



# NHS Lincolnshire Integrated Care Board Auditor's Annual Report

Year ended 31 March 2014

27 June 2024



NHS Lincolnshire ICB  
Audit & Risk Committee Members  
Bridge House  
The Point  
Lions Way  
Sleaford  
NG34 8GG

27 June 2024

Dear Audit & Risk Committee Members

2023/24 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for Lincolnshire ICB Integrated Care Board. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2023/24.

This report is intended to draw to the attention of the ICB to any relevant issues arising from our work. It is not intended for, and should not be used for, any other purpose.

We welcomed the opportunity to discuss the contents of this report with you at the Audit & Risk Committee meeting on 25 June 2024.

Yours faithfully

Hayley Clark

Partner

For and on behalf of Ernst & Young LLP

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The contents of this report are subject to the terms and conditions of our appointment as set out in our engagement letter of 11 June 2023. This report is made solely to the Audit & Risk Committee, Board of Directors and management of NHS Lincolnshire Integrated Care Board in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit & Risk Committee, Board of Directors and management of NHS Lincolnshire Integrated Care Board those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Risk Committee, Board of Directors and management of NHS Lincolnshire Integrated Care Board for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary



# Executive Summary

## Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year and the value for money commentary, including confirmation of the opinion given on the financial statements; and, by exception, reference to any reporting by the auditor using their powers under the Local Audit and Accountability Act 2014. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and the supporting guidance of the NAO published within their Auditor Guidance Note 3 (AGN 03). This commentary aims to draw to the attention of the ICB and the wider public relevant issues from our work including recommendations arising in the current year and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

## Responsibilities of the appointed auditor

We have undertaken our 2023/24 audit work in accordance with the Audit Plan that we issued on 19 March 2024. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2023/24 financial statements;
- The parts of the remuneration and staff report to be audited;
- The consistency of other information published with the financial statements, including the annual report;
- The regularity of the ICB's income and expenditure; and
- Whether the consolidation schedules are consistent with the ICB's financial statements for the relevant reporting period.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the ICB;
- To the Secretary of State for Health and Social Care and NHS England if we have concerns about the legality of transactions or decisions taken by the ICB;
- Any significant matters or written recommendations that are in the public interest; and
- If we identify a significant weakness in the ICB's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

## Responsibilities of the ICB

The ICB is responsible for preparing and publishing its financial statements, annual report and governance statement. It is also responsible for ensuring the regularity of its income and expenditure and putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

# Executive Summary (continued)

## 2023/24 Conclusions

We have finalised our procedures, and we have received the Annual Report (including the Annual Governance Statement) and financial statements. We issued our audit report on 27 June 2024.

Financial statements	We completed our audit procedures and issued an Unqualified opinion – the financial statements give a true and fair view of the financial position of the ICB as at 31 March 2024 and of its expenditure and income for the year then ended. We issued our auditor’s report on the 27 June 2024.
Regularity of income and expenditure	Qualified – The financial statements of the ICB reported a deficit of £14.882 million, we referred this matter to the Secretary of State on 27 June 2024 under section 30 of the Local Audit and Accountability Act 2014.
Parts of the remuneration report and staff report subject to audit	We had no material matters to report. Adjustments were identified and amended for in audited sections of the remuneration report and staff report.
Consistency of the other information published with the financial statement	Based on the work completed, the financial information in the Annual Report and published with the financial statements was consistent with the audited accounts.
Value for money (VfM)	We had no matters to report by exception on the ICB’s VfM arrangements. We have included our VfM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the ICB.
Referrals to the Secretary of State and NHS England	We referred a matter to the Secretary of State on 27 June 2024 under section 30 of the Local Audit and Accountability Act 2014, as the ICB incurred a deficit of £14.882 million.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Reporting to the ICB on its consolidation schedules	We are undertaking our work in this area and will report any matters that arise to the Audit & Risk Committee . We have completed the procedures requested by the National Audit Office for non-sampled components with respect to the ICB’s Whole of Government Accounts submission.
Reporting to the National Audit Office (NAO) in line with group instructions	The NAO did not include the ICB in its sample of Department for Health and Social Care component bodies.
Certificate	We issued our certificate on 27 June 2024.



# Executive Summary (continued)

Value for Money

Scope

Auditors are required to be satisfied that NHS Lincolnshire Integrated Care Board has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of ICB committee reports;
- meetings with the key officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with ICB management and the finance team.

