



Auditor's Annual Report 2022/23

NHS North East London Clinical Commissioning Group
NHS North East London Integrated Care Board

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This report is addressed to NHS North East London 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 North East London Clinical Commissioning Group (the 'CCG') and of the nine month period to 31 March 2023 of NHS North East London 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. For the ICB we 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:

	ICB	CCG
Accounts	<p>We issued an unqualified opinion on the ICB’s accounts on 29 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 7.</p>	<p>We issued an unqualified opinion on the CCG’s accounts on 29 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 risks we identified and our response on page 5.</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>
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>
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>

Accounts Audit – CCG

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><i>Management override of controls</i> 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 have no adverse findings to report in respect of journal entry controls and we have not identified any adverse findings in respect of significant unusual transactions.</p> <p>We have not raised any recommendations relating to our testing performed on journals and areas of management judgement and influence.</p>

Value for money - CCG

Introduction

We consider whether there are sufficient arrangements in place for the CCG for each of the 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 in year. 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 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 - 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><i>Fraudulent expenditure recognition</i> Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk over manual accruals (both NHS and non-NHS).</p>	<p>We identified some misstatements relating to this risk which have been corrected by management. We also identified some misstatements that have not been corrected by management, which were not material.</p> <p>We have not raised any recommendations relating to our testing performed.</p>
<p><i>Management override of controls</i> 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 have no adverse findings to report in respect of journal entry controls and we have not identified any adverse findings in respect of significant unusual transactions.</p> <p>We have not raised any recommendations relating to our testing performed on journals and areas of management judgement and influence.</p>

Value for money - ICB

Introduction

We consider whether there are sufficient arrangements in place for the ICB for each of the 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	Reasonable assurance

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 risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Value for money - ICB

Financial sustainability	
Description	Commentary on arrangements
<p>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.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <p>How the ICB sets its financial plans to ensure services can continue to be delivered;</p> <p>How financial performance is monitored and actions identified where it is behind plan; and</p> <p>How financial risks are identified and actions to manage risks implemented.</p>	<p>The Integrated Care Board’s predecessor Clinical Commissioning Group (CCG) submitted a break-even financial plan for 2022-23 in line with the planning deadline of 21 June 2022. This was an improvement from the forecast deficit position at the beginning of the financial year following the announcement that additional funding would be made available to support the NHS with emerging inflationary pressures. As part of the financial plan submission an overall break-even financial plan was also set for the North East London integrated care system in line with NHS England requirements.</p> <p>There was appropriate scrutiny of the financial plan’s development through the CCG’s governance structures prior to submission, with regular updates provided and clear commentary on the risks within the financial plan and the mitigations that were being implemented in order to manage those risks. We noted that there was clear discussion about the size of the challenge faced by the system and the emerging challenges that it was facing.</p> <p>As at 31 March 23, the ICB achieved break-even full year financial performance. The Integrated Care System reported a £25m deficit, including £10m of additional funding received from NHSE for otherwise achieving a £35m deficit. This deficit was primarily driven by deficits within the acute providers. We note that key drivers of the deficit have been cost pressures within the acute sector, in particular relating to higher than forecast levels of agency usage and higher than planned levels of inflation.</p> <p>Monthly finance reports have been presented to the ICB board, providing detail on the current financial performance against the 2022/23 plan. We have inspected a sample of these, and are satisfied that they include the appropriate level of detail. We have also inspected committee minutes, confirming that there is appropriate scrutiny of these.</p> <p>We have inspected the December 2022 Corporate Risk Register, confirming that financial risks are appropriately included, allocated an owner and planned mitigating actions put in place, with appropriate monitoring through the ICB’s governance structure of the implementation and effectiveness of the mitigations being implemented.</p>

Value for money - ICB

Financial sustainability (continued)

Description	Commentary on arrangements
<p>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.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <p>How the ICB sets its financial plans to ensure services can continue to be delivered;</p> <p>How financial performance is monitored and actions identified where it is behind plan; and</p> <p>How financial risks are identified and actions to manage risks implemented.</p>	<p>At the time of undertaking our planning the ICB had submitted a draft financial plan for 2023-24 that included an £18.4m deficit for the ICB and an overall £198m deficit for North East London integrated care system. We understand that the financial planning process is still ongoing at the time of undertaking our risk assessment.</p> <p>We did not identify a significant risk associated with the 2022-23 financial performance as the ICB forecasted a break-even position and the deficit was considered to be immaterial to the overall system as well as being caused by factors outside of the control of the ICB.</p> <p>We identified a significant risk at the time of undertaking our planning relating to the forecast deficit in 2023-24 at a system level. While the deficit for the ICB is immaterial it would represent a breach of its resource limit and the overall system deficit is considered to be material. We therefore planned to undertake further work to understand the progress of setting the financial plan up to the end of the financial year as well as gaining a better understanding of whether the financial planning activities at a system level are in line with the expectations set by NHS England as part of their guidance to ICBs.</p> <p>The final financial plan for the overall Integrated Care System was for break-even financial performance, with the ICB forecasting a £15m surplus. We were therefore satisfied that the ICB did not have a significant risk associated with financial sustainability. We considered the risk that savings plans may not be achievable that are necessary to achieve the projected financial performance. We note that there are stretch targets built into the plan and that there are risks to the achievement of the forecast position, however we have been able to observe that the ICB has taken appropriate actions to coordinate the system in order to work towards the break-even target. While there is risk associated with the financial performance in 2023-24 we consider this is primarily within the acute providers and so have not identified a significant weakness in the ICB's arrangements.</p> <p>We further noted through inspection of minutes of meetings that the ICB have had regular interactions within the ICS to discuss the 2023-24 budget and noted that the ICB's role in the system was in line with the guidance set by NHSE planning guidance for 2023-24. The ICB also compiled a document at an ICS level to bridge the gap in order to achieve a breakeven plan.</p> <p>We therefore note that the ICB has taken sufficient actions to identify savings across the system in order to deliver a breakeven plan. Therefore we have not identified a significant weakness.</p>

