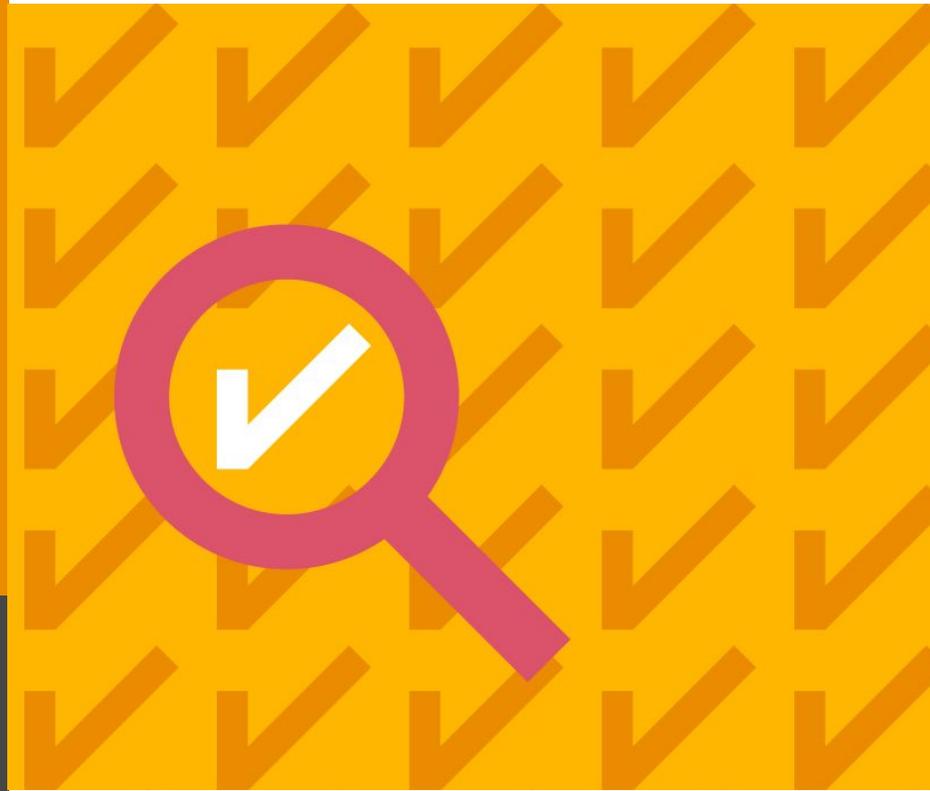


Internal audit report 2019/20

Primary Care Commissioning

Wolverhampton CCG
Final
November 2019



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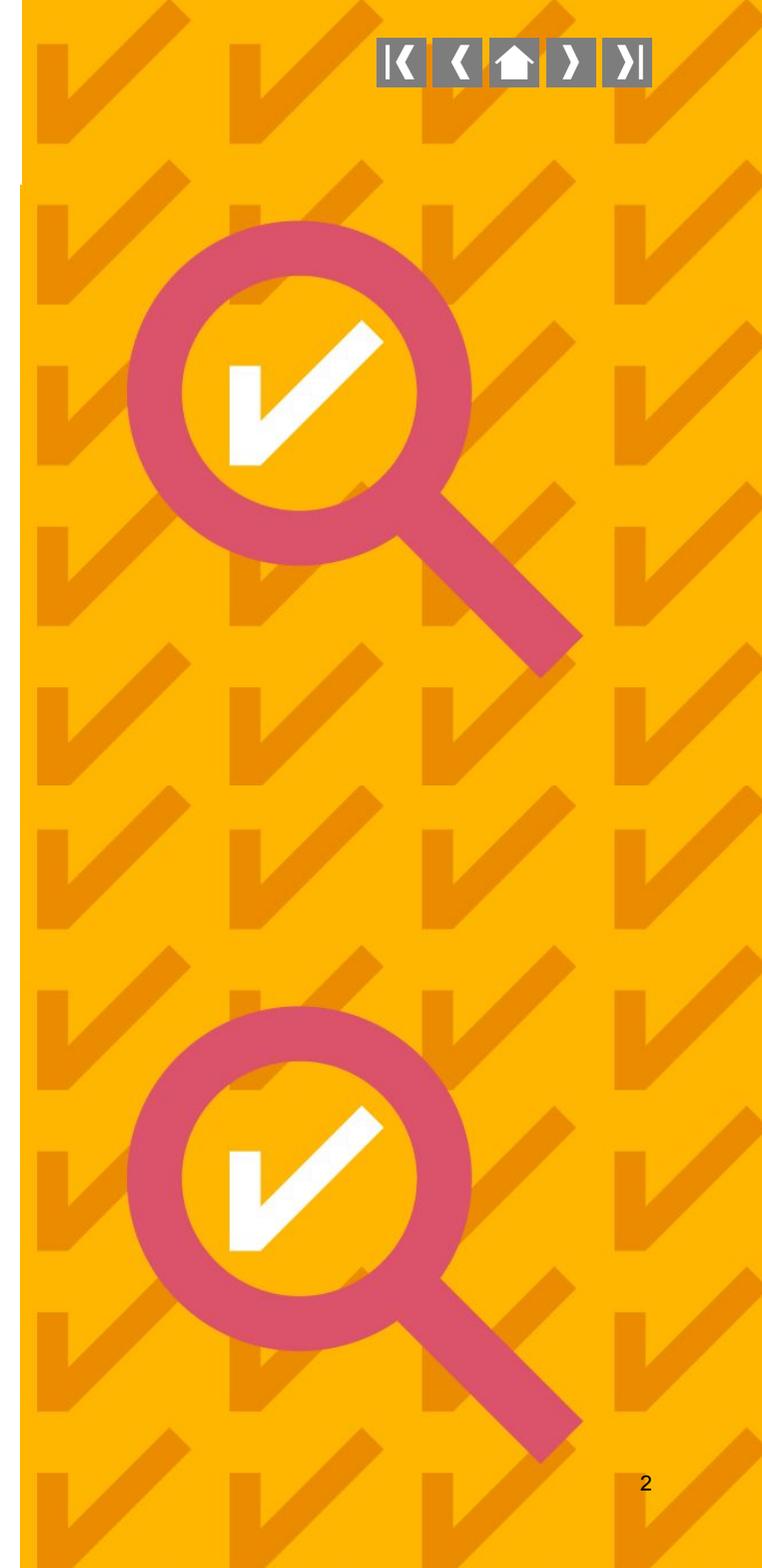
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Distribution list

For action: Sarah Southall (Head of Primary Care), Gillian Shelley (Primary Care Contracts Manager)
 Steven Marshall (Director of Strategy and Transformation), Vic Middlemiss (Head of Contracting and Procurement)

For information: Audit Committee
 James Green, Chief Finance Officer
 Tony Gallagher, Director of Finance



Executive summary

Report classification



Low Risk- 4 points

Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	-	-	1	1	-
Operating effectiveness	-	-	-	-	-
Total	-	-	1	1	-

NHSE Assurance Rating:	Description
Substantial	<ul style="list-style-type: none"> The controls in place do not adequately address one or more risks to the successful achievement of objectives; and / or One or more controls tested are not operating effectively, resulting in unnecessary exposure to risk.

Impact of our findings on opinion areas –

Area	Impact
Risk Management	No findings have been identified that impact Risk Management.
Corporate Governance	No findings have been identified that impact Corporate Governance.
Internal Control	Two findings have been identified that impact Internal Controls.

Executive summary

Summary of findings

On the 22 August 2018 NHS England published the Primary Medical Care Commissioning and Contracting: Internal Audit Framework for delegated Clinical Commissioning Groups. Our prior year audit focussed on the Contract Oversight and Management Functions and the findings have been followed up through our follow up review. This year's audit focused on Commissioning and Procurement of Primary Medical Services.

We examined and tested the operating effectiveness of controls over the CCG's Commissioning and Procurement of Primary Medical Services in line with our terms of reference in Appendix B. At the time of our fieldwork in September and October 2019 no new primary medical care contracts had been procured during 2019/20, as a result we agreed with management that we would review the procurement of the Penn Fields Medical Centre and Bilston Urban Village and Ettingshall Medical Centre contracts. These contracts were re-procured in 2018/19 however the processes have not changed between 2018/19 and 2019/20.