# Executive Summary (continued)

## Value for Money (continued)

### Reporting

Our commentary for 2023/24 is set in section 03. The commentary on these pages summarises our understanding of the arrangements at the ICB based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2023/24. We include within the VfM commentary below the associated recommendations we have agreed with the ICB.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2022/23 Auditor’s Annual Report and have been updated for 2023/24.

In accordance with the NAO’s 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body’s arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the ICB plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the ICB ensures that it makes informed decisions and properly manages its risks	Risk of significant weakness identified in relation to the prior year, related to the ICB not having a completed and operational Board Assurance Framework (BAF).	No significant weakness identified
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	No significant risks identified	No significant weakness identified



# Executive Summary (continued)

## Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the ICB, and its members and senior management and its affiliates, including all services provided by us and our network to the ICB, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



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## Audit of the financial statements

# Audit of the financial statements

## Key findings

The Annual Report and Accounts is an important tool for the ICB to show how it has used public money and how it can demonstrate its financial management and financial health.

On 27 June 2024, we issued an unqualified opinion on the financial statements. We reported our audit scope, risks identified and detailed findings to the 25 June 2024 Audit & Risk Committee meeting in our Audit Results Report. We outline below the key issues identified as part of our audit. We reported two internal control recommendations which related to improvement in the control environment in the Audit Results Report.

Significant risk	Conclusion
Misstatements due to fraud or error – Management override of controls	No significant matters have been identified in the completion of our work. We have not identified any instances of inappropriate judgements or estimates being applied. Our work did not identify any other transactions during our audit which appeared unusual or outside the ICB’s normal course of business.
Risk of fraud in Revenue Recognition – Overstatement of Income from goods and services	We identified one factual understatement of income error totalling £0.513 million relating to an adjustment for patient charge revenue being incorrectly recorded in the ICB ledger when it should be attributable to NHS England as it relates to 2022/23 (prior to the delegation of services to the ICB). Having considered the nature of the error we do not consider it to be indicative of management bias or fraudulent reporting.
Risk of Fraud in expenditure recognition – Understatement of expenditure accruals	We identified four misstatements (two factual and two projected) where evidence demonstrated that the actual expenditure was different to the estimated amount accrued by management, resulting in a net understatement of expenditure and accruals of £0.976 million. Having considered the nature of the errors we do not consider these to be indicative of management bias or fraudulent reporting.
Other focus areas	Conclusion
Higher Inherent risk - Valuation of Continuing Healthcare (CHC) and Mental Health and Learning Disability (MHLDA) Accruals	We identified a projected overstatement of £0.549 million (projected from errors identified in the testing of 4 sample items) in our testing of CHC and MHLDA balances within the Broadcare system.
Higher Inherent risk - Disclosures in remuneration report	We identified errors in the remuneration report including in disclosures related to pay multiples, fair pay disclosures and the split of the pension benefits based on the Greenbury report. These errors have been subsequently corrected by management.
Higher Inherent Risk - Pharmaceutical, Ophthalmic and Dentistry valuation of accruals	We have identified one factual understatement of £0.359 million during our testing of actualization of pharmaceutical accruals.



## 03 Value for Money Commentary

# Value for Money Commentary

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

No significant weakness identified

The ICB plans and manages its resources in line with the NHS England (NHSE) Long Term Plan. The ICB submitted updated annual plans as per NHSE requirements and national timetables with allocations confirmed for 2023/24 and 2024/25.

The ICB took steps during 2022/23 establishing itself as an ICB, these steps included setting up in the Long-Term Plan between health care providers, voluntary organisations, and the local community across the Lincolnshire area. The ICB coordinates commissioning of health care services with the aim of improving population health and reducing inequalities between different groups. This financial year is the first financial year in which the ICB has operated for a full 12 months. As part of the long-term plan, the ICB triangulates its financial planning across the Integrated Care System which follows a bottom-up planning process where the ICB develops a granular level of activity, income, expenditure, workforce, capacity, and efficiency planning. This is followed by a top-down review where the ICB continuously identifies and quantifies financial gaps. As a result of this process, the ICB agreed an initial plan with NHS England to deliver a £2.4m underspend against its in-year Revenue Resource Limit. However, at the end of the 2023/24 financial year the ICB had a deficit of £14.9 million. The ICB has monitored the financial performance throughout the year with the aid of several committees and discussion groups to identify savings opportunities for the ICB. After the half-2 review the ICB revised the plan to deliver a deficit of £14.9 million in 2023/24 financial and communicated this to NHSE in February 2024.

