



Auditor's Annual Report 2022/23

NHS Nottingham and Nottinghamshire Integrated Care Board

NHS Nottingham and Nottinghamshire Clinical Commissioning Group

NHS Bassetlaw Clinical Commissioning Group

August 2023

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This report is addressed to NHS Nottingham and Nottinghamshire Integrated Care Board (the ICB) and has been prepared for the sole use of the ICB. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Summary

Introduction

This Auditor's Annual Report provides a summary of the findings and key issues arising from our audits of the three month period to 30 June 2022 of NHS Nottingham and Nottinghamshire CCG and NHS Bassetlaw CCG (the 'CCG's') and of the nine month period to 31 March 2023 of NHS Nottingham and Nottinghamshire Integrated Care Board (the 'ICB'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the ICB alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:

- **Accounts** - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the audited entities and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the Group Accounting Manual prepared by the Department of Health and Social Care (DHSC).
- **Annual report** - We assess whether the annual report is consistent with our knowledge of the audited entities. We perform testing of certain figures labelled in the remuneration report.
- **Value for money** - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the entities' use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.
- **Regularity** – We assess whether expenditure incurred is in line with the purposes for which it was provided.
- **Other reporting** - We may issue other reports where we determine that this is necessary in the public interest under the Local Audit and Accountability Act.

Summary

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

	NHS Nottingham and Nottinghamshire ICB	NHS Nottingham and Nottinghamshire CCG	NHS Bassetlaw CCG
Accounts	<p>We issued an unqualified opinion on the ICB's accounts on 30 June 2023. This means that we believe the accounts give a true and fair view of the financial performance and position of the ICB.</p> <p>We have provided further details of the key risks we identified and our response on page nine.</p>	<p>We issued an unqualified opinion on the CCG's accounts on 30 June 2023. This means that we believe the accounts give a true and fair view of the financial performance and position of the CCG.</p> <p>We have provided further details of the key risk identified and our response on page seven.</p>	<p>We issued an unqualified opinion on the CCG's accounts on 30 June 2023. This means that we believe the accounts give a true and fair view of the financial performance and position of the CCG.</p> <p>We have provided further details of the key risk identified and our response on page five.</p>
Annual report	<p>We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the ICB.</p> <p>We confirmed that the Governance Statement had been prepared in line with the DHSC requirements.</p>	<p>We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the CCG.</p> <p>We confirmed that the Governance Statement had been prepared in line with the DHSC requirements.</p>	<p>We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the CCG.</p> <p>We confirmed that the Governance Statement had been prepared in line with the DHSC requirements.</p>
Value for money	<p>We are required to report if we identify any significant weaknesses in the arrangements the ICB has in place to achieve value for money.</p> <p>We have nothing to report in this regard.</p>	<p>We are required to report if we identify any significant weaknesses in the arrangements the CCG has in place to achieve value for money.</p> <p>We have nothing to report in this regard.</p>	<p>We are required to report if we identify any significant weaknesses in the arrangements the CCG has in place to achieve value for money.</p> <p>We have nothing to report in this regard.</p>
Regularity	<p>We did not identify any matters where irregular expenditure had been incurred.</p>	<p>We did not identify any matters where irregular expenditure had been incurred.</p>	<p>We did not identify any matters where irregular expenditure had been incurred.</p>

Accounts Audit – NHS Bassetlaw CCG

The table below summarises the key risk that we identified to our audit opinion as part of our risk assessment and how we responded to this through our audit.

Risk	Findings
<p><i>Management override of controls</i></p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p>We tested the design and implementation of controls over the posting of journals including post closing adjustments. We also selected journals that were considered high risk, through applying specific risk based criteria, to test and agreed these journals to supporting documentation.</p> <p>We did not identify any significant unusual transactions. Our testing of related party relationships and disclosures did not identify any significant matters to report.</p> <p>We did not identify any material misstatements.</p>

Value for money – Bassetlaw CCG

Introduction

We consider whether there are sufficient arrangements in place for the CCG for each of the three elements that make up value for money. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

Per AGN03, auditors are not required to undertake a full risk assessment specifically aimed at planning a programme of VFM arrangements work to support a full commentary on arrangements against the reporting criteria when the body has demised during the period. However, should any significant weaknesses come to our attention, they will be reported by exception.

