



Auditor's Annual Report 2023/24

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). 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.



01 Executive Summary

Executive Summary

Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit 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 ICB 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 ICB. 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 ICB’s 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.

Findings

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

Accounts	<p>We issued an unqualified opinion on the ICB’s accounts on 27 June 2024. 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>
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 Department of Health and Social Care requirements.</p>
Value for money	<p>We are required to report if we identify any matters that indicate the ICB does not have sufficient arrangements 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>
Other reporting	<p>We did not consider it necessary to issue any other reports in the public interest.</p>



02 Audit of the Financial Statements

Audit of the financial statements

KPMG provides an independent opinion on whether the ICB's financial statements:

- Give a true and fair view of the state of the ICB's affairs as at 31 March 2024 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by NHS England with the consent of the Secretary of State in February 2024 as being relevant to ICBs and included in the Department of Health and Social Care Group Accounting Manual 2023/24; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006 (as amended).

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We have fulfilled our ethical responsibilities under, and are independent of the ICB in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Audit opinion on the financial statements

We have issued an unqualified opinion on the ICB's financial statements on 27 June 2024.

The full opinion is included in the ICB's Annual Report and Accounts for 2023/24 which can be obtained from the ICB's website.

Further information on our audit of the financial statements is set out overleaf.

Audit of the financial statements

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	Procedures undertaken	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 non-NHS accruals.</p>	<p>We have evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely recorded;</p> <p>We have inspected a sample of invoices of expenditure and payments made, in the period after 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period.</p> <p>We have selected a sample of year end accruals and inspected evidence of the actual amount paid after year end and other supporting information in order to assess whether the accrual exists and has been accurately recorded.</p> <p>We have inspected journals posted as part of the year end close procedures that decreased the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence. We have not identified any issues with our testing.</p> <p>We have performed a year on year comparison of the accruals in the prior year and current year and challenged management where the movement is not in line with our understanding of the entity.</p> <p>We vouched the CHC Accruals to appropriate supporting evidence in order to determine if the accrual is accurate.</p>	<p>We identified two instances where accruals were overstated when comparing to the actual supporting documentation. The factual value of these were £94k with an projected further impact of £7.2m. We do not consider this to be material however accounted for this as unadjusted misstatement. These would have reduced the expenditure recorded had they been corrected.</p> <p>We did not identify any material misstatements relating to this risk.</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 analysed journals throughout the year and focused our testing on those with a higher risk, such as journals impacting expenditure recognition and reducing accruals posted during the final close down period.</p>	<p>We did not identify any material misstatements relating to this risk.</p>



03 Value for Money

Value for Money

Introduction

We are required to consider whether the ICB has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the ICB for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



Financial sustainability: How the ICB plans and manages its resources to ensure it can continue to deliver its services.



Governance: How the ICB ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness: How the ICB uses information about its costs and performance to improve the way it manages and delivers its services

Approach

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.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the ICB.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	11 – 12	13 – 14	15
Identified risks of significant weakness?	No	No	Yes
Actual significant weakness identified?	No	No	No
2022-23 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel			

We identified a significant risk relating to the ICB's arrangements for improving economy, efficiency and effectiveness as a result of the underlying deficit within the overall integrated care system in 2023-24 and moving into 2024-25. We performed further work to assess the ICB's arrangements. We did not identify a significant weakness in the ICB's arrangements during the year. Further details are provided on page 15.

Value for Money

NATIONAL CONTEXT

Financial performance

The 2023-24 financial year saw a significant increase in the level of financial pressures facing the NHS sector. This followed the end of Covid-19 related financing arrangements. The sector has faced cost pressures from a range of factors, most significantly the impacts of inflation felt during the year and the costs of industrial action.

At the end of January 2024 NHS England forecast that the NHS would record an overspend of £1.1bn against its agreed budgets. This came after additional funding had been made available earlier in the year to support with the costs of industrial action.

Operational performance

In January 2023 the Government announced five pledges for 2023, including reducing NHS waiting lists and the time people wait for procedures. Waiting lists had grown significantly during the Covid-19 pandemic as elective activity was postponed in order to prioritise the treatment of Covid patients and ensure safe working.

