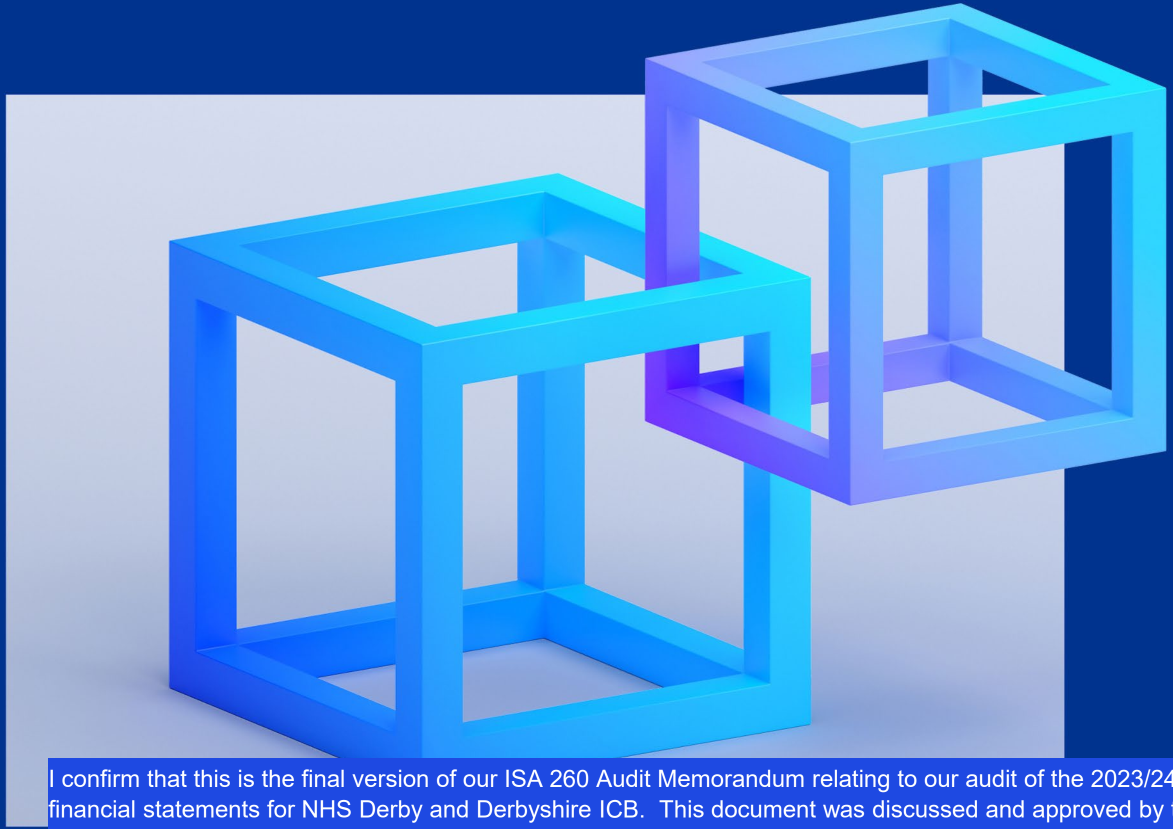
KPMG

NHS Derby and Derbyshire Integrated Care Board

Year end report to the Audit and Governance Committee



Year end report for the year ended 31 March 2024

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Report Date: 12 June 2024

Audit Committee Date: 19 June 2024

Date of Audit Report: 25 June 2024

I confirm that this is the final version of our ISA 260 Audit Memorandum relating to our audit of the 2023/24 financial statements for NHS Derby and Derbyshire ICB. This document was discussed and approved by the Trust's Audit Committee on 19 June 2024.

……………………………………………….
Andrew Cardoza

Director for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants, Birmingham

19 June 2024

Our audit opinions and conclusions:

Financial Statements: **unqualified** **Use of resources:** **no significant weaknesses identified**

Introduction

To the Audit and Governance Committee of NHS Derby and Derbyshire Integrated Care Board

We are pleased to have the opportunity to meet with you on 19 June 2024 to discuss the results of our audit of the financial statements of NHS Derby and Derbyshire Integrated Care Board (the 'ICB') as at and for the year ended 31 March 2024.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on 5 March 2024. We will be pleased to elaborate on the matters covered in this report when we meet.

Summary

We expect to be in a position to sign our audit opinion following the Board's approval of the financial statements and auditor's representation letter on 19 June 2024 provided that the outstanding matters noted on page 4 of this report are satisfactorily resolved.

There have been no significant changes to our audit plan and strategy.

We expect to issue an unmodified Auditor's Report.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Restrictions on distribution of this report

Yours sincerely,

Andrew Cardoza

DIRECTOR - KPMG LLP

19 June 2024

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

Contents	Page

Important notice

This report is presented under the terms of our audit engagement contract.