Our review identified one medium and one low risk rated findings as below:

- **Urgent contracts (medium risk):** In some unforeseen circumstances such as the death of a GP contractor, a practice closure, or termination of an existing contract to protect patient safety, the CCG may not have sufficient time to facilitate a managed closedown and transfer patients to another provider. As a result, the CCG may look to award a contract to a provider at short notice in order to ensure continuity of services. In order to do this the CCG would identify providers who would be able/willing to step in temporarily through an expression of interest process and, in parallel, the CCG would consider the range of options for the longer term provision and would enter into a procurement as appropriate. We noted that the CCG is in the process of developing a formalised caretaking policy which will complement the National Dynamic Purchasing Framework currently being developed by NHSE for Primary Care.
- **Outdated procurement policy (low risk):** The CCG has a Procurement Policy for Healthcare Services in place that covers the Primary Care Medical Services. The policy sets out the procurement decision making processes and provides assurance as to the most appropriate route to market for healthcare services. The policy also sets out the roles and responsibilities of teams involved in the process. The policy was issued in April 2017 and due for a review in May 2019. We identified that the policy was under review as of November 2019.

For this review we are required by NHSE to issue an NHSE Assurance rating, and have provided a 'Substantial Assurance' conclusion. Further details on the assurance rating scales provided by NHSE are provided in Appendix A.

Current year findings

1

Urgent contracts

Control design

Finding rating

Rating

Medium

Finding and root cause

When a need to procure a service arises, the CCG puts the contract out to tender and engages the procurement team in the Commissioning Support Unit (CSU) to assist in advertising the procurement opportunity and evaluating bidders. Contracts are awarded to providers who meet all the requirements and offer the best value for money. The award of a contract should be approved by NHS England's Commercial Executive Group and the CCG's Primary Care Commissioning Committee.

In some cases the CCG may directly award a contract to a provider. Such circumstances include but are not limited to:

- the death of a GP contractor;
- practice closures; and
- termination of an existing contract due to patient safety.

As continuity of services to patients is required, the CCG may not have sufficient time to facilitate a managed closedown and transfer patients to another provider and may award the contract to a provider able to provide the required services at short notice.

In order to do this the CCG would identify providers who would be able/willing to step in temporarily through an expression of interest process and, in parallel, the CCG would consider the range of options for longer term provision and enter into a procurement as appropriate.

We noted that the CCG is currently in the process of developing a formalised caretaking policy in response to such circumstances. The local policy will complement the National Dynamic Purchasing Framework currently being developed by NHSE.

Potential implications

The direct award of a contract rather than obtaining competitive tenders exposes the CCG to being challenged in court and subject to public scrutiny of decisions made for value for money and transparency.

Current year findings

1

Urgent contracts

Control design

Recommendation

The CCG should ensure the policy for awarding “caretaking” arrangements is formalised and approved by the Primary Care Commissioning Committee and continue to ensure that any contracts awarded on a caretaking basis are reviewed every three to six months depending on circumstances.

Management action plan

The local caretaking policy will be formalised and will complement the National Dynamic Purchasing Framework currently being developed by NHSE

Responsible person/title:

.....
Sarah Southall, Head of Primary Care
.....

Target date:

.....
April 2020
.....

Finding rating

Rating

Medium

Current year findings

2

Outdated procurement policy

Operating effectiveness

Finding rating

Rating

Low

Finding and root cause

The CCG has a Procurement Policy for Healthcare Services in place that covers Primary Care Medical Services. The policy sets out the procurement decision making processes and provides assurance as to the most appropriate route to market for healthcare services.

The policy also sets out the roles and responsibilities of teams involved in the process across the CCG and the Commissioning Support Unit.

The policy was issued in April 2017 and due for a review in May 2019. We identified that the policy was under review as of November 2019.

Policies and procedures should be reviewed and updated on a regular basis to ensure they reflect current practices, and to ensure that any changes required are captured

Potential implications

Changes to the procurement process may not be captured in the policy which results in lack of clarity over the proper process which results in poor procurement exercises being undertaken and poor value for money or quality suppliers being appointed.

Current year findings

2

Outdated procurement policy

Operating effectiveness

Finding rating

Rating

Low

Recommendation

The policy will be reviewed and uploaded to a central location that is accessible by relevant stakeholders.

Management action plan

The CCG identified that the policy was due for review and is currently completing the review. This is expected to be completed by March 2020.

Responsible person/title:

Vic Middlemiss, Head of Contracting and Procurement

Target date:

March 2020

Appendix A: Basis of our classifications

Appendix B: Terms of reference

Appendix C: Limitations and responsibilities

Appendices

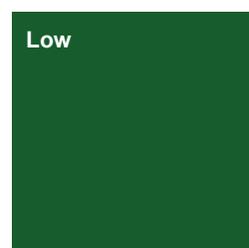
Appendix A: Basis of our classifications

Individual finding ratings

Critical	}	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact ; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	}	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact]; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation.
Medium	}	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.

