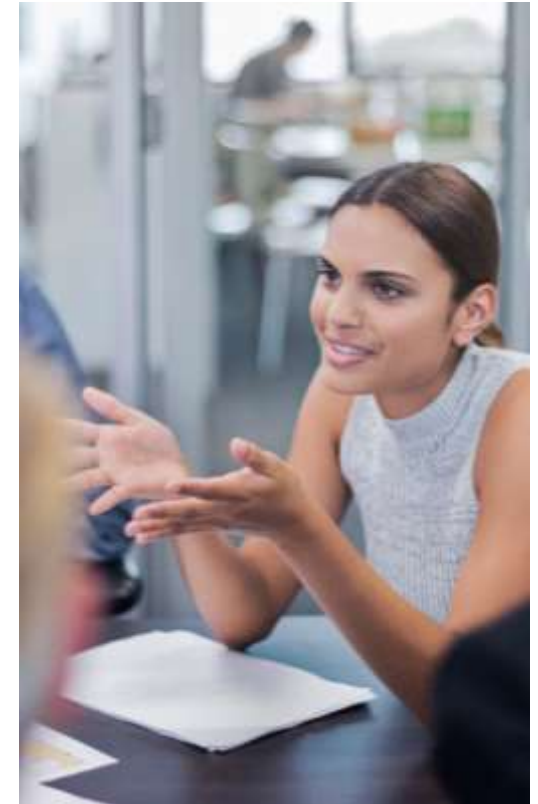
To further enhance the quality of reporting and ensure it is explicitly clear where targets are or are not being achieved.

### Summary findings

The Integrated Board Assurance Report does not currently include target scores for KPIs.

### Management Comments

Within the new Integrated Performance Report (IBAR) we have included a performance scorecard at the commencement of each section which RAGs performance against the national standard/threshold. This provides a clear view of the ICB challenges within the reported domain and signposts the reader to the relevant section within the report. We are also considering including our performance against the Single Oversight Framework ambitions and again RAGs performance against the national standard/threshold or agreed operational planning ambition as well as provide the national and Regional performance as a comparator. This new style report will continue to evolve over the coming months as we look to include other ICB priorities.



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



# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation

We recommend that the tender waiver report to Audit Committee includes approval information.

## Why/impact

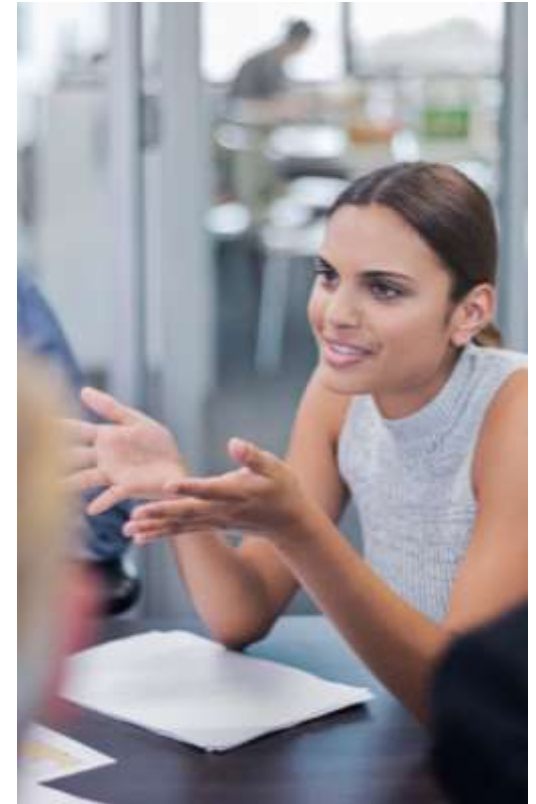
To further enhance arrangements and to provide the Audit Committee with assurance of compliance with Standings Financial Instructions.

## Summary findings

The tender waiver report to Audit Committee does not provide confirmation of where or who has provided approval for the waiver.