ICBs have several financial duties under the National Health Service Act 2006 (as amended). NHS Lincolnshire ICB's performance against these financial duties as of 31 March 2024 are as follows:

- The ICB expenditure exceeded income therefore the duty was not achieved.
- The ICB total in year revenue resource use exceeded the amounts specified in the directions by £14.9 million.
- The ICB achieved the duty on revenue administration resource use
- The ICB has achieved the Capital Resource target.

The ICB ended the year with a deficit position of £14.9 million, against a budgeted allocation of £1,814.8 million and a net expenditure of £1,829.64 million, therefore the ICB has not complied with the National Health Service Act 2006.

In July 2021 the Lincolnshire ICB System entered the NHS Oversight Framework (NOF) Four due to financial concerns and was due to exit the Recovery Support Programme (RSP) at the end of 31 March 2023. The ICS did not meet all NOF4 conditions, and as a result the NOF4 was extended by 12 months. Despite the financial challenges in 2023/24, in November 2023, the ICB received formal notice of transition to NHS Oversight Framework Segment Three and exit from the Recovery Support Programme.

Conclusion: Based on the work performed, the ICB did not achieve two of the financial duties and reported a deficit of £14.9 million for the period ending 31 March 2024. We referred this matter to the Secretary of State and NHS England on [xx] June 2024 under section 30 of the Local Audit and Accountability Act 2014.

# Value for Money Commentary (continued)

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

No significant weakness identified

The ICB operates under statutory ICS arrangements. Therefore, the ICS' strategy has been developed to drive the strategic decisions of these arrangements to ensure that informed decisions are taken, and risks are managed in line with the strategy. The ICB's assurance structure was setup and confirmed by the board in July 2022 to review the assurance that the Board has over the risks associated with the ICB.

The ICB has a responsibility to ensure that the organisation is properly governed. The Board performs a risk assessment and defines the strategic risks that might impact the overall running of the organisation. As part of the risk management process the Board has developed and implemented the Board Assurance Framework (BAF) to assess and consider the strategic risks, the sources of assurance, control gaps and mitigations to ensure they are making informed decisions.

In the prior year we identified and reported a significant weakness as the ICB did not have a fully populated and functioning Board Assurance Framework in operation throughout the 9-month period to 31 March 2023. Whilst it was acknowledged that as a newly formed organisation the ICB needed to establish themselves and their views on risk, a populated BAF, is a key document outlined in their governance and risk management arrangements to assess and consider the strategic risks, the sources of assurance, control gaps and mitigations to ensure they are making informed decisions. We identified that there was evidence to demonstrate that the ICB had discussions on risk management and actions to respond to specific risks throughout the 9-month period. However, in the absence of the Board Assurance Framework, the ICB was not able to provide robust evidence to demonstrate that there is a framework in place to enable:

- a) the Audit and Risk Committee to provide the Board with assurance on the effectiveness of the Board Assurance Framework; and
- b) the Board to form a holistic view to assess and consider the strategic risks, the sources of assurance, control gaps and mitigations to ensure they were making informed decisions.

During 2023/24 the ICB has made progress in developing a BAF that is now operational and used in the organisation. We note that internal audit performed a review of the BAF during the financial year and raised some further recommendations for the ICB. We have reviewed these and do not consider them to result in a significant weakness.

To monitor operation of controls, the ICB has an Internal Audit function. At the start of each financial year, internal audit will generate an internal audit plan which is then presented to and approved by the Audit & Risk Committee.

To ensure detection of any fraud, the ICB engages with a Local Counter Fraud Specialist (LCFS) from the NHS. The LCFS works with the organisation to address any issues of potential fraud or related concerns. They also support the Director of Finance, the Counter Fraud Champion, and the ICB in the interpretation of and compliance with the 013 Counter Fraud Standard. The LCFS reports regularly to the Audit & Risk Committee including review of compliance with the standards and details of any ongoing fraud investigations.

Recommendation: We recommend that the ICB continue to review and enhance the Board Assurance Framework and surrounding governance arrangements, including implementing the recommendations identified by Internal Audit.

Conclusion: Based on the work performed, the ICB had proper arrangements in place in 2023/24 to make informed decisions and properly manage its risks.

# Value for Money Commentary (continued)

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

No significant weakness identified

The ICB operates an integrated assurance and oversight function with NHSE to support NHS England's regulatory responsibilities. This process, reviews performance, identifies areas for improvement and support requirements. The ICB is also regularly monitored by NHSE through the national oversight framework against national performance targets as part of ongoing financial and performance monitoring arrangements within the commissioning sector.