Circulation of this report is restricted.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of NHS Derby and Derbyshire Integrated Care Board (the 'ICB'), prepared in accordance with [International Financial Reporting Standards ('IFRSs') as adapted by the Group Accounting Manual issued by the Department of Health and Social Care, as at and for the year ended 31 March 2024.

This Report has been prepared for the ICB's Audit and Governance Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the ICB's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 4 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit and Governance Committee of the ICB; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it. We note that the ICB will provide a copy of our final report to NHS England.

Our audit findings

Significant audit risks		Page 6 –9
Significant audit risks	**Risk change**	**Our findings**
Fraud risk – expenditure recognition	No Change	The results of our testing were **satisfactory**. We considered the amount of expenditure recognised to be **appropriate**.
Management override of controls	No Change	The results of our testing are **satisfactory**. **No instances** of management override of controls were identified from our work.

Other audit risks		Page 10 –11
Significant audit risks	**Risk change**	**Our findings**
Regularity	No Change	We are required to issue an opinion as to whether the expenditure incurred by the ICB was within its delegated authorities. We have **no matters** to report arising from our work in response to this work

Uncorrected Audit Misstatements	Page 21
Understatement/ (overstatement)	**[£000]**
Prescribing Costs	968
Accruals and Liabilities	(968)

Misstatements in respect of Disclosures	Page 22
Misstatement in respect of Disclosures	**Our findings.**
Remuneration Report Disclosure	Presentational updates to pension banding for an individual.
Annual Report	Updates to the annual report in line with GAM requirements.

Number of Control deficiencies	Page 24
Significant control deficiencies	0
Other control deficiencies	1
Prior year control deficiencies remediated	0

Outstanding matters

Our audit is complete. No further matters are outstanding.

Value for money

We have not identified any significant weaknesses in the ICB's arrangements for achieving value for money. Further details are provided on page 15.

Other Matters

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. We have not made any reports in the public interest..

Significant risks and Other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which NHS Derby and Derbyshire ICB operates.

We also use our regular meetings with senior management to update our understanding and take input from internal audit reports.

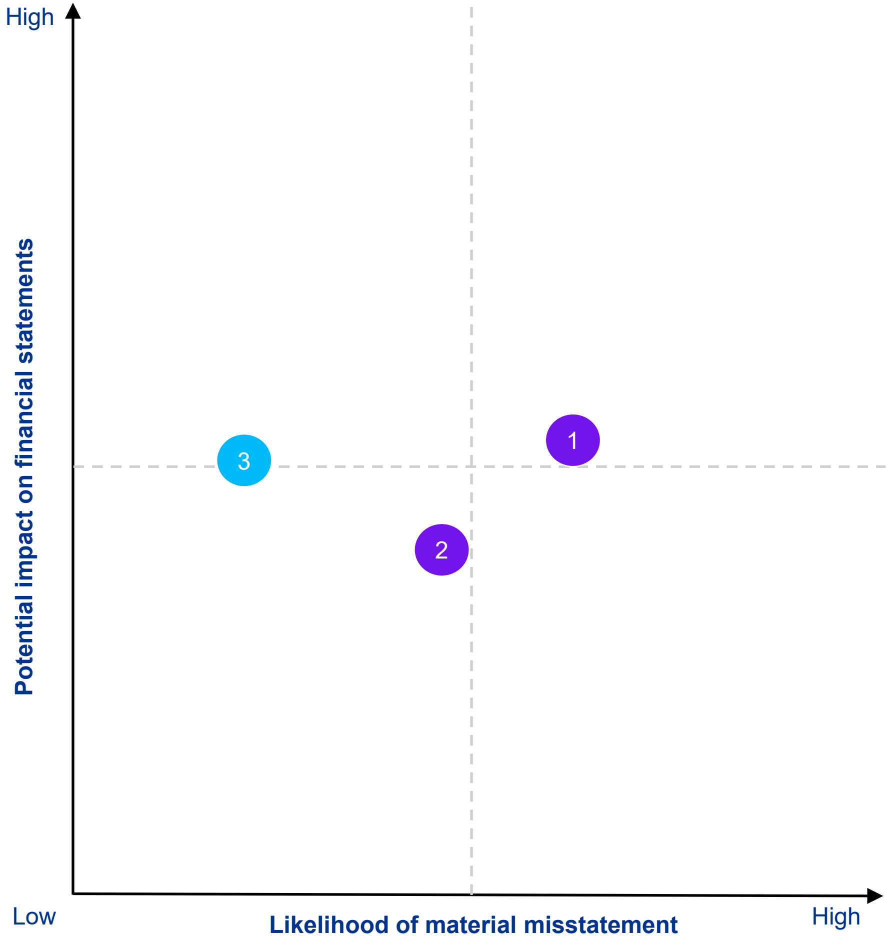
During our audit we did not identify any changes in risks of material misstatement to be highlighted.

See the following slides for the cross-referenced risks identified on this slide.