## Management Comments

The report will be updated to include names and dates of all approvals, including budget manager, procurement lead and final approver.



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

# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The CCG should reconsider its medium term financial plans in light of the Covid-19 pandemic and emerging guidance from the Health and Care Bill, and update its financial plan as necessary to deliver a balanced financial position.	Improvement	August 2021	The CCG, alongside system partners, have developed a Financial Strategy that builds on and updates the system Long Term Plan from 2019. This will be further updated when multi-year planning guidance is issued by NHSE/I later in 2022.	No	The CCG/ICB needs to develop its medium term financial plan for the Somerset system to deliver its aim of financial balance by 2026/27. As noted on page 7, guidance to support this is expected from NHSE/I in October 2022.
2	The CCG must work with its ICS partners to ensure that system savings are underpinned with realistic and deliverable plans at an early stage.	Improvement	August 2021	The CCG/ICB need to deliver efficiency savings of £18.3m in 2022/23. At the time of submitting the plan in June 2022, £5m of pathway transformation savings were unidentified and red rated.	No	Replaced by improvement recommendation on page 9.

# Opinion on the financial statements



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

## Audit opinion on the financial statements

We gave an unqualified opinion or we qualified the opinion on the CCG's financial statements on 20 June 2022. We also issued an unqualified opinion on regularity.

## 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 them.

## Issues arising from the accounts:

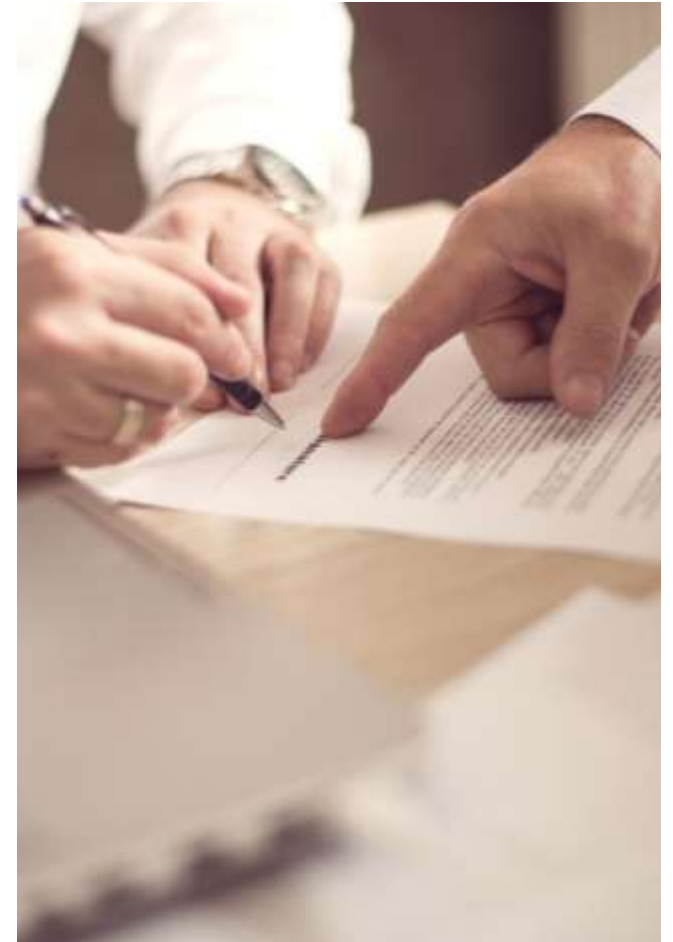
We did not identify any adjustments that resulted in a change to the CCG's breakeven position.

More detailed findings can be found in our Audit Findings Report, which was reported to the CCG's Audit Committee on 14 June 2022.

## Whole of Government Accounts

To support the audit of the NHS England 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 found no issues.



Appendices

# Appendix A – Responsibilities of the CCG

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 – 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’.	No	N/A
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	9, 16, 17, 18