The ICB has a Governance Handbook which includes the Delegated Financial Authority Limits procurement policy that it follows for procurement of services. The ICB aligned the procurement activity to the Public Contracts Regulations 2015 (PCR) and associated statutory requirements monitoring value for money and sustainability. The ICB aligned the processes of contract variations or extensions to the PCR 2015. Professional standards and policies including whistleblowing/ bribery are also present. There are statutory and non-statutory NHS duties relating to agreed contract values, and resource limits. All proposals are monitored against the pre-defined and agreed framework by the programme leads and senior responsible officer with further reference where necessary through contract management processes.

However, the ICB is not compliant with the expectation arising from the Scheme of Reservation and Delegation (SoRD) where it states in the handbook that all commissioning contracts are finalised and signed before the healthcare services are provided. Consistent with the prior year we have continued to identify unsigned contracts. Alternative evidence was available to support the contractual values and we are not aware of any existing significant disputes with providers. However, this presents a risk to the ICB that they may not be able to contractually hold the provider to account, leading to potential financial and legal exposure with providers, as the contracts may not be enforceable if not signed. Whilst this is a control issue, we do not consider this to constitute a significant weakness in the arrangements for securing value for money.

Recommendation: We recommend that the ICB ensures compliance with SoRD and ensures that commissioning contracts are finalised and signed to mitigate risks such as disputes and the lack of enforceability of the contracts.

Conclusion: Based on the work performed, the ICB had proper arrangements in place in 2023/24 to enable it to use information about its costs and performance to improve the way it manages and delivers its services.



# 04 Appendices

# Appendix A - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The ICB took steps during 2022/23 establishing itself as an ICB, these steps included setting up in the Long-Term Plan between health care providers, voluntary organisations, and the local community, across the Lincolnshire area. In 2023/24 the ICB continued to coordinate commissioning of health care services with the aim of improving population health and reducing inequalities between different groups.</p> <p>The ICB's Financial Management team undertakes an annual budget setting process in conjunction with the Executive lead for each budget area. The Finance and Resource (F&amp;R) Committee received financial reports, annual budgets, maintains and provides oversight over the financial matter and performance of the ICB. The F&amp;R Committee is Chaired by a Non-Executive Member of the ICB. The Committee provides assurance to the Board that the ICB and its partners are financially sustainable, meeting their financial targets and performing well enough to achieve system goals and ambitions.</p> <p>The committee scrutinises reports on financial performance and risks; key performance indicators; progress against financial recovery action plans and reviews commissioning plans and policies. It also reports details of the changing NHS Financial Regime and what that meant for the ICB's short and medium-term financial planning. Medium-term financial considerations reflect plans to help achieve the wider aims of the ICB and the ICS.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>The F&amp;R committee performs overall oversight over the financial management of the ICB and monitors delivery against financial plans and contracts, including the position on running costs, and progress on QIPP efficiency savings within regular reports. In addition, the Financial Recovery Programme Board (FRP Board) tracks improvement programmes, opportunities for savings through discussion with financial management team in fortnightly meetings to ensure compliance with the Financial Recovery Plan.</p> <p>A plan to deliver a £2.4m under-spend against its in-year Revenue Resource Limit for the year 2023/24 was submitted to NHSE in April 2023. The plan was subsequently revised to show an updated position wherein the ICB set a £14.9m deficit. The actual outcome for the year was an £14.9m deficit at 31st March 2024 for the ICB.</p> <p>The ICB exited the NHS Oversight Framework (NOF) Four and entered NOF 3 in November 2023. A transition plan from NOF 4 to NOF 3 was submitted in the same month to NHSE. The ICB further plans to exit NOF 3 and transition to NOF 2 in the coming financial year.</p> <p>As part of the new planning guidance released by NHSE in the prior year ICBs will be required to repay any accumulated historic deficit of the predecessor CCG should the ICB fail to deliver a breakeven position in its first two financial years of operation (2022/23 and 2023/24). Given that the ICB has failed to deliver in 22/23 and now in 2023/24, the ICB has noted a reduction in allocation £16.8m for 2023/24 relating to the cumulative deficit. In line with Business Rules the ICB will need to start to repay its historic deficit from 2024/25 and is expecting an allocation reduction of £5.6m in relation to this. The financial plan prepared by the ICB and submitted to NHSE in May 2024 included the reductions in allocation and how it will be addressed in 2024/25.</p>