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

The newly established ICB board, appropriately includes both independent non-executive members as well as representation from Local Authorities and Partners. The ICB has also established an Executive Committee, Audit and Risk Committee, Finance Performance and Investment Committee, Population Health and Integration Committee, Quality Safety and Improvement Committee and Workforce and Remuneration Committee. These are in line with our expectations for the ICB's governance structure as they incorporate the statutory committees required of an ICB and the membership inclusion set out by NHS England as well as commonly observed sub-committees from within the sector.

We also noted from the Governance Handbook that the ICB has set up seven place-based partnerships covering each of the areas inside North East London. This is consistent with NHSE guidance to support collaborative work within the system to respond to local needs.

We have inspected the Standing Financial Instructions evidencing an appropriate escalation framework for making key decisions based on financial limits and policy in place for reporting losses and special payments.

We have gained an understanding of the process for the approval of a business cases. We have inspected the business case for the capital investment in the St Georges Health and Wellbeing Hub and committee minutes evidencing appropriate scrutiny and approval.

The ICB has implemented a risk strategy and a risk policy since its formation, setting out the processes expected to be followed in managing risks and has undertaken a review of the strategic risks identified on its Board Assurance Framework to reflect its transition to having a system role. Alongside this a newly established corporate risk register has been set up, reflecting the key operational risks facing the ICB (as well as the system as a whole). There has been effective engagement with Executive officers in developing the corporate risk register.

While we note that the embedding of the new risk management structure within the ICB is a work in progress and is maturing across the ICB we identified there was optimism in the setting of target risk scores and target dates for when these will be achieved. All risks held on the corporate risk register had a target risk score lower than their current risk score and almost all were planned to achieve their target score by 31 March 2023. We noted given the progress of reducing risk scores over time this did not appear achievable.

Value for money - ICB

Governance (continued)

Description

Commentary on arrangements

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.

We consider that it is good practice to identify target risk scores and set target dates for when these will be achieved but consider that increased moderation will be required to help ensure that these are realistic. Target risk scores should be set with reference to achievability and reflect how far it is expected the risks can be mitigated and target dates should consider how long it will take to implement and have effect. We are satisfied that this does not represent a significant weakness as we did not identify evidence of a lack of appropriate actions being taken to manage risks.

We have inspected finance reports presented to board, and assess these to constitute sufficient appropriate reporting of financial performance and risk to enable effective decision making. We also note that this reporting appropriately included comparisons of actual results to plan, enabling effective budget monitoring to take place.

We have also inspected committee minutes and operational performance reports and assess there to be appropriate reporting of operational performance in place.

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.

We have gained an understanding of the processes relating to the efficiency programme. This includes the Identification of Cost Improvement Programmes (CIPs) through both top down and bottom up processes, the development of CIPs as part of the budget setting process, and monitoring through Board and the Financial & Performance Improvement Committee (FPIC).

Since the formation of the ICB revised governance arrangements to oversee procurement have been put in place. In previous periods at the predecessor CCG concerns had been identified over the level of single tender waiver activity, whereby expected tendering of contracts is not undertaken. An action plan has been implemented in order to reduce the level of waiver activity and ensure that they are only undertaken where required. This has received regular monitoring through both a Procurement Group and the Audit and Risk Committee.

During 2022-23 the Care Quality Commission (CQC) undertook a review of urgent and emergency care services in Barking, Havering and Redbridge. This rated the services within the overall system as 'requires improvement'. As part of inspecting the system the CQC visited services provided by Barking, Havering and Redbridge University Hospital NHS Trust, London Ambulance Service NHS Trust and the Partnership of East London Co-operatives (PELC). As part of the report the CQC recommended that there should be a response at a 'system' level for the integrated care system to help respond to the challenges identified.

Following the inspections undertaken the ICB has established Programme Board for monitoring urgent and emergency care services in Barking, Havering and Redbridge, with meetings due to commence in March 2023. A governance review has been commissioned to be undertaken at PELC and monitoring of outcomes is being undertaken through the NEL ICB Oversight Board for PELC to monitor the improvement within the system.

We did not identify a significant risk for value for money in this area as the overall system was rated requires improvement rather than inadequate and no breaches of laws or regulations were identified. We considered that appropriate system-level actions had been put in place and there is an appropriate governance structure in place to oversee the delivery of the improvement plan.



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