We therefore undertake procedures to assess if there are any risks of significant weakness arising. These procedures include:

- Assess findings from work undertaken on the audit of the financial statements
- Review minutes of Governing Body and committee meetings
- Inquire of management and those charged with governance
- Review any internal audit findings in the period
- Follow up any prior year value for money weaknesses at the entity
- Review any other information available such as media reports

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

Further details of our value for money responsibilities can be found in the Audit Code of Practice at Code of Audit Practice (nao.org.uk).

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money.

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Accounts Audit – NHS Nottingham and Nottinghamshire CCG

The table below summarises the key risk that we identified to our audit opinion as part of our risk assessment and how we responded to this through our audit.

Risk	Findings
<p><i>Management override of controls</i></p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p>We tested the design and implementation of controls over the posting of journals including post closing adjustments. We also selected journals that were considered high risk, through applying specific risk based criteria, to test and agreed these journals to supporting documentation.</p> <p>We did not identify any significant unusual transactions. Our testing of related party relationships and disclosures did not identify any significant matters to report.</p> <p>We did not identify any material misstatements.</p>

Value for money – Nottingham and Nottinghamshire CCG

Introduction

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- Assess findings from work undertaken on the audit of the financial statements
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- Inquire of management and those charged with governance
- Review any internal audit findings in the period
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Further details of our value for money responsibilities can be found in the Audit Code of Practice at Code of Audit Practice (nao.org.uk).

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money.

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Accounts Audit – NHS Nottingham and Nottinghamshire ICB

The table below summarises the key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Risk	Findings
<p>Management override of controls</p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p>We tested the design and implementation of controls over the posting of journals including post closing adjustments. We also selected journals that were considered high risk, through applying specific risk based criteria, to test and agree these journals to supporting documentation.</p> <p>We did not identify any significant unusual transactions.</p> <p>Our testing of related party relationships and disclosures did not identify any significant matters to report.</p> <p>We did not identify any material misstatements.</p>
<p>Fraudulent expenditure recognition</p> <p>Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk as linked to liabilities for purchases of goods or services potentially being recorded inappropriately due to being accurately recorded or not completely recorded.</p> <p>We considered that this would be most likely to occur through understating accruals, for example to push back expenditure to 2023-24 to mitigate financial pressures, either by not including an accrual or understating the value.</p>	<p>Our sample testing of expenditure items throughout the year did not identify any matters that we need to report. Our sample testing of transactions after the year end and search for unrecorded liabilities did not identify any matters to report.</p> <p>Our testing of a sample of year end accruals confirmed that there was supporting evidence underlying the reason for the accrual and to support the value recorded in the accounts. We also assessed the outcome of the agreement of balances exercise with other NHS organisations.</p> <p>We did not identify any material misstatements relating to this risk.</p>
<p>Opening Balances</p> <p>As part of the merger process the balances from the CCGs were migrated across to the ICB and there was a risk that this process did not transfer in a complete and accurate way.</p>	<p>The balances transferred accurately from the CCGs to the ICB. As part of the audit an adjustment was made to change how the transfer was presented in the financial statements. This amendment was processed however it is noted that this change did not alter the financial position of the ICB.</p> <p>We did not identify any other issues relating to this risk.</p>

Value for money - ICB

Introduction

We consider whether there are sufficient arrangements in place for the ICB for each of the three elements that make up value for money. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

Further details of our value for money responsibilities can be found in the Audit Code of Practice at Code of Audit Practice (nao.org.uk).

Matters that informed our risk assessment

The table below provides a summary of the external sources of evidence that were utilised in forming our risk assessment as to whether there were significant risks that value for money was not being achieved:

Source	Detail
Governance statement	There were no significant control deficiencies identified in the governance statement
Head of Internal Audit opinion	An opinion providing Significant Assurance was issued by Internal Audit

Commentary on arrangements

We have set out on the following pages commentary on how the arrangements in place at the ICB compared to the expected systems that would be in place in the sector.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	One significant risk identified	No significant weaknesses identified
Governance	No significant risk identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risk identified	No significant weaknesses identified

Value for money - ICB

Financial sustainability

Description

Commentary on arrangements

This relates to ensuring that the ICB has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- How the ICB sets its financial plans to ensure services can continue to be delivered;
- How financial performance is monitored and actions identified where it is behind plan; and
- How financial risks are identified and actions to manage risks implemented.