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The ICB vision and long-term strategic plan are aligned with and driven by the NHS Long-Term Plan, which sets out how it will deliver its statutory responsibilities. The strategy and the NHS Long-Term Plan inform an annual operating plan and financial plan for enabling the sustainable delivery of services which is recommended by the Finance and Resource Committee for Board approval. The Board monitors the progress against the NHS long term plan and the annual targets and aspirations. Apart from those, in collaboration with the Lincolnshire County Council during the year, the ICB has developed the Lincolnshire Integrated Care Partnership Strategy and the Joint Health and Wellbeing Strategy which were published in March 2024. While the Joint Forward Plan was published in June 2023.</p> <p>The ICB has not met two of the financial duties for the period ending 31 March 2024 as per the Financial Performance targets and these are reported in the Annual Report and Accounts of the ICB. The two financial performance targets related to not exceeding the revenue resource limit and expenditure not to exceed income.</p>
How the body 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	<p>The NHSE annual operating plan process requires submission of financial, activity and workforce plans which are required to be consistent and aligned with each other and also across the wider system between providers and commissioners. These are reviewed by NHSE to ensure this is the case.</p> <p>The ICB also works closely with key local authorities such as Lincolnshire County Council as part of the pooled budget arrangements, and the needs of the integrated care partnership are considered when submitting the ICB plans. Moreover, the system planning process has wide engagement from all organisations and disciplines which includes activity, finance, and workforce triangulation with service delivery.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The Finance and Resource Committee reviews financial plan submissions and challenge assumptions and review the risks to the financial position and any mitigations proposed.</p> <p>The F&amp;R Committee also provides a monthly finance report and monthly updates to the Board. This forms the basis for them to assure the Board that the ICB is managing its financial risks effectively as set out in the budgets and Financial Recovery Plan. The report includes monitored delivery against financial plans and contracts, including the position on running costs, and progress on transformation programmes and efficiency savings within the regular reports. A risks and opportunity pool is also available as part of the ICS Financial Framework.</p> <p>The Risk Management Policy of the ICB sets out the approach to strategic management of risk. The risks identified through committee discussions are documented in the corporate risk register and with the mitigations and controls in place to prevent the risk from occurring.</p>

# Appendix A - Summary of arrangements

## Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

### Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

### Arrangements in place

The ICB's assurance structure was set up and confirmed by the board in July 2022 to review the assurance that the Board has over the risks associated with the ICB. Good governance is whereby the body make informed decisions by implementing processes to monitor and assess risk to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

The ICB Board has formally constituted Committees as set out in the ICB Constitution and Corporate Governance Handbook, which includes the Scheme of Reservation and Delegation (SoRD). The ICB's Board has two statutory committees i.e. Audit and Risk Committee and Remuneration Committee. The ICB has also established a further Committee to enable the members to make collective decisions on the review, planning commissioning and procurement of Primary Medical Services (PMS) within the ICS area.

The Board has also established three other Committees to assist it within the discharge of its functions. These Committees are the Finance and Resource Committee (ICB Joint Committee), the Quality and Patient Experience Committee (ICB Joint Committee) and the Service Delivery and Performance Committee (ICB Joint Committee). These Committees are ICB Joint Committees with the three provider partner organisations in Lincolnshire. They are Chaired by an ICB Non-Executive Director and include Non-Executive Director representation from each of the three provider organisations - Lincolnshire Community Health Services NHS Trust, Lincolnshire Partnership NHS Foundation Trust and United Lincolnshire Hospitals NHS Trust. All Board Committees are accountable to the ICB Board and report to the Board on how they discharge their responsibilities.

The ICB's Governance Handbook outlines that the ICB will implement an overarching risk management process. The key documents to the risk management process being the Corporate risk register and the Board Assurance Framework to assess and consider the strategic risks, the sources of assurance, control gaps and mitigations to ensure the ICB is making informed decisions.

In the prior year we identified and reported a significant weakness as the ICB did not have a fully populated and functioning Board Assurance Framework in operation throughout the 9-month period to 31 March 2023. Whilst it was acknowledged that as a newly formed organisation the ICB needed to establish themselves and their views on risk, a populated BAF, is a key document outlined in their governance and risk management arrangements to assess and consider the strategic risks, the sources of assurance, control gaps and mitigations to ensure they are making informed decisions. We identified that there was evidence to demonstrate that the ICB had discussions on risk management and actions to respond to specific risks throughout the 9-month period. However, in the absence of the Board Assurance Framework, the ICB was not able to provide robust evidence to demonstrate that there is a framework in place to enable:

- a) the Audit and Risk Committee to provide the Board with assurance on the effectiveness of the Board Assurance Framework; and
- b) the Board to form a holistic view to assess and consider the strategic risks, the sources of assurance, control gaps and mitigations to ensure they were making informed decisions.

