



# Auditor's Annual Report 2023/24

**NHS Derby and Derbyshire Integrated Care Board**

—

July 2024

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This report is addressed to NHS Derby and Derbyshire 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 Derby and Derbyshire 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 :

<b>Accounts</b>	We issued an <b>unqualified opinion on the ICB’s accounts on 26 June 2024</b> . This means that we believe the accounts give a true and fair view of the financial performance and position of the ICB.  We have provided further details of the key risks we identified and our response on page 7.
<b>Annual report</b>	We did <b>not identify any significant inconsistencies</b> between the content of the annual report and our knowledge of the ICB.  We confirmed that the Governance Statement had been prepared in line with the Department of Health and Social Care requirements.
<b>Value for money</b>	We are required to report if we identify any matters that indicate the ICB does not have sufficient arrangements to achieve value for money.  <b>We have nothing to report in this regard.</b>
<b>Regularity</b>	We are required to issue an opinion as to whether the expenditure incurred by the ICB was within its delegated authorities.  <b>We have nothing to report in this regard.</b>
<b>Other reporting</b>	We are required under Section 30 of the Local Audit and Accountability Act to make a referral to the Secretary of State for Health and Social Care if we identify that the ICB has or is about to enter into unlawful expenditure. We have not made a referral. <b>We have not made any reports in the public interest</b>



# 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 2023-2024 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 26 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><b><i>Fraudulent expenditure recognition - completeness</i></b>                      Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. As the ICB and system is required to break even or achieve their revenue resource limit, there is a risk that non-pay expenditure, excluding depreciation, may be manipulated in order to report that these have been met.</p>	<p>We have performed the following procedures in order to respond to the significant risk identified:</p> <ul style="list-style-type: none"> <li>• 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 and accurately recorded;</li> <li>• We have inspected a sample of invoices of expenditure, in the period after 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period;</li> <li>• We have selected a sample of year end accruals and inspected evidence of the actual amount paid after year end in order to assess whether the accruals have been accurately recorded.</li> <li>• 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;</li> <li>• We have performed a retrospective review of prior year accruals in order to assess the existence and accuracy with which accruals had been recorded at 31 March 2023 and consider the impact on our assessment of the accruals at 31 March 2024.</li> <li>• 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.</li> </ul> <p>We have also performed the following procedures not in response to the significant risk as part of our audit of expenditure:</p> <ul style="list-style-type: none"> <li>• We inspected a sample of transactions, in the period prior to 31 March 2024, to determine whether expenditure has been accurately represented in the financial statements and recognised in the correct accounting period;</li> <li>• We reviewed a sample of payments to NHS providers and agree to agreed payment schedules and Agreement of Balances submissions</li> </ul>	<ul style="list-style-type: none"> <li>• Our analysis of expenditure incurred in the financial year did not identify any unusual patterns that were not corroborated by management.</li> <li>• All invoices samples inspected were found to have been recognised in the correct accounting period.</li> <li>• Our test of journals posted as part of period end procedures that increase the level of expenditure recorded in year did not identify any issues.</li> <li>• We noted the ICB has existing high level controls in place designed to detect the risk of misstatement of accruals (such as review of management accounts). However, these controls are not formally documented, and lack the precision specified in order to meet the requirements per auditing standards. Our consideration of agreement of balances variances exceeding £300k did not indicate and any material issues regarding the appropriateness of the balance recognised in the accounts.</li> <li>• We have not identified audit misstatements or control deficiencies as a result of our work performed.</li> </ul> <p><b>Based on our 2023/24 audit work performed and the evidence obtained we consider the recognition of non-pay expenditure to be appropriate.</b></p>

# 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><b>Management override of controls</b> We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<ul style="list-style-type: none"> <li>Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.</li> <li>In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments. Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.</li> <li>Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the component's normal course of business, or are otherwise unusual.</li> <li>We have analysed all journals through the year using data and analytics and focused our testing on those with a higher risk.</li> <li>We have gained an understanding of the controls in place for the identification of related party relationships and performed test of the completeness of the related parties identified. We have verified that these have been appropriately disclosed within the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>The ICB's general ledger allows journals posted by certain finance staff and SBS/NHSE to be self authorised, thereby not enforcing segregation of duties. ISFE system also allows an approver to override a journal created by someone else, therefore making the approver both the creator and approver. These are inherent weaknesses in the ISFE system. In response, there is a compensating control whereby the ICB does a monthly review of all self approved journals.</li> <li>We identified 18 journal entries and other adjustments meeting our high-risk criteria – our examination did not identify unauthorised, unsupported or inappropriate entries.</li> <li>We did not identify any significant unusual transactions.</li> <li>We noted that the declaration process was followed appropriately by the individuals concerned.</li> </ul> <p><b>Based on our 2023/24 audit work performed and the evidence obtained we did not identify any instances of management override of controls.</b></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	12	14	15
Identified risks of significant weakness in 2024/25?	Yes	No	No
Actual significant weakness identified in 2024/25?	No	No	No
Prior period findings	Risk to significant weakness was noted but did not materialise into a significant weakness	No significant weakness identified	No significant weakness identified
Direction of travel			

# 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

The ICB is responsible for leading the Derbyshire Integrated Care System (ICS, or 'JUCD') on behalf of the system partners. The ICS serves a registered GP population of approximately 1.07m people and encompasses two local authorities, four NHS Foundation Trusts, one trust, Derbyshire GB Alliance & GP Task Force, DHU Healthcare and the ICB.

