



Auditor's Annual Report 2023/24

NHS Dorset Integrated Care Board

—

June 2024

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This report is addressed to NHS Dorset 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 Dorset Integrated Care Board (the ‘ICB’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the ICB alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the ICB and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the Group Accounting Manual prepared by the Department of Health and Social Care (DHSC).



Annual report - We assess whether the annual report is consistent with our knowledge of the ICB. We perform testing of certain figures labelled in the remuneration report.



Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the ICB’s use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



Regularity - We assess whether expenditure incurred is in line with the purposes for which it was provided.



Other reporting - We may issue other reports where we determine that this is necessary in the public interest under the Local Audit and Accountability Act.

Findings

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

Accounts	<p>Whilst our audit opinion remains unqualified, we have issued a qualified regularity opinion due to the ICB breach of two of its statutory financial duties. Due to these breaches, we are also required to make a Section 30 referral to the Secretary of State.</p> <p>We have provided further details of the key risks we identified and our response on page 6.</p>
Annual report	<p>We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the ICB.</p> <p>We confirmed that the Governance Statement had been prepared in line with the Department of Health and Social Care requirements.</p>
Value for money	<p>We are required to report if we identify any matters that indicate the ICB does not have sufficient arrangements to achieve value for money.</p> <p>We have nothing to report in this regard.</p>
Regularity	<p>Whilst our audit opinion remains unqualified, we have issued a qualified regularity opinion due to the ICB breach of two of its statutory financial duties.</p>
Other reporting	<p>We made a section 30 referral to the Secretary of State and NHS on 20 June 2024 on the basis that the expenditure incurred by the ICB in year ended 31 March 2024 exceeded income by £17.4 million and its Revenue Resource Limit by £17.4 million.</p> <p>We did not consider it necessary to issue any other reports in the public interest.</p>



02 Audit of the Financial Statements

Audit of the financial statements

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

- Give a true and fair view of the financial position of the ICB as at 31 March 2024 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the accounting policies directed by NHS England with the consent of the Secretary of State on 22 April 2024 as being relevant to ICBs in England 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 issued an unqualified opinion on the ICB's financial statements on 21 June 2024. Whilst our audit opinion remains unqualified, we have issued a qualified regularity opinion due to the ICB breach of two of its statutory financial duties.

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 (continued)

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>Management override of controls</p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<ul style="list-style-type: none"> Evaluation of the design and implementation of controls over journal entries and post-closing adjustments to verify that that all journal entries are accurate and appropriate; Assessed the full population of journal entries to identify journals displaying characteristics that met our determined high-risk criteria; and Assessed for significant unusual transactions. 	<ul style="list-style-type: none"> We identified a number of journal entries and other adjustments meeting our high-risk criteria, which included (unusual postings to cash, unusual postings to expenditure, journal descriptions containing key words, journals that reallocate between administrative and programme expenditure at the year-end, and material post closing journals). Our examination of these postings did not identify any inappropriate entries. We did not identify any material misstatements relating to this risk.
<p>Fraudulent expenditure recognition</p> <p>Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately.</p> <p>We recognised a completeness risk for liabilities and related expenses in relation to both NHS and non NHS expenditure.</p>	<ul style="list-style-type: none"> Evaluation of the design and implementation of controls over the authorisation of NHS and Non-NHS expenditure to verify that all expenditure items have been completely recorded.; Performing a trend analysis to analyse profiles of spend throughout the year and for periods post year end, to highlight any outliers which could indicate spend has been recognised inappropriately; Inspection of a sample of invoices of expenditure and cash payments from bank statements, in the period after 31 March 2024, to determine whether the corresponding expenditure has been recognised in the correct accounting period; and Identification of unexpected combinations of expenditure journal postings within the audited period that decrease the level of expenditure in order to critically assess whether there was an appropriate basis for posting the journal. 	<ul style="list-style-type: none"> We evaluated the design and implementation of the expenditure authorisation controls in place through performance of walkthrough testing, identifying no deviations or exceptions. We sampled a number of invoices of expenditure and cash payments in the period following 31 March 2024, and did not identify any inappropriate entries. We performed an analysis of expenditure and cash payments and obtained appropriate evidence to support identified outliers. We identified journal entries and other adjustments meeting our high-risk criteria of unusual entries to expenditure. Our examination of these postings did not identify any inappropriate entries. We did not identify any material misstatements relating to this risk.

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	12-13	14	15
Identified risks of significant weakness?	Yes	No	No
Actual significant weakness identified?	No	No	No
2022-23 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel			

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 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 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.