Significant audit risks	
1.	Fraud risk – expenditure recognition
2.	Management override of controls

Other audit risks	
3.	Regularity

Key: # Significant financial statement audit risks # Other audit risk



Audit risks and our approach

1 Fraud risk from expenditure recognition – completeness and accuracy

Significant audit risk

Risk: *Liabilities and related expenses for purchases of goods or services are not completely identified and recorded*

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.

At Month 11 the ICB was forecasting to achieve a surplus of £9.8m, with cost pressures being mitigated by a number of non-recurrent sources of funding. The nature of the NHS funding regime can create an incentive for management to overstate the level of expenditure compared to that which has been incurred. The requirement to break even or meet their revenue resource limit create an incentive for management to understate the level of non-pay expenditure compared to that which has been incurred.

The requirement to break even or meet their revenue resource limit create an incentive for management to understate the level of non-pay expenditure compared to that which has been incurred. We consider this would be most likely to occur through understating accruals, for example to push back expenditure to 2024/25 to mitigate financial pressures either by not including an accrual or understanding the value.

Due to the more varied nature of Non NHS expenditure, we consider this risk to be applicable to Non NHS accruals and related expenditure only. This does not include prescribing accruals, which are based directly on data provided to the ICB and are therefore less open to manipulation.

Our response

We have performed the following procedures in order to respond to the significant risk identified:

- 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;
- 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;
- 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.
- 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 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.
- 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.

We have also performed the following procedures not in response to the significant risk as part of our audit of expenditure:

- 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;
- We reviewed a sample of payments to NHS providers and agree to agreed payment schedules and Agreement of Balances submissions

Audit risks and our approach (cont.)

1 Fraud risk from expenditure recognition – completeness and accuracy

Significant audit risk

Risk: ***Liabilities and related expenses for purchases of goods or services are not completely identified and recorded***

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.

At Month 11 of 2023/24 the ICB was forecasting to achieve a surplus of £9.8m, with cost pressures being mitigated by a number of non-recurrent sources of funding. The nature of the NHS funding regime can create an incentive for management to overstate the level of expenditure compared to that which has been incurred. The requirement to break even or meet their revenue resource limit create an incentive for management to understate the level of non-pay expenditure compared to that which has been incurred.

The requirement to break even or meet their revenue resource limit create an incentive for management to understate the level of non-pay expenditure compared to that which has been incurred. We consider this would be most likely to occur through understating accruals, for example to push back expenditure to 2024/25 to mitigate financial pressures either by not including an accrual or understanding the value.

Due to the more varied nature of Non NHS expenditure, we consider this risk to be applicable to Non NHS accruals and related expenditure only. This does not include prescribing accruals, which are based directly on data provided to the ICB and are therefore less open to manipulation

Our findings

Our findings

- Our analysis of expenditure incurred in the financial year did not identify any unusual patterns that were not corroborated by management.
- All invoices samples inspected were found to have been recognised in the correct accounting period.
- 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.
- 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.
- We have not identified audit misstatements or control deficiencies as a result of our work performed.

Based on our 2023/24 audit work performed and the evidence obtained we consider the recognition of non-pay expenditure to be appropriate.

Audit risks and our approach (cont.)

2 Management override of controls[a]

Fraud risk related to unpredictable way management override of controls may occur

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Our response

We have performed the following procedures in order to respond to the significant risk identified:

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- 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.
- 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.
- We have analysed all journals through the year using data and analytics and focused our testing on those with a higher risk.
- 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.

Audit risks and our approach (cont.)

2 Management override of controls[a]

Fraud risk related to unpredictable way management override of controls may occur

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Our findings

Our findings

- 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 IFSE system. In response, there is a compensating control whereby the ICB does a monthly review of all self approved journals. However, as management override of controls is a significant risk, we are still required to bring this control gap in the general ledger system to your attention.
- We identified 18 journal entries and other adjustments meeting our high-risk criteria – our examination did not identify unauthorised, unsupported or inappropriate entries.
- We did not identify any significant unusual transactions.
- We noted that the declaration process was followed appropriately by the individuals concerned.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Audit risks and our approach (cont.)

3 Regularity

Other audit risk

In addition to our opinion on your financial statements we are also required to reach a conclusion on the regularity of the expenditure that you have incurred.

Regularity relates to the requirement to ensure that funds raised through taxation are used for the purposes intended by parliament.

We undertake our work over regularity alongside our financial statements audit work.

The requirements for auditing regularity are set out in Practice Note 10 for financial statements of public sector bodies in the UK.

Our response

We have performed the following procedures in order to respond to the other audit risk identified:

- Understood the regulatory framework under which the ICB operates and any requirements that have been issued with regards to expenditure that is incurred.
- Assessed the ICB's performance against its statutory targets in order to assess whether expenditure has been in line with the targets delegated to it.
- Reviewed a sample of expenditure transactions incurred during the year in order to assess whether the expenditure incurred was consistent with activities for which the ICB is authorised to incur expenditure.
- Reviewed minutes of meetings held during the year and financial information produced to assess whether there have been any significant unusual transactions during the year.
- For transactions that may be higher risk of being irregular, e.g. severance payments we have reviewed the transactions reported as such to assess whether they were appropriately approved and reported

Audit risks and our approach (cont.)