### *Financial performance*

In the 2023/24 year the ICB achieved an overall adjusted surplus position £1m against their revenue resource limit, exceeding its prior year Plan submission.

This was helped through decrease in cost due to performance of dental contracts. Whilst we note that the ICB achieved a strong financial position, there remains a significant underlying deficit across the wider ICS in Derbyshire with a projected reported system deficit of £44m for the year ended 31 March 2024.

The ICB sits within the Single Oversight Framework segment 3 having dropped from a segment 2 in prior period, which requires mandated support to improve the financial position.

### *System working*

The Derbyshire system as a whole is recognised to have a challenging financial position. In line with revised targets, the total system deficit for the year end 31 March 2024 was £42.3m.

The ICB worked closely with system partners to develop the 2024/25 finance and operational plan for the JUDC System. An initial plan was approved and submitted which included an adjusted planned surplus for the ICB of £3.7m and system wide total deficit of £68.8m.

Following this Plan submission, this ICB actively engaged with the NHSE national team to understand where further savings and efficiencies could be achieved. Following these discussions, a framework has been agreed that reduces the deficit position to £50.0m, excluding the impact of UK GAAP, bringing the Plan for 2024/25 in line with the outturn for 2023/24 and meeting the ask from the national team.

# 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

**Summary of arrangements**

We have **not identified any significant weakness** in the ICB’s arrangements in relation to financial sustainability.

**Delivery against 23-24 financial plan**

The ICB’s 2022-23 financial plan was a breakeven position and within that the assumption that £44.2 million of cash releasing efficiency savings would be made. The month seven (October 23) reported year to date deficit for the ICB was £5.1m. However at month nine (December 2023) the Finance Report to audit and governance committee showed that the ICB delivered a year to date (YTD) surplus of £3.5m, with a forecasted year end surplus of £9.6m. This projected surplus includes non-recurrent balance sheet savings of £7.8m to offset the additional pressures the ICB is currently experiencing.

Nearly all of the ICB’s income is derived from the core allocation it receives and thus it does not have any income pressures. The pressures are related to costs and delivery of the overall ICS plan. There were numerous iterations of plans through the protracted planning process for 2023/24 where plans had gone through significant challenge in order to reduce the level of deficit at each iteration.

At period end, the ICB achieved an overall adjusted surplus position £1m against their revenue resource limit, exceeding its prior year Plan submission.

The ICB exceeded its efficiency target, with total savings of £47.8m against a target of £44.2m.

Whilst we note that the ICB achieved a strong financial position in year, there remains a significant underlying deficit across the wider ICS in Derbyshire with a projected reported system deficit of £44m for the year ended 31 March 2024. Maintaining the ICB’s position, whilst reducing the system level deficit continues to be a key priority for the ICB and other system partners, which will require close working with the wider ICS.

Key financial and performance metrics:	2023-24	2022-23
Planned deficit (adjusted financial performance)	£0.0 million	£0.0 million
Actual outturn (adjusted financial performance)	£1.0 million	£(14.8) million

# Financial Sustainability

## Planning Process for 2024/25

The ICB worked closely with System partners to develop the 2024/25 finance and operational plan for the JUCD System. This was approved by Board on 29 April 2024 and was submitted in line with the national deadline on 2 May 2024. This showed an adjusted planned surplus for the ICB of £6m following distribution across System partners.

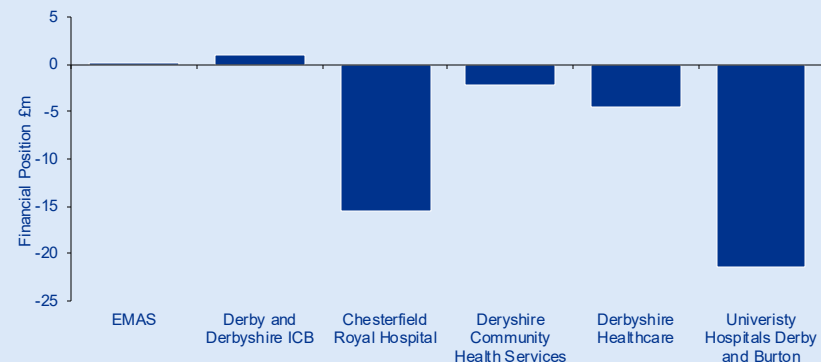
The System wide Plan submitted included a total deficit of £68.8m plus an additional £6.5m for a technical adjustment relating to UK GAAP treatment of the PFI, giving a total System deficit of £75.3m for the 2024/25 year. Following this Plan submission, this ICB actively engaged with the NHSE national team to understand where further savings and efficiencies could be achieved. At the System Plan review meeting with the national team (10 May 2024), JUCD was challenged to improve the position further.