According to the Health Foundation the NHS waiting list had grown from 6.2 million patients at the beginning of 2022 to 7.2 million in January 2023. There had also been a significant increase in the number of patients with long waits. At the end of 2023 there remained 355,000 patients that had been waiting over a year for treatment. Income arrangements for the acute sector were revised in year to reimburse providers for elective activity based on the actual number of patients treated.

System working

The Health and Care Act 2022 formally established integrated care systems (ICSs), 42 partnerships within local geographies to promote closer working between the organisations responsible for healthcare delivery. Integrated Care Boards were formed on 1 July 2022, taking over commissioning responsibility from Clinical Commissioning Groups.

In their first full year of operation ICSs have continued to work to develop and embed governance arrangements both within the ICBs themselves and as systems.

LOCAL CONTEXT

NHS North East London ICB is responsible for planning and buying health services across north east London who serve people across eight local authority areas: Barking & Dagenham, City of London, Hackney, Havering, Newham, Redbridge, Tower Hamlets and Waltham Forest.

The ICB work closely with other NHS organisations in north east London.

They include:

- Barts Health NHS Trust
- Barking, Havering and Redbridge University Hospitals NHS ICB (BHRUT)
- East London NHS Foundation ICB (ELFT)
- Homerton Healthcare NHS Foundation ICB
- North East London NHS Foundation ICB (NELFT)

The ICB is a part of North East London Health and Care Partnership, which is a formal alliance of partners, mentioned above, with a role in improving the health and wellbeing of local residents. Together the partnership sets the overall strategy that guides collective work and holds the wider system to account for how services are delivered in a more joined up way.

Financial Sustainability

How the ICB plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the ICB ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the ICB plans to bridge its funding gaps and identifies achievable savings;
- How the ICB plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the ICB ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the ICB identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

2023-24 ICB financial performance

The ICB had a resource allocation for 2023-24 of £4.75bn provided by NHS England to enable it to commission healthcare services across the North East London region. The ICB had planned to make a surplus against its resource allocation of £15.4m, which was agreed as part of the financial planning in order to support the wider North East London Integrated Care System to submit a break-even financial plan.

The ICB's actual performance for the year was a £14.4m surplus, £1m adverse to the originally submitted plan. Within the financial plan for 2023-24 the ICB was required to achieve efficiencies of £86m, of which £31m were planned to be delivered recurrently and the remaining elements through non-recurrent measures. Actual efficiencies delivered in the year were £67.3m, of which £17.9m were delivered recurrently.

The ICB therefore missed its planned efficiency target by £18.7m and as a large proportion of the efficiencies that were achieved were delivered non-recurrently there is a carry over into 2024-25 of catch up in efficiencies that will need to be delivered in order for the ICB to deliver a balanced financial position.

There was appropriate scrutiny of the financial plan's development through the ICB'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. The ICB has followed national guidance when developing the plan – planning guidance and uplifts have been applied, delegated primary care funded and it is assumed that the mental health investment standard will be met.

Financial Sustainability

2024-25 financial planning

The ICB has set a break-even financial plan for 2024-25 based on the resource limit allocated to it by NHS England. This is based on a resource allocation of £4.427bn, a 2.3% increase from the allocation available in 2023-24.

Delivery of the break-even position for 2024-25 is reliant upon achieving £63.5m of savings, which is equivalent to 7.5% of the controllable ICB budgets. The ICB has calculated its underlying deficit position going into 2024-25 as being an £80m deficit. This is primarily driven by the high level of efficiencies that were delivered non-recurrently in 2023-24 needing to be delivered again in 2024-25 as well as the need to find further efficiencies in line with the national mechanisms for calculating funding.

In order to address the underlying deficit the ICB has agreed within the integrated care system that growth funding provided of £40m would not be passed on to providers and will contribute to the system's wider efficiency target. Of the remaining £56m required to be delivered by the ICB savings targets have been allocated to elements of spend such as prescribing and continuing healthcare while the remaining balance is expected to be identified through non-recurrent measures.