3 Regularity

Other audit risk

In addition to our opinion on your financial statements we are also required to reach a conclusion on the regularity of the expenditure that you have incurred.

Regularity relates to the requirement to ensure that funds raised through taxation are used for the purposes intended by parliament.

We undertake our work over regularity alongside our financial statements audit work.

The requirements for auditing regularity are set out in Practice Note 10 for financial statements of public sector bodies in the UK.

Our findings

Our findings

- We are awaiting final confirmation over the approval status for a payment to be made which requires HMT approval and sign off.
- We have no other matters to report in relation to the audit procedures described on the page above.

Other matters

Annual report

We have read the contents of the Annual Report (including the Accountability Report, Directors Report, Performance Report and Annual Governance Statement (AGS)) and audited the relevant parts of the Remuneration Report. We have checked compliance with the NHS Group Accounting Manual (GAM) issued by the Department of Health and Social Care. Based on the work performed :

- We have **not identified any inconsistencies** between the contents of the Accountability, Performance and Directors' Reports and the financial statements.
- We have **not identified any material inconsistencies** between the knowledge acquired during our audit and the Directors' statements. As Directors you confirm that you consider that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the Trust's performance, business model and strategy.
- The parts of the Remuneration Report that are required to be audited were all found to be **materially accurate**;
- The AGS is **consistent** with the financial statements and complies with relevant guidance; and
- The report of the Audit Committee included in the Annual Report **includes the content expected** to be disclosed as set out in the GAM and was consistent with our knowledge of the work of the Committee during the year.

Whole of Government Accounts

As required by the National Audit Office (NAO) we are required to provide a statement to the NAO on your consolidation schedule. We comply with this by checking that your summarisation schedule is consistent with your annual accounts. Our work over comparing the final summarisation schedule is to be completed for final submission.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

Our fee for the audit was **£165,000** plus VAT (£160,200 in 2022/23).

We have also completed non audit work at the ICB during the year on MHIS return and have included in appendix (page 19) confirmation of safeguards that have been put in place to preserve our independence. We have not completed any other non-audit work at the ICB during the year.

Value for money

Value for money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the ICB's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We are yet to finalise our 2023/24 Auditor's Annual Report. A copy of the report will be provided separately for the papers for the Audit Committee.

Response to risks of significant weaknesses in arrangements to secure value for money

As reported in our 2023/24 VFM risk assessment we noted one risk of a significant weakness in the Trust's arrangements to secure value for money. Our response to these risks is set out on the following pages; we have no recommendations to report.

Summary of findings

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

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

We identified a significant risk relating to financial sustainability. We have set out on the following page the work performed in response to this risk and a summary of our findings.

We confirm that **we have not identified any significant weaknesses** to be included within our 2023/24 value for money report.

Value for money arrangements

Domain - Financial sustainability

Description of risk

The large in year and underlying deficits and efficiency targets at ICS level, together with continued pressures within the wider healthcare system, means that there is a significant risk to the ICB to be able to maintain financial sustainability in the medium term.

Our response

In assessing whether there was a significant risk of financial sustainability at the ICB we reviewed:

- The processes for setting the 2023/24 Financial Plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between its Financial Plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and
- Performance for the year today against the financial plan.

Our findings

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 a strong financial position, there remains a significant underlying deficit across the wider ICS in Derbyshire. In line with revised targets, the total system deficit for the year end 31 March 2024 was £42.3m.

In response to the identified risk, we considered the process to finalise the 2024/25 Financial Plan, obtained an update on the financial position of the System (Joined Up Care Derbyshire) and the ICB's progress with regard to establishing the required efficiency schemes for delivery in 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.

(cont.)

Value for money arrangements

Domain - Financial sustainability

Description of risk	
The large in year and underlying deficits and efficiency targets at ICS level, together with continued pressures within the wider healthcare system, means that there is a significant risk to the ICB to be able to maintain financial sustainability in the medium term.	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. As at time of this report, all savings targets have been allocated, however there remains a gap of £3.9m to be identified. This risk has been clearly communicated and understood, with approval of the final plan at the Finance and Estates committee on 28 May 2024. **Conclusion** Based on the findings above **we have not identified a significant weakness in the ICB's arrangements in this domain.** However it is clear that, given the size of the financial challenge, robust continual and regular monitoring arrangements should continue to be developed in order to respond to the identified risks and enable sufficient oversight of the progress of delivery of each element of the System Plan.

Appendices

Contents

Required communications

Type		Response
Our draft management representation letter	OK	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
Adjusted audit differences	OK	There was one adjusted audit differences.
Unadjusted audit differences	OK	The aggregated impact of unadjusted audit differences to net expenditure would be £968k.
Related parties	OK	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	OK	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	OK	We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	OK	No actual or suspected fraud involving ICB management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Make a referral to the regulator	OK	We have not identified any such matters.
Issue a report in the public interest	OK	We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit.