LOCAL CONTEXT

The ICB is responsible for leading the NHS Dorset Integrated Care System (ICS, or 'Our Dorset') on behalf of the system partners. The ICS serves a registered GP population of approximately 825,000 people and encompasses two local authorities, four NHS Foundation Trusts, Public Health Dorset and the ICB.

Financial performance

The ICB has delivered a deficit with expenditure exceeding income by £17.4 million in the year.

A breakeven plan for 2023/24 was submitted in March 2023 for both the ICB and ICS, but this included significant challenges and a revisit forecast was submitted to NHS England in November 2023 due to a year to date reported ICB deficit of £20.0 million, which was forecast to be £31.7 million for the full year. The ICB was able to mitigate the position and reported a final outturn deficit of £17.4 million.

System working

The financial plan for 2023/24, was constructed based on appropriate local and national planning assumptions and was approved by the ICB Governing Body in May 2023.

Whilst the ICS plan for 2023/24 was submitted with a breakeven position, the system reported a current year deficit of £14.6 million, with an underlying deficit of over £160.2 million.

The 2024/25 ICB and ICS plan was approved by the Board and submitted to NHS England on 12 June 2024, with the ICB forecasting a £21.3 million deficit and the overall ICS forecasting a deficit of £20.0 million. The plans include an ambitious efficiency programme, totalling £86.4 million in the ICB and £91.6 million in providers. In addition to the deficit plan submitted, the system also highlighted a level of risk totalling £159.9 million, and associated mitigations, in delivering the plan.

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 a significant weaknesses** in the ICB's arrangements in relation to financial sustainability.

Delivery against 2023/24 financial plan

The original ICB financial plan for 2023/24 was a break even position, which formed part of a wider ICS breakeven budget. The budgets were prepared based on appropriate local and national planning assumptions and were approved at both a ICB and ICS level prior to submission. However, during the period, risks within the budget crystallised, which resulted in a number of reforecasts to the expected outturn:

- The system incurred a year to date deficit of £20 million in November 2023, which led to a reforecast outturn for the year end of a £31.7 million deficit to be held in full in the ICB.
- At month 10, the system position was updated to reflect an agreed outturn deficit of £16.7m, being £12.3m deficit plus £4.4m of industrial action costs.
- At month 11, the system reported a year-to-date deficit of £27.6m with a revised Forecast Outturn of £19.9m.
- The year end result reported an actual deficit of £17.4 million for the ICB and £14.6 million for the ICS.

The movement in forecasts at both the ICS and ICB levels are summarised in the table below. Throughout the period, the ICB continued to report the forecast position through the relevant governance processes highlighting the risks and pressures within the position.

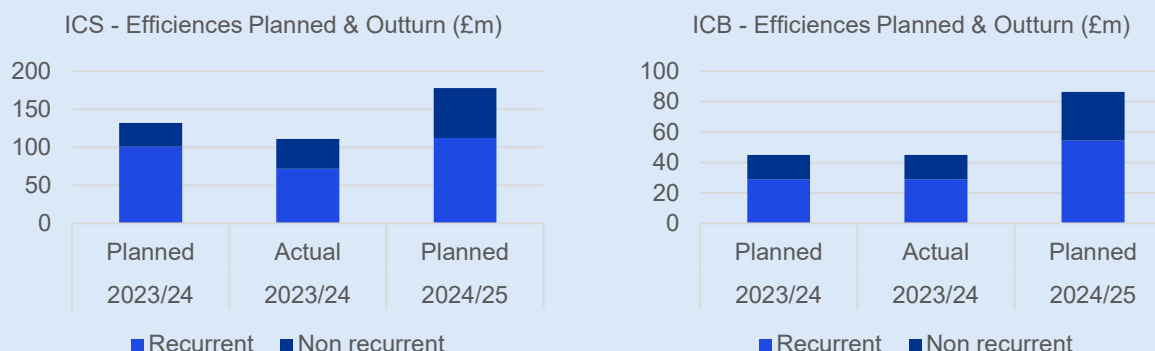
Period	ICB Forecast outturn (£m)	ICS Forecast outturn (£m)
Plan 2023/24	0	0
Month 6	(31.7)	(31.7)
Month 10	(13.8)	(16.7)
Result 2023/24	(17.4)	(14.6)
Plan 2024/25	(21.3)	(20.0)

The deficit position was driven principally by financial pressures in Personal Health Commissioning and Prescribing. A number of control measures had been agreed with NHS England and implemented in the final quarter of the year, such as vacancy and workforce controls, insourcing and outsourcing controls, and system lock' investment controls overseen by the System Recovery Group. Overall, the ICS reported a 2023/24 outturn of a £14.6 million deficit.