During the period the planning process to finalise the 2022/23 financial plan was informed by national planning guidance and was undertaken across the ICS to encompass the full 12 month period (so included the CCG period as well as the ICB). For 2023/24 a similar process was followed with the planning process undertaken as a system. This was overseen by the ICS system planning group and supported by a Technical Planning Group. The CEOs and CFOs from each NHS system partner of the ICS were involved in the process and strategic investments considered via an agreed investment approval process. At each stage of the required planning processes detailed papers were prepared outlining the position for the ICB and the wider system to enable decisions to be taken based on the available information with risks outlined in each paper. Reporting in the ICB was taken to the Finance and Performance Committee and the Board when required.

As at the end of March 2023 the Nottinghamshire system has a recognised underlying deficit of £137m. This has been managed for the March 2023 period end via non-recurrent means including additional funding from NHSE in the form of surge funding. The initial 2023/24 plan for the ICS (as at February 2023) identified a deficit of £91m. The ICB undertook a detailed review of the initial plans for each system partner and identified a series of adjustments which could reduce this to an ICS deficit of £43m (as at March 2023). This formed the basis of the submission the NHS England (NHSE). Following challenge by NHSE, common to other ICS, a further series of changes were undertaken. Following agreement and approval at the entity level ICS have been able to submit a break even plan to NHSE. This final iteration took place after the period subject to our review however we have reviewed the content to help inform our judgement.

The system submitted a final plan for the year ending 31 March 2024 showing a breakeven position. We understand the plan, consistent with NHSE guidance, was set within a context of a "no-Covid" environment, no industrial action and full funding of pay awards for both 2022/23 and 2023/24. The plans therefore present a significant risk to delivery at the outset. The final agreed plan has a series of risks which have been clearly reported within both the plan and relevant papers prior to approval. These include a further £35m of potential inflationary pressure. The plan notes that £82m (48%) of the current efficiency plan was considered high risk at the end of March and that a step change in elective recovery for the acute providers is built into the assumptions.

The ICB have a suitable process in place to oversee the identification, development and delivery of efficiency savings via a regular financial savings group which is attended by senior staff, not limited to finance with reporting undertaken to Finance and Performance Committee and the ICB Board.

Based on the findings above **we have not identified a significant weakness in the ICB's arrangements in this domain** however it is clear that, given the size of the financial challenge, the arrangements in place should continue to develop in order to respond to the identified risks and enable sufficient oversight of the progress of delivery of each element of the system plan.

Value for money - ICB

Governance

Description

This relates to the arrangements in place for overseeing the ICB's performance, identifying risks to achievement of its objectives and taking key decisions.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- Processes for the identification and management of strategic risks;
- Decision making framework for assessing strategic decisions;
- Processes for ensuring compliance with laws and regulations;
- How controls in key areas are monitored to ensure they are working effectively.

Commentary on arrangements

Following the creation of the ICB, the Board approved a new risk management policy in July 2022, outlining the approach to management of strategic and operational risks across the ICB. It also sets out how risk arrangements within the ICB will interface with key elements of the Integrated Care System (ICS) and ICS system partners (e.g. system risk management arrangements).

During July and August 2022, an executive-led exercise was undertaken to identify the strategic risks to achieving the ICB's four core aims, its statutory duties and its new responsibilities in relation to system working. The outcome of this review was considered/approved by the Board in September 2022, to enable the full development of the 2022/23 Board Assurance Framework (BAF).

Strategic risks are owned by members of the Executive Management Team and are outlined within the ICB's BAF. The Board approves the strategic risks, during the first quarter of the financial year, following agreement of the strategic objectives. The Board reviews the fully populated Assurance Framework bi-annually to confirm that sufficient levels of controls and assurances are in place in relation to the organisation's strategic risks. Our review of the risk register and BAF found they are sufficiently detailed to effectively manage key risks. Gaps in control are highlighted and an action plan detailed to move each risk to a tolerable level.