Type		Response
Significant difficulties	OK	No significant difficulties were encountered during the audit.
Modifications to auditor's report	OK	None.
Disagreements with management or scope limitations	OK	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	OK	No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. The Strategic report is fair, balanced and comprehensive, and complies with the law.
Breaches of independence	OK	No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable member firms have complied with relevant ethical requirements regarding independence.
Accounting practices	OK	Over the course of our audit, we have evaluated the appropriateness of the ICB's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	OK	No significant matters arising from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete	OK	We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.
Provide a statement to the NAO on your consolidation schedule	OK	We will issue our report to the National Audit Office following the signing of the annual report and accounts. We have summarised the differences to be reported on page 23.

Confirmation of independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit and Governance Committee members

Assessment of our objectivity and independence as auditor of the NHS Derby and Derbyshire Integrated Care Board

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard.

As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

The conclusion of the audit engagement partner as to our compliance with the FRC Ethical Standard in relation to this audit engagement [and that the safeguards we have applied are appropriate and adequate.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the following table

Description of scope	Threats to Independence	Safeguards applied	Value of services and basis of fee
Assurance reporting in regard to Mental Health Investment Standard.	None identified.	The size of the assurance engagement is not significant when compared to our fee for the financial statements audit of the ICB. The nature of our engagement is agreed with NHSE.	£15,000 fee for MHIS been reported in the ICB accounts

Confirmation of independence (cont.)

We have considered the fees charged by us to the ICB for professional services provided by us during the reporting period. Total fees charged by us can be analysed as follows:

	2023/24	*2022/23*
	£	£
Audit of ICB	137,600	*133,200*
Value of Money	12,400	*12,000*
Total audit	**150,000**	*145,200*
MHIS	15,000	*15,000*
Total non-audit services	15,000	*15,000*
Total Fees	**165,000**	*160,200*

Application of the Auditor Guidance Note 1 (AGN01)

The anticipated ratio of non-audit fees to audit fees for the year at the time of planning is 0.09:1, or 9% which is complaint with Auditor Guidance Note 1 (AGN01).

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year

Application of the FRC Ethical Standard 2019

We communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Governance Committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

Uncorrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Governance Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are ‘clearly trivial’, which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements.

However, they will have no effect on the opinion in our auditor’s report, individually or in aggregate. As communicated previously with the Audit and Governance Committee, details of all adjustments greater than £300K are shown below:

Uncorrected audit differences (£’000s)				
No.	**Detail**	**SOCI Dr/(cr)**	**SOFP Dr/(cr)**	**Comments**
1	Dr Prescribing Accruals Cr Prescribing Costs	 (£968,313)	£968,313	Due to timing of reports, prescribing expenditure is based on M1-M10 actual data, with an estimate included for the remaining two months i.e. Feb and March. This difference represents the variance between the accrual included and the actual spend as per reports received.
Total		**(£968,313)**	**£968,313**	

Corrected audit misstatements

Under UK auditing standards (ISA UK 260) we are required to provide the Audit and Governance Committee with a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

We identified updated presentational updates to the following disclosures:

- Pension Benefits Table – update made to the band range of ‘Real Increase in Pension Lump Sum at pension age' for single individual;
- Updates to the annual report in line with GAM requirements; and
- Other minor presentational updates including updates to accounting policies and other accounts checking.

Intra-group error reporting

Intra-group error reporting

Further to the misstatements identified on page 21 and 22 we are required to report any identified errors in the reporting of intra-group balances with other Department of Health and Social Care entities exceeding £300,000 as part of our reporting on the Whole of Government Accounts to the National Audit Office.

We have set out below intra-group errors identified as part of our procedures:

Unadjusted audit differences (£m)					
No.	Counterparty	Transaction Type	Entity Balance (£'000)	Counterparty Balance (£'000)	Comments
1	Derbyshire Community Health Services NHS Foundation Trust	Expenditure	172,127	172,977	Difference of £791K is deferred income brought by Derbyshire Community Health Services NHS FT from previous year. This was deferred in prior year accounts of the Trust but not in the prior year ICB statements.
2	Derbyshire Healthcare NHS Foundation Trust	Expenditure	170,223	171,053	The ICB has a mismatch in its receivables balance £900K with Derbyshire Healthcare NHS FT due to timing of some of FT's expenditure. This mismatch of £830K relates to movement in this deferred income.

Unadjusted audit differences (£m)					
No.	Counterparty	Transaction Type	Entity Balance (£'000)	Counterparty Balance (£'000)	Comments
3	Derbyshire Healthcare NHS Foundation Trust	Receivables	112	894	Derbyshire Healthcare NHS foundation Trust have deferred income of £900K, due to timing of some of their expenditure. The ICB paid for a service in the 23/24 year.

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Control Deficiencies

The recommendations raised as a result of our risk assessment procedures are included below:

Priority rating for recommendations					
❶	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
		We are pleased to report we have **no new control recommendations** to raise as a result of our work in the current year.	