Financial Sustainability

Across the system, the ability to achieve CIP savings has also increasingly impacted on the ability to maintain a breakeven position in line with plans, with significant schemes achieved non-recurrently which impacts the ability to breakeven in 2024/25. No providers within the system achieved the original plan of delivering 60% of efficiency recurrently.

We noted in the prior year that the system has relied upon non-recurrent funding / savings to achieve the 2023 position but this adds additional pressure to the future position. Whilst the delivery of CIPs remain a continued challenge, reliance on non-recurrent savings creates additional pressure for future periods and hence the ICB should prioritise recurrent savings where possible. This is demonstrated in the graphs below, which show recurrent and non-recurrent, planned and actual CIP delivered and the forecasted vs actual outturn for 2023/24:



Planning process 2024/25

The ICB has developed plans for 2024/25 in line with the national guidance. On 12 June 2024, NHS Dorset ICS submitted a deficit plan of £20.0 million, with an efficiency of 5% for providers and a system transformation requirement of an additional £42.6 million. The system has approached plans with a shared control total focus, utilising local flexibility allowable within contracts to ensure that each provider is in balance as a minimum. This means that, following prior system discussions and agreement, NHS Dorset ICB has submitted a deficit plan of £21.3 million for 2024/25. The system has committed to an ambitious efficiency programme, totalling £86.4 million in the ICB and £91.6 million in providers. In addition to the deficit plan submitted, the system also described a level of risk totalling £159.9 million, and associated mitigations, in delivering the plan, which have been reported to the Board as part of the planning process.

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 a 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. A 5x5 scoring matrix is used by the ICB to score operational risks. The Corporate Risk Register is presented at each Risk & Audit Committee. All risks rated 15+ are reviewed and reassessed monthly whilst all other risks are reviewed on a quarterly or annual basis. Within the risk register, individual risks are scored, described and assigned a Chief Risk Officer, who are responsible for providing updates on risk status and mitigations.

Our review of the risk register found that this was sufficiently detailed to effectively manage key risks and we identified evidence of review within both the Risk & Audit Committee and Board throughout the year. The ICB reviewed its Board Assurance Framework (BAF) and Risk Appetite Statement (RAS) in October 2022, but development of the revised BAF was put on hold pending the completion of the Integrated Care Partnership (ICP) strategy work and agreement of the ICB's strategic objectives as part of the Forward Plan. The updates to the BAF were subsequently completed during the year, and a revised draft BAF presented to the Risk & Audit Committee at each meeting from August 2023.

Board Decisions

Key strategic decisions are made via the ICB's governance process. The ICB's Committees and their Terms of Reference were formally approved by the Board on 1 July 2022, but had operated in shadow form prior to the ICB being formally established. Also approved on 1 July 2022 were the ICB Standing Financial Instructions and ICB Scheme of Reservation and Delegation, which sets out where different decisions/approvals should take place. The Standing Financial Instructions and Scheme of Delegation provide guidance for authorisation limits and responsibility for decision making.

	2024	2023
Control deficiencies reported in the Annual Governance Statement	No deficiencies reported	No deficiencies reported
Head of Internal Audit Opinion	Moderate assurance that there is a sound system of internal control.	Moderate assurance that there is a sound system of internal control.
Oversight Framework segmentation	3	2

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 a significant weaknesses** in the ICB's arrangements in relation to improving economy, efficiency and effectiveness.

Assessing Value for Money and Opportunities for Improvement

Given the financial position of the ICS, with a significant underlying deficit, there is pressure across the system for all parties to contribute to improve the position. The ICB take an active role in both 'Our Dorset Provider Collaborative' meetings and the weekly 'System Recovery Group', where parties discuss system performance, and progress against actions to recover the financial position. The agreement for the planned deficit for 2024/25 is agreed alongside the continuation of weekly System Recovery Group meetings, to share and peer review organisation efficiency CIP plans and continue to identify schemes against the system transformation requirement. Progress against plans is monitored weekly, with Senior Risk Officers invited to the meeting to share progress and escalate barriers.

Partnership Working

Members of the ICB Board and Leadership team are integrated within the governance of the system. This includes involvement in system decisions through the Operations and Finance Reference Group 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. Planning is performed at an ICS level as well as considering the individual entities that make up the ICS, with the aim of achieving financial sustainability at a system level, although there also remains a focus on achieving financial balance at a organisational level. The ICB CEO and Chair provide updates within their reports to Board with the ICS financial performance also being considered in the finance reports. Operational monitoring is through the System Executive Group (SEG). The Systems Executive Group includes representatives from all providers, including the ambulance trust. We have reviewed copies of minutes for both the SLT and SEG which show evidence of engagement with system partners and appropriate partnership working.



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Document Classification: KPMG Public