At the time of reporting we consider that, alongside the wider risks relating to the integrated care system's financial performance, there is a significant risk to the delivery of the ICB's financial plan. While we note that the ICB has been able to deliver surpluses since its formation these are driven through non-recurrent measures and therefore in order for the ICB to continue operating within its allocated resource limit will require that significant recurrent efficiencies are identified and delivered.

We have not concluded in 2023-24 that there is a significant weakness relating to the ICB's financial sustainability as it has identified a pipeline of opportunities for delivery of its efficiencies and because the scale of risk anticipated within the plan is not considered material to lead to a significant weakness in the context of the overall resource allocation of the ICB.

Key financial and performance metrics:	2023-24	2022-23
Planned surplus against resource limit	£15.368m	£9.1m
Actual surplus against resource limit	£14.408m	£38k
Year-end cash position	£98k	£38k

Key financial and performance metrics:	2023-24	2022-23
Planned CIP as a % of spend	1.74%	1.28%
- Recurrent	37.57%	100%
- Non-recurrent	62.43%	0%
Actual CIP as a % of spend	1.42%	1.28%
- Recurrent	26.69%	31.96%
- Non-recurrent	73.31%	68.04%

Governance

How the ICB ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the ICB monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the ICB approaches and carries out its annual budget setting process;
- how the ICB ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the ICB ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour

The Chief Executive Officer developed the ICB objectives with the support of the executive management team and ICB board which built on the transitional objectives for 2022-23 with a continued commitment to delivering the core purpose of ICSs – the development of these objectives ensures that the ICB's approach to risk management is transparent and the organisational structure supports effective systems and processes.

The ICB has a risk strategy and a risk management policy that defines the way that risks are captured, managed and reported and have continued to embed the new risk management structure within the ICB since its formation. Based on criteria set out in the risk management policy, risks are identified along with the current risk rating, significant risks are escalated from the corporate risk register to the BAF. Risks that are rated as severe (red rated) are escalated to the BAF where that risk is deemed to pose a significant threat to the achievement of the ICS's strategic objectives.

The management of risk across each department is led and reported by the relevant Chief Officer with support from the governance team. Chief Officers are involved in regular reviews of the risk register and the assurance framework. The Chief Participation and Place Officer presents the Board Assurance Framework (BAF) to each ICB Board meeting.

Furthermore, the ICB board, which includes ICB Executives, Non-Executive Members, and System Partner members, provides overall oversight on the risk management outlined in its BAF.

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 2024. 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.

Governance

- We have gained an understanding of the process for the approval of a business cases. During November 2023, the ICB formed a new Investment Review Group (IRG) to allow for a more streamlined process in the decision making and approval of business cases. The IRG offers a comprehensive evaluation of risks, assuring the ICB board that all major and material risks are being effectively managed. This includes confirming that the key risks to achieving the Strategic Objectives and the necessary actions and mitigations are current and accurate.
- The ICB has a number of clear policies in place for preventing fraud, and financial controls to prevent and detect fraud are strong. The ICB receives regular reporting via the Audit and Risk Committee from internal audit and the local counter fraud specialist teams, and we have reviewed the level of reporting and challenge against this.
- The ICB has appropriate policies and procedures in place for ensuring compliance with laws and regulations. Relevant matters are communicated upwards through relevant committees.
- The ICB has appropriate controls for preventing and detecting fraud. A local counter fraud service provides assurance over measures to mitigate fraud and reports regularly to the Audit and Risk Committee. Additionally, a Counter Fraud and Corruption Policy & Response Plan is in place.
- During the year, the ICB went through a staff restructure with a process of staff consultation taking place which was finalised during June 2023. The ICB compiled an organisation-wide outcome document which described the background, design principles, overarching themes and steps in the consultation process followed. The department-level documents provided details of the outcomes in each of the six required departments of the ICB with updated job descriptions and titles. As reported in the ICBs Annual Report, the restructure meets the nationally set requirements to reduce the running cost allowance but also enables the to operate to support delivery.