System partners met to discuss options and how this could be achieved. Executive level discussions and meetings were held across all JUCD partners to ensure a collaborative approach from both operational and finance perspective.

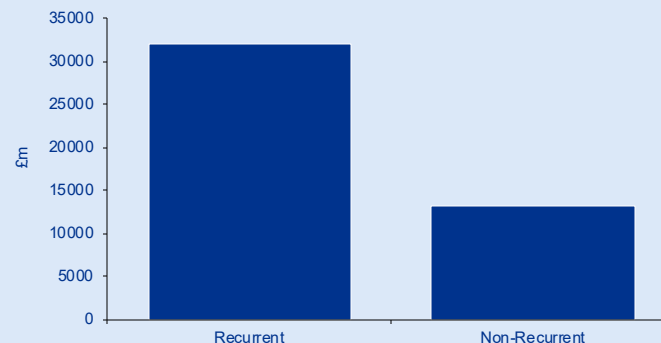
As a result a framework (system agreed action plan) has been agreed that reduces the deficit position to £50m, excluding the impact of UK GAAP, bringing the Plan for 2024/25 in line with the outturn for 2023/24 and meeting the ask from the national team. The was developed in co-ordination with all system partners. This includes £23.8m adjusted surplus for the ICB. This was accepted as an approved submission by the national team.

We note that this Plan is understood to contain a large element of risk, with the ICB aiming for 5% CIP target (£47m) against core expenditure in line with all other System partners. Of these efficiencies identified, 29% are expected to be delivered through non-recurrent means. This risks associated with these savings has been clearly communicated and understood, with approval of the final plan at the Finance and Estates committee on 28 May 2024.

## Financial Position of JUCD Partners as at 31 March 2024



## Planned Efficiencies 2024-25



# 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

## Summary of arrangements

We have **not identified any significant weaknesses** in the ICB's arrangements in relation to governance.

### Risk Management Process

We consider the ICB to have effective processes in place to monitor and assess risk. The ICB has a risk management strategy and framework outlining the approach to risk across the ICB. Strategic risks and associated threats are recorded and identified using the Governing Body Assurance Framework (GBAF), which is updated and reported to the Governing Body, with a monthly Risk Register Report reported monthly to Risk Group Committee.

Gaps in control are highlighted and an action plan detailed to move each risk to a tolerable level. Each GBAF strategic risk is assigned to an Executive Director who is the risk owner for the strategic risk. The GBAF's strategic risks are owned by the relevant Corporate Committee and these are reviewed, scrutinised and approved on a quarterly basis.

The ICB have a dedicated counter fraud service provided by 360 Assurance. The LCFS has an agreed work plan, with an annual report taken at the end of the year. This resource is supplemented via consideration of fraud by the Audit Committee and senior finance staff whilst preparing the financial statements. The ICB has an Internal Audit service also provided by 360 Assurance.

### Decision Making

Key strategic decisions are made via the ICB's governance process. A scheme of delegation is in place which sets out where different decisions/approvals should take place. The ICB has a standard business case proforma and each case is subject to approval in line with its scheme of delegation.

In order to understand financial performance against budget, budget holders are provided with monthly budget statements which are reviewed by the finance managers. Discussions between finance managers and budget holders enable appropriate challenge and response to adverse variances. The Finance and Estate Committee scrutinises performance, before recommending if any specific actions should be escalated to the Board.

Overall compliance with legislation, laws & regulations is overseen by the Head of Governance and reported to the Governing Board.

	2024	2023
Head of Internal Audit Opinion	Significant assurance	Significant assurance
Oversight Framework segmentation	ICB-3	ICB-2
Care Quality Commission rating	Good	Good

# 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.

## *Summary of arrangements*

We have **not identified any significant weaknesses** in the ICB's arrangements in relation to improving economy, efficiency and effectiveness.

## *Monitoring of Efficiency and Performance*

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.

One of the challenges the ICB highlighted in the 2023/24 financial plan related to delivering efficiency and transformational savings within the system and this will continue into 2024/25 as our commentary on page 13 demonstrate in relation the 2024/25 financial plan. The system has continued to develop efficiency plans and assess productivity improvements to inform the final planning submission for 2024/25.

Performance and activities at an ICS level are reported to the Audit and Governance Committee and Board every month, giving a detailed view of performance of services commissioned by the ICB. This includes headline performance, national targets, comparison to plan and the prior year and an indicator of trends.

## *Partnership Working*

The ICB forms part of the JUCD ICS and members of the Board and Leadership team are integrated within the governance of the system. This includes involvement in system decisions through various Operations and Finance Groups and Chief Executive Involvement in the system Leadership Team. This ensures the ICB is integrated into key system decisions and feeds back to the ICB via relevant Board, Committee and operational/clinical meetings.

The Joined Up Care Derbyshire ICS meetings are held regularly to enable all partners to contribute towards development of the ICS Strategy.

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. For non-NHS contracts, regular meetings are held between the ICB and the contractor to discuss performance of the contractor.



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