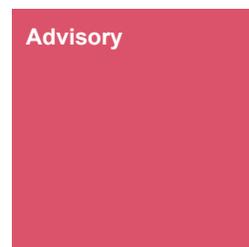
Appendix A: Basis of our classifications

Individual finding ratings



A finding that could have a:

- **Minor** impact on the organisation’s operational performance ; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.



A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

Findings rating	Points	Report classification	Points
Critical	40 points per finding	Low risk	6 points or less
High	10 points per finding	Medium risk	7 – 15 points
Medium	3 points per finding	High risk	16 – 39 points
Low	1 point per finding	Critical risk	40 points and over

Appendix A: Basis of our classifications

NHSE Classifications

NHS England requires delegated CCGs internal audit assign one of four categories to their assurance of primary medical services commissioning.

Full	<ul style="list-style-type: none"> The controls in place adequately address the risks to the successful achievement of objectives; and, The controls tested are operating effectively.
Substantial	<ul style="list-style-type: none"> The controls in place do not adequately address one or more risks to the successful achievement of objectives; and / or, One or more controls tested are not operating effectively, resulting in unnecessary exposure to risk.
Limited	<ul style="list-style-type: none"> The controls in place do not adequately address multiple significant risks to the successful achievement of objectives; and / or, A number of controls tested are not operating effectively, resulting in exposure to a high level of risk.
No assurance	<ul style="list-style-type: none"> The controls in place do not adequately address several significant risks leaving the system open to significant error or abuse; and / or, The controls tested are wholly ineffective, resulting in an unacceptably high level of risk to the successful achievement of objectives.

The assurance gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated control objectives.

Appendix B: Terms of reference

This review is being undertaken as part of the 2019/2020 internal audit plan approved by the Audit and Governance Committee.

Background and audit objectives

On the 22 August 2018 NHS England published the Primary Medical Care Commissioning and Contracting: Internal Audit Framework for delegated Clinical Commissioning Groups. The framework requires an annual audit of primary care that must cover the following four areas over the course of a three year cycle:

- Commissioning and Procurement of Services;
- Contract Oversight and Management Functions;
- Primary Care Finance; and
- Governance (common to each of the areas above).

The Framework contains additional reporting requirements for this audit. The audit's overall risk rating (low, medium, high, and critical) must now be aligned to one of four assurance levels used by NHS England:

- Full;
- Substantial;
- Limited;
- No assurance.

Internal audit will provide guidance to the CCG and the Audit Committee on how the risk ratings and assurance levels should be aligned as part of the final report.

Our review in 2018/19 focused on Contract Oversight and Management Function. This resulted in a low risk report with one medium risk and one advisory finding. These findings will be followed up as part of our audit work in 2019/20. Our review for 2019/20 will focus on Commissioning and Procurement of Primary Medical Services.

Appendix B: Terms of reference

Scope

We will review the design and operating effectiveness of key monitoring controls in place relating to the auditable unit during the period 1 April 2019 to the time of conducting our fieldwork.

The sub-processes, and related control objectives included in this review are:

Sub-process	Objectives
Commissioning and procurement of primary medical services	<p>We will review:</p> <ul style="list-style-type: none"> • how the CCG plans the provision of primary medical care services in the area, including carrying out needs assessments and consulting with the public and other relevant agencies in accordance with NHS England’s statutory duties as set out in “Primary Medical Care Commissioning and Contracting: Internal Audit Framework for delegated Clinical Commissioning Groups” dated August 2018. • The processes adopted in the procurement of primary medical care services, including how decisions are made to extend existing contracts. • How the CCG involves patients and the public in commissioning and procurement decisions in line with NHS England’s statutory duties as set out in “Primary Medical Care Commissioning and Contracting: Internal Audit Framework for delegated Clinical Commissioning Groups” dated August 2018. • How the CCG ensures effective commissioning of Directed Enhanced Services and any Local Incentive Schemes (including the design of such schemes). • The processes for a commissioning response to urgent GP practice closures or disruption to service provision.

Appendix B: Terms of reference

Limitations of scope

The scope of this review will be limited to the areas identified above.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the commissioning and procurement of primary medical services controls through discussions with key personnel, review of systems documentation and walkthrough tests.
- Identify the key risks of the auditable unit.
- Evaluate the design of the controls in place to address the key risks.
- Test the operating effectiveness of the key controls.

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

Thank you

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Internal audit work is performed in accordance with PwC's Internal Audit methodology which is aligned to name of public sector internal audit standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

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