



Auditor's Annual Report 2022/23

NHS North Central London Clinical Commissioning Group

NHS North Central London Integrated Care Board

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This report is addressed to NHS North Central London (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 Central London Clinical Commissioning Group (the 'CCG') and of the nine month period to 31 March 2023 of NHS North Central 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 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 North Central London CCG	NHS North Central London ICB
Accounts	<p>We issued an unqualified opinion on the CCG's accounts on 28 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>	<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 7</p>
Annual report	<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 ICB.</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 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 ICB 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 – NHS North Central London 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></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 did not identify any indications of management override of controls, nor did we raise any high priority recommendations in relation to the controls in this area.</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></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 over Non-NHS accruals.</p>	<p>We identified a misstatement relating to the year end prescribing accrual that has not been corrected by management. Updating this would lead to a decrease in expenditure, however we did not consider this material.</p>
<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 did not identify any indications of management override of controls, nor did we raise any high priority recommendations in relation to the controls in this area.</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	No significant control deficiencies identified in the governance statement.
ICB assessment framework	There were no issues identified
Head of Internal Audit opinion	No issues identified

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	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 risks identified

We did not identify a significant weakness with regards to the ICB's arrangements.

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>For the year 2022/23, the ICB used the financial guidance issued by NHSE/I which has a list of priorities for the year, and gives guidance on the contracting and revenues. Financial planning was undertaken across the CCG and ICB as a whole with consideration also given to the budget and financial position of the North Central London system.</p> <p>The revised financial plan submitted in June 2022 was balanced, with the ICB forecast to outturn a surplus of £4.4M. This was an improved position from the initial plan of a £17M deficit, submitted in April 2022. The improvement was based upon the release of non-recurrent funding into the system. The ICB's financial forecasts were based upon the achievement of £22M of Cost Improvement Plans (CIPs).</p> <p>The Financial Plan was developed in the context of the system as a whole and a triangulation of the contracting information between the ICB and the providers was undertaken. Financial risks and emerging pressures are reviewed at a system level, and the ICB has worked with its system partners throughout the year to develop a System Efficiency Plan.</p> <p>At an ICB level, training was provided to budget holders in developing their budget assumptions, and support and challenge of these assumptions was provided by the Finance team. The Financial Plan was submitted for review to the Finance Committee, where, through the review of minutes, we observed scrutiny and challenge, prior to being presented to the Board for approval.</p> <p>Monthly meetings take place throughout the year between the budget holders and Finance to discuss performance and any deviations that occur to budget (noting that the majority of contracting arrangements continued to be on a block basis in 2022/23). Cashflow forecasting is performed as part of the monthly drawdown process.</p> <p>A combined finance and CIPs report was presented to the Finance Committee at each of their meetings, providing a clear presentation and narrative of both the ICB position and that of the system as a whole.</p> <p>The ICB outturned a small surplus of £200K against its revenue resource allocation for the year, with efficiencies being delivered against contracts in the acute, community and mental health sectors, as well as in prescribing and other programme costs.</p>

Value for money - ICB

Financial sustainability (continued)

Description	Commentary on arrangements
	<p>Looking forward to 2023/24, the financial risks and pressures continue to increase across the system, as well as nationally. We note the ICB has submitted a balanced plan for the year to 31 March 2024, but that there is a significant level of risk and required efficiencies built into this.</p> <p>Conclusion</p> <p>Based upon the procedures we have undertaken, we have concluded that there is not a significant weakness associated with financial sustainability at the ICB for 2022/23.</p>

Value for money - ICB

Governance	
Description	Commentary on arrangements
<p>This relates to the arrangements in place for overseeing the ICB's performance, identifying risks to achievement of its objectives and taking key decisions.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <p>Processes for the identification and management of strategic risks;</p> <p>Decision making framework for assessing strategic decisions;</p> <p>Processes for ensuring compliance with laws and regulations;</p> <p>How controls in key areas are monitored to ensure they are working effectively.</p>	<p>We reviewed the arrangements that the ICB put in place for its transition from a CCG. We found these to be effective in their design and execution, with many arrangements being ready to 'go live' well in advance of the transition date.</p> <p>The newly established ICB board, appropriately includes both independent non-executive members as well as representation from Local Authorities and partners. These had been appointed as part of the transition planning and the ICB was therefore able to operate effectively from the transition date.</p> <p>All policies had been appropriately considered and transitioned for the ICB, and a formalised governance process established for the consideration and approval of these. Comprehensive work was undertaken to develop a complete record of all of the CCG's contracting arrangements in order that these could be appropriately exited or novated to the ICB.</p> <p>A formalised process is in place for the approval of key decisions and ensuring that these flow through the correct committees and the Board (as appropriate) in line with the approval requirements set out in their terms of reference.</p> <p>The ICB has an effective process to monitor and assess risks. Risks flow from individuals who identify them (which can include anyone at the ICB) through to divisional registers. Risk are scored using risk scoring guidelines that is based on likelihood and consequences.</p> <p>Where risks at a divisional level impact on the ICB's strategic objectives, these are escalated to the Corporate Risk Register, which is reviewed by the relevant committee, depending on the nature of the risk. Risks above a pre-determined score of 15 are reported to the Board via the Board Assurance Framework, which is presented to each of their meetings.</p> <p>The ICB has appointed the services of an Internal Audit provider, and also a Local Counter Fraud Specialist. Both of these experts report to the Audit Committee, where findings and management responses are scrutinised and challenged. The Audit Committee is also responsible for the approval of their work plan, and uses this as one of the sources of assurance over the control environment operating at the ICB.</p> <p>Conclusion</p> <p>Based on the procedures performed we have not identified a significant weakness associated with governance.</p>

Value for money - ICB

Improving economy, efficiency and effectiveness

Description

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.

Commentary on arrangements

Financial performance is monitored at an ICB and system level throughout the year by the Finance Committee, with regular reporting also being presented to the Board.

The ICB has closely monitored performance against its Cost Improvement Plans during the year, and this is undertaken at a service level within directorates, as well as at a corporate level. Reporting of progress against schemes is integrated within overall finance reporting, with a focus also on system-level performance and efficiencies. The ICB has challenging targets in respect of the efficiencies integrated into its budget and will need to achieve savings of more than £25M in 2023/24 within the ICB, meaning the level of scrutiny of performance in this area will need to remain robust.

The system focus is on elective recovery in the post-pandemic environment, and this will continue into future years. The ICB has established working groups across the system to consider more strategic pathway and service redesign.

Non-financial performance is monitored through the integrated performance reports and is also reviewed at the Quality and Safety Committee using a performance matrix for scrutiny and challenge, based upon the NHS Constitutional standards, the Systems Oversight Framework and locally agreed Integrated Care System (ICS) plans. Information is evaluated by the performance team across the ICB in respect of accuracy, timeliness, completeness, and clarity. Provider level benchmark information is used to inform performance discussions.

The ICB continues to work with the local authorities in each of its Boroughs, using the relationships established from the former CCGs, and included in this is the pooled budget arrangements for specific services.

There are a number of examples of the where the ICB and local partners have set up arrangements for partnership working for example, the Health and Wellbeing Board. These groups are designed to develop partnership Strategies. The Board for the ICB includes members from across the system, including providers and local authorities, which enables decisions to be made at a system level.

Conclusion

Based upon the procedures undertaken, we have not identified a significant weakness in relation to the arrangements that the ICB has in place to improve economy, efficiency and effectiveness.



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