Furthermore, the ICB's Operational Risk Register has been developed to include operational risks associated with the delivery of system objectives and priorities. It enables controls and mitigations relating to both the ICB, and system partners, to be captured where applicable. This process of system wide risks is coordinated by the ICB's Head of Corporate Assurance. However individual responsibility of certain risks sits with the system partners. This consideration of system wide issues is considered best practice and has been used as a case study to help inform how other ICBs approach this issue.

The ICB have a dedicated counter fraud service provided by 360 Assurance. The LCFS has an agreed work plan and reports progress to each Audit and Risk Committee, with an annual report taken at the end of the year. This resource is supplemented via consideration of fraud by the Audit and Risk Committee and senior finance staff whilst preparing the financial statements. In addition, the ICB have an Internal Audit service provided by 360 Assurance who provided an opinion with a Significant Assurance rating for the period. The ICB have a detailed suite of policies in place to drive compliance with laws and regulations, these policies are supported by a programme of review and approval to maintain relevance.

Following year end, NHS England published their Annual assessment of Nottingham and Nottinghamshire Integrated Care Board's performance in 2022/23. This commented that *'The ICB has demonstrated effective leadership, as evidenced in the ICS strategy submission, with a focus on prevention and measurement to improve population health'*.

Based on the findings above we have not identified a significant weakness in the ICB's arrangements in this domain.

Value for money - ICB

Improving economy, efficiency and effectiveness

Description

Commentary on arrangements

This relates to how the ICB seeks to improve its systems so that it can deliver more for the resources that are available to it.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- The planning and delivery of efficiency plans to achieve savings in how services are delivered;
- The use of benchmarking information to identify areas where services could be delivered more effectively;
- Monitoring of non-financial performance to assess whether objectives are being achieved; and
- Management of partners and subcontractors.

A core challenge highlighted by the ICB as part of the 2022/23 financial plan was delivering efficiency and transformational savings within the system and this is also flagged as a risk which will continue into 2023/24.

In 2022/23, the ICB developed savings plans based on areas of influenceable spend (such as Community, Continuing Healthcare, Prescribing and Corporate costs), as well as non-recurrent opportunities that presented themselves during the year. The ICB coordinates the development of proposed efficiency schemes, with agreed schemes then added to the efficiency programme for the year. The delivery of each scheme is then monitored via the monthly finance reports which are used to identify areas of concern that require closer monitoring and associated actions. These are highlighted to the Finance and Performance Committee which subsequently reports directly into Board.

Monitoring of non-financial performance is undertaken through a series of oversight and formal governance groups. These oversight groups and ICB Committees each have separate reports which monitor delivery against financial and non-financial performance. This generates a consolidated Integrated Performance Report, which includes the different areas of performance as chapters, for presentation of escalated issues to the ICB Board. This informs discussion of 'hot topics' at the System Oversight Meeting.

One of the main elements of performance reporting for the ICB is a monthly report presented to the Finance and Performance Committee, giving a detailed view of performance of services commission by the ICB. This includes headline performance, performance split by providers, performance against national targets, a comparison to plan and the prior year and an indicator of trends. For key areas such as referral times this is further split into specialty within each provider to allow detailed analysis with root cause commentary for major issues with mitigations and further assurances reported to the Committee as required.

Due to the role of the ICB, working with partners is a core activity. A regular update on the financial position of the ICS was presented as part of the financial reporting to the ICB Board. The ICB had senior engagement both as part of the ICS, and with local providers, and has worked with partners to address key issues as they arise. As stipulated by the NHS planning guidance, financial planning is performed across the system and this includes working within the system funding allocations and assumptions. The finance report presented to the Board summarises performance at ICB and ICS level, highlighting key variances against plan.

The ICB uses the NHS Shared Business Service as is required of all NHS entities. The contract and service is managed at a national level.

Based on the findings above we have not identified a significant weakness in the ICB's arrangements in this domain.



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