Recommendations raised and followed up (cont.)

We have also follow up the recommendations from the previous years audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
1	0	1

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (June 2024)
1	❸	**Lack of Segregation of Duties** The CCG's general ledger system allows journals posted by certain Finance staff and SBS/NHSE to be self-authorised, thereby not enforcing segregation of duties. In response, there is a compensating control whereby the ICB does a monthly review of all self approved journals posted by the Finance staff. However, as management override of controls is a significant risk, we are still required to bring this control gap in the general ledger system to your attention. We would like to note that this control gap in the system is not specific to NHS Derby and Derbyshire only but affects all ICB's as they all use the same general ledger system.	**Management Response** As noted, this control weakness is intrinsic to the Oracle General ledger system, rather than specific to DDCCG's processes or policies. To compensate for this weakness, the Financial Control team perform a detailed monthly review of all journals which have been posted to ensure appropriate segregation of duties and authorisation in line with DDICB SFIs. Any self-authorised journals which might be identified as part of this process would then be escalated to the appropriate approver to gain retrospective approval and an investigation into the self-authorisation would be performed. Management are confident that this control fully mitigates the GL system weakness. DDICB accept KPMG's requirement to highlight this weakness as part of the External Audit process.	**Outstanding** The overall number of self approved journals in the period is minimal. However, as an ongoing system issue this has been re-raised for the current period. It is noted that there is an upcoming changes to the ISFE system in future periods which may impact the operation of this control.

FRC's areas of focus

The FRC released their [Annual Review of Corporate Reporting 2022/23] in October 2023. In addition, they have released three thematic reviews during the year should be considered when preparing reporting for the current financial period.

The reports identify where the FRC believes companies should be improving their reporting. Below is a high level summary of the key topics.

We encourage management and those charged with governance to read further on those areas which are significant to the entity.

Reporting on the effects of inflation and other uncertainties

This year's Annual Review of Corporate Reporting identifies that companies continue to face significant economic and geopolitical uncertainty and annual report and accounts should therefore tell a coherent story about the impacts on the business and the assumptions the ICB has made in preparing the financial statements.

The FRC notes that interest rate rises in response to persistent inflation, the related impact on consumer behaviour, and limited growth present a particularly challenging environment for companies. Financial reporting needs to set out the impact of these issues on their business, and the assumptions which underpin the values of assets and liabilities in financial statements. Significant changes in discount rates and future cash flows are expected as a result and they should be highlighted.

The impacts of uncertainty on companies' narrative reporting and financial statements are numerous, but the FRC sets out its clear disclosure expectations for 2023/2024:

- Disclosures about uncertainty should be sufficient to meet relevant requirements *and* for users to understand the positions taken in the financial statements.
- The strategic report should give a clear description of the risks facing the business, the impact of these risks on strategy, business model, going concern and viability, and disclosures should be cross-referenced to relevant detail in the report and accounts.
- Transparent disclosure should be provided of the nature and extent of material risks arising from financial instruments.

Preparers should take a step back to consider whether the annual report, as a whole, is clear, concise and understandable and whether additional information, beyond the requirements of the standards, is necessary to understand particular transactions, events or circumstances.

Climate-related reporting

Climate-related reporting continues to progress with the new Companies Act requirements, effective for periods commencing 6 April 2022, requiring more entities to include climate-related financial disclosures within the annual report. These are largely aligned with the Taskforce on Climate-Related Disclosures (TCFD) recommendations, but do not include the 'comply or explain' provision for items that would have a material impact on the entity.

Climate-related risks remains an area of ongoing focus for the FRC as they embed the review of these disclosures into their routine annual reviews. The FRC has highlighted that it expects companies to provide improved disclosure explaining the linkage between narrative reporting on uncertainties such as climate change, and the assumptions made in the financial statements.

In respect of TCFD disclosures, the FRC notes that sustainability reporting requirements continue to evolve and companies are still at very different stages in their reporting in this area. The FRC expect in scope entities to provide a clear statement of consistency with TCFD which explains, unambiguously, whether management considers they have given sufficient information to comply with the framework in the current year. Companies must, in any case, comply with the new mandatory requirements for disclosure of certain TCFD-aligned information.

In relation to the specific thematic on metrics and targets they highlighted five areas of improvement:

- the definition and reporting of ICB-specific metrics and targets, beyond headline 'net zero' statements;
- better linkage between companies' climate-related metrics and targets and the risks and opportunities to which they relate;
- the explanation of year-on-year movements in metrics and performance against targets;
- transparency about internal carbon prices, where used by companies to incentivise emission reduction; and
- better linkage between climate-related targets reported in TCFD disclosures and ESG targets disclosed in the Directors' Remuneration Report.

FRC's areas of focus (cont.)

Impairment of assets

Heightened economic uncertainty, high inflation and higher interest rates have resulted in more instances of impairment or reductions in headroom, prompting the need for more detailed disclosures under IAS 36. The FRC notes that many of the queries it has raised with companies in the past year would have been avoided by clearer, more complete disclosures.