	2024	2023
Control deficiencies reported in the Annual Governance Statement	There were no significant control deficiencies identified in the governance statement.	There were no significant control deficiencies identified in the governance statement.
Head of Internal Audit Opinion	Adequate with some improvements required	Adequate with some improvements required
Oversight Framework segmentation	3	3

Improving economy, efficiency and effectiveness

How the ICB uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the ICB evaluates the services it provides to assess performance and identify areas for improvement;
- how the ICB 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 the ICB commissions or procures services, how it assesses whether it is realising the expected benefits.

Integrated Care System working

The ICB acts as host for the North East London integrated care system, a partnership made up of the ICB, providers within the area and other partners such as local authorities. Under the Health and Care Act 2022 the ICB was assigned responsibility for ensuring that the services within the integrated care system are delivered in a sustainable manner and that the overall health economy operated within the resource allocation made available to it.

At a system level a final financial plan has been submitted to NHS England representing a £50m deficit, with the ICB forecasting a break-even position and deficits arising within provider trusts within the area. This has reduced from the initial submission made in April 2024 of a £114.6m deficit at a system level. This was done following discussions with NHS England of the acceptable level of deficit within the system.

In order to achieve the revised deficit the overall system has set an efficiency target of £289m. At the time £143m, just under 50%, was either unidentified or high risk of the efficiencies across the system. We therefore consider that there is a significant level of risk associated with the ICS' delivery of the deficit plan that has been set.

Following initial deviations from plan at the beginning of the 2023-24 year the ICB formed a Financial Recovery Plan that was overseen by a Financial Recovery Board. Each of the Chief Executives and Chief Financial Officers signed up to the financial recovery plan that was agreed for 2023-24 and a range of measures were agreed to be introduced across the system in order to support it in moving to financial balance. These included adopting the NHS England prescribed measures for systems that were in deficit, such as enhanced business case scrutiny requirements.

A Financial Recovery Highlight Report has been produced during 2023-24 that tracks the savings being delivered by the programs in place across the ICS and their monthly delivery so that there is transparency in the amounts that are being delivered in the key workstreams that have been agreed across the system.

We have been able to see that there was close working at a senior level across the integrated care system in developing the 2024-25 financial plan, with meetings held including Chief Executives and Chief Financial Officers of entities across the system from early in the planning cycle.

Improving economy, efficiency and effectiveness (continued)

How the ICB uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the ICB evaluates the services it provides to assess performance and identify areas for improvement;
- how the ICB 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 the ICB commissions or procures services, how it assesses whether it is realising the expected benefits.

Achieving running cost reductions

All ICBs have been set a target to achieve a 30% reduction in running costs by 2024-25 by NHS England. The ICB commenced a consultation on restructuring during 2023-24 that is expected to be sufficient in order to deliver the running cost reduction in line with the targets that have been allocated. As at 31 March 2024 the ICB was finalising the outcome of the consultation and made provision for redundancies to be associated with this. We have reviewed evidence to confirm that appropriate processes were followed in undertaking the consultation, including obtaining approval for the scheme as required from NHS England prior to implementation.

Procurement

The ICB has had a continued focus on the effective management of procurement during the year. During 2022-23 the ICB identified a need to reduce the level of single tender waivers and implement a contract register. An internal audit of procurement undertaken during the period provided limited assurance and had identified weaknesses in the contract planning arrangements in place at the ICB.

During 2023-24 there were 94 single tender waivers at the ICB, which has continued to be a high level and a number were submitted retrospectively, restricting the ability for there to be appropriate challenge. There has been regular monitoring of the waivers submitted through a Procurement Group, which reports on a bi-monthly basis to the Audit and Risk Committee. While there has been positive progress in implementing recommendations raised from the internal audit there remains further challenge to ensure that the use of contract registers is embedded and that procurement is undertaken in a planned manner to achieve value for money in the ICB's contracts.

Summary

We have not identified a significant weakness in the ICB's arrangements for managing the financial performance and sustainability across the ICS. This is driven by having introduced enhanced financial governance arrangements during 2023-24 and for the forming of the 2024-25 plan. However, we note that there is a very high level of risk associated with the delivery of the 2024-25 plan. Following agreement with NHS England to a revised deficit plan for the system of £50m, compared to the original £114.6m projection, the system has a high level of efficiency that needs to be delivered which is either unidentified or high risk.



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