Disclosures should provide key inputs and assumptions applied, along with relevant values and sensitivity information where impairments could arise from reasonably possible changes in assumptions.

Assumptions should be consistent with information provided elsewhere in the annual report and with the wider economic environment; where there are inconsistencies, these should be explained.

Discount rates should be consistent with the assumptions in the cash flow projections, particularly in respect of risk and the effects of inflation.

Judgements and estimates

Most of the FRC's queries related to estimation uncertainty, and often involved disclosures which either did not contain sufficient information to be useful, or which appeared inconsistent with disclosures given elsewhere.

Disclosures should explain the significant judgement and provide quantified sensitivities where there is a significant source of estimation uncertainty. This includes judgements relating to the going concern assessment and accounting for inflationary features, including the use of discount rates. Sensitivity disclosures should be meaningful for readers, remain appropriate in current circumstances, explaining significant changes in assumptions and the range of possible outcomes since the previous year.

The FRC highlights the need for disclosures to clearly distinguish between estimates with a significant risk of a material adjustment to carrying amounts within the next year, and other sources of estimation uncertainty.

Cash flow statements

Cash flow statements have again been an area where the FRC have raised many queries and it remains one of the most common causes of prior year adjustments. Most queries raised by the FRC relate to unusual or complex transactions which have not been appropriately reflected in the cash flow statement.

Companies should ensure that descriptions of cash flows are consistent with those reported elsewhere in the report and accounts, with non-cash investing and financing transactions being excluded, but disclosed elsewhere if material.

In addition, companies should ensure that cash flows are appropriately classified between operating, financing and investing, and cash flows should not be inappropriately netted. Cash and cash equivalents should comply with the relevant definitions and criteria in the standard.

Strategic report and other Companies Act 2006 matters

Strategic reports should focus not only on financial performance but should also explain significant movements in the balance sheet and cash flow statement. They should articulate the effect of principal risks and uncertainties facing the business, including economic and other risks such as inflation, rising interest rates, supply chain issues, climate-related risks and labour relations.

In addition, the FRC reminds companies that they should comply with the legal requirements for making distributions and repurchasing shares including, where relevant, the requirement to file interim accounts to support the transaction.

Financial instruments

Companies should ensure that the nature and extent of material risks arising from financial instruments (including inflation and rising interest rates), and related risk management, are adequately disclosed.

This includes disclosures being sufficient to explain the approach and significant assumptions applied in the measurement of expected credit losses, including concentrations of risk, and assessments should be reviewed and adjusted for forecast future economic conditions.

The effect of refinancing and changes to covenant arrangements should be explained, with information about covenants being provided unless the likelihood of a breach is remote.

Lastly, the FRC reminds companies that cash and overdraft balances should be offset only when the qualifying criteria have been met.

FRC's areas of focus (cont.)

Income taxes

Following their thematic review last year, the FRC reminds companies that the nature of evidence supporting the recognition of deferred tax assets should be disclosed, and should factor in any difficult economic environment.

Additionally, companies should ensure tax-related disclosures are consistent throughout the annual report, uncertain tax positions are adequately disclosed, and material reconciling items in the tax rate reconciliation are presented separately and appropriately described.

Provisions and contingencies

Clear descriptions of the nature and uncertainties for material provisions or contingent liabilities, the expected timeframe and the basis for estimating the probable or possible outflow should be provided.

Inputs used in measuring provisions should be consistent in the approach to incorporating inflation, and details of related assumptions should be provided.

Revenue

Where variable consideration exists, companies should provide sufficient disclosure to explain how it is estimate and constrained.

Accounting policies and relevant judgement disclosures should be provided for all significant performance obligations. Those disclosures should address in sufficient detail the timing of revenue recognition, the basis for recognising revenue over time and the methodology applied.

Lastly, the FRC reminds companies that inflationary features in contracts with customers, and the accounting for such clauses, should be adequately disclosed and clearly explained.

Presentation of financial statements and related disclosures

The FRC expects companies to disclose ICB-specific information to meet the overall disclosure objectives of relevant accounting standards, and not just the narrow specific disclosure requirements of individual standards. They set out a clear expectation that additional information (beyond the minimum requirements of the standards) should be included where needed.

Fair value measurement

Fair value measurement has returned this year as one of the FRC's top ten issues raised in their correspondence with companies, and this has been the topic of a thematic review. Common queries raised include the omission of sensitivity disclosures and the quantification of unobservable inputs into fair value measurements.

The FRC reminds companies that they should use market participants' assumptions, rather than their own, in measuring fair value.

Thematic reviews

During the year FRC has issued Thematic reviews on the following topics:

- Climate-related metrics and targets
- IFRS 13 Fair value measurement
- IFRS 17 Insurance contracts – Interim disclosures in the first year of application

2023/24 review priorities

The FRC has indicated that its 2023/24 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:

- Travel, hospitality and leisure
- Construction materials
- Retail and personal goods
- Gas, water and multi-utilities

ISA (UK) 315 Revised: changes embedded in our practices

Summary

In the prior period, ISA (UK) 315 Revised "Identifying and assessing the risks of material misstatement" was introduced and incorporated significant changes from the previous version of the ISA.

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard's scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity's audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

- ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021*) The auditor's responsibilities relating to fraud in an audit of financial statements* included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

- We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on page 6. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements* , to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance.

Newly effective accounting standards [and relevant IFRIC items]

Standards	Expected impact				Effective for years beginning on or after			Early adoption permitted
	High	Moderate	Low	None	01 Jan 2023	01 Jan 2024	1 Jan 2025	
IFRS 17 Insurance Contracts, including amendments Initial Application of IFRS 17 and IFRS 9 – Comparative Information (not adopted into the FREM, this will apply from 2025 onwards for NHS entities)				○				
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)			●		✓			
Definition of Accounting Estimate (Amendments to IAS 8)				○	✓			
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes)				○	✓			
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17) (issued on 9 December 2021)				○	✓			
International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)				○	✓			
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)				○		✓		✓
Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements)				○		✓		✓
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)				○		✓		✓
Lack of exchangeability (Amendments to IAS 21)				○			✓	✓
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures) *				○				✓
UK legislation on international tax system reform (BEPS)				○		✓		

** The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.*

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

Commitment to continuous improvement

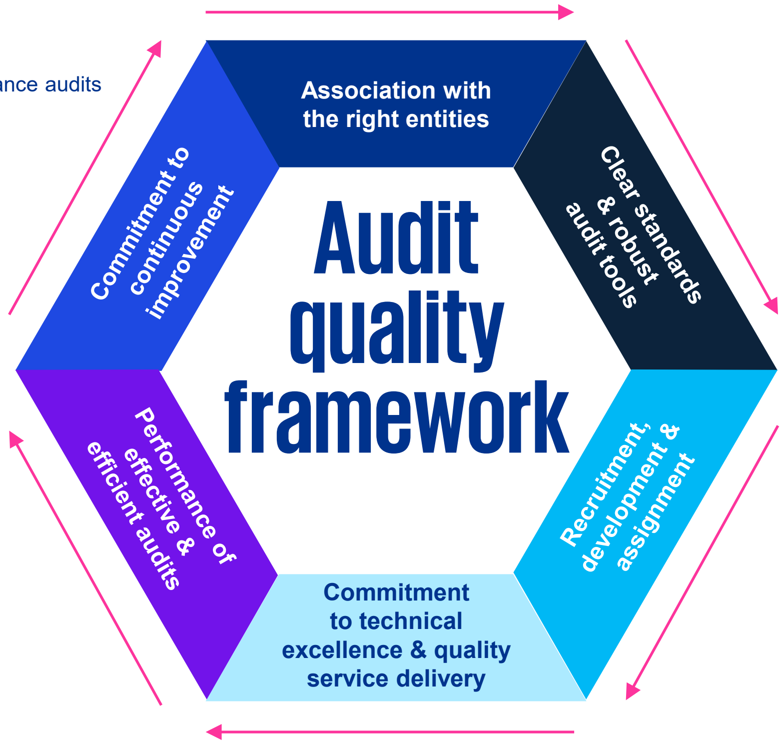
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members

Audit quality, evidence & the timeline of completion activities

Audit quality is at the core of everything we do – the quality and timeliness of information received from management and those charged with governance also affects audit quality.

The timeline on this page is for illustration only and shows the timing of our completion activities around the signing of the audit opinion.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. We aim to complete all audit work no later than 2 days before audit signing.

Weeks before signing Audit Opinion: -3 weeks | -2 weeks | -1 week | Completion week

Individual day's activities: Day 1 | Day 3 | Day 5 | Day 1 | Day 5 | Day 1 | Day 3 | Day 5

Individual day's activities	Teams involved in the process
Audit report Reviews, Consultation	Audit Team
Final audit fieldwork	Audit Team
Review audit field work & provide points to the audit team	2nd Line of Defence
Review significant risk audit areas and challenge work performed	RI and EQCR
Review of the Audit Report	DPP Accounting & Reporting
Ensure points raised by Audit Report review are dealt with	RI and EQCR
Review Audit Committee report and draft accounts	RI and EQCR
Completion panel to discuss the draft Audit Committee report and draft accounts	Audit Risk Review Panels
KPMG Audit Committee report issued	Audit Team
Final Audit Committee	Audit Team
Ensure Audit Report review and Consultation points have been satisfactorily dealt with	Audit Team & DPP Accounting & Reporting
Final audit field work completed and signed off	Audit Team
Stand-Back review	Audit Team
Ensure all points raised are cleared	RI / EQCR / 2nd Line of Defence

Key:

- One day activity
- Activity over a period of time
- Year end
- Signing date of the Audit Report

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