During 2023/24 the ICB has made progress in developing a BAF that is now operational and used in the organisation. We note that internal audit performed a review of the BAF during the financial year and raised some further recommendations for the ICB. We have reviewed these and do not consider them to result in a significant weakness.

# Appendix A - Summary of arrangements

## Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

### Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud (continued)

### Arrangements in place

There is a system of internal control (Internal Control Framework) in place which ensures that the ICB delivers its policies, aims and objectives. The framework is designed to identify and prioritise the risks, evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

In order to monitor operation of controls, the ICB has an Internal Audit function. At the start of each financial year, internal audit will generate an internal audit plan which is then presented to and approved by the Audit & Risk Committee. Planned internal audit work covers governance & risk management, financial management, commissioning & primary care, information management (inc. technology and digital) and people managing. The Audit & Risk Committee will receive regular reports from internal audit on the progress against the planned programme of work and the results of any completed reports. Where necessary, internal audit will make recommendations for improvements, and these will be monitored by internal audit.

At the year-end, the Head of Internal Audit will provide an opinion for the overall operation of internal controls during the year.

In respect of fraud prevention, the ICB has a number of policies and procedures which must be adhered to by all ICB employees. This includes the main Fraud policy and the Standing Financial Instructions which has a dedicated section on Fraud, bribery and corruption (economic crime). The ICB are also legally bound by the Government's Functional Standard 013 Counter Fraud ([NHS Requirements | Government Functional Standards | NHS Counter Fraud Authority \(cfa.nhs.uk\)](#)) which is specific to NHS entities.

To ensure detection of any fraud, the ICB engages with a Local Counter Fraud Specialist from the NHS. The LCFS works with the organisation to address any issues of potential fraud or related concerns. They also support the Director of Finance, the Counter Fraud Champion, and the ICB in the interpretation of and compliance with the 013 Counter Fraud Standard. The LCFS reports regularly to the Audit & Risk Committee including review of compliance with the standards and details of any ongoing fraud investigations.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

### Reporting criteria considerations

### Arrangements in place

How the body approaches and carries out its annual budget setting process

The ICB is required to set a balanced budget in line with NHS England guidance. The ICB receives a fixed allocation from NHSE and prepares a budget for each key area/category of care. The Board oversees the budgeting process and discuss it during meetings for adjustments and approvals. The ICB usually develops its financial plan and budget using a dual process:

- Top down: where the ICB quantifies the core financial gap to assess its affordability envelope and inform the scale of the efficiency expectation for forthcoming year. This is developed through the application of national and local planning assumptions, as well as known commitments.
- Bottom up: where the ICB develops a granular level of activity, income, expenditure, workforce, capacity, and efficiency planning. The ICB then triangulates these plans with operational, performance and workforce lead and in conjunction with key partners across the ICS.

The financial plan is reviewed by the Finance and Resource Committee before being presented to the Board for approval. As part of the wider role within the ICS the ICB submits a financial plan to NHS England for both the ICB and also the wider ICS. The ICS plan will reflect the detailed financial assumptions with partners.

How the body 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

The Finance and Resource Committee provides oversight over the ICB's performance in relation to the agreed financial plan review of performance against the NHS constitution and other standards. The Finance and Resource Committee provides scrutiny for the overall financial planning of the organisation. The performance results are reported to the Board.

The Audit and Risk Committee oversees the operation of the ICB's Standing Financial Instructions. The Director Finance and Contracting reports to the Finance and Resource Committee that oversees and ensures that processes and systems are in place to ensure effective budgetary control.

Reporting to the Board also includes the full range of non-financial management information on all the ICB's key performance areas. This is also supported by the work completed by Internal Audit.

The draft unaudited financial statements are presented to the Audit and Risk Committee before the start of the year-end audit and are then presented again to the Committee at the conclusion of the audit reflecting any amendments agreed.

The Finance and Resource Committee meets monthly to provide oversight over the ICB's performance in relation to the agreed financial plan review of performance against the NHS constitution and other standards. The Finance and Resource Committee provides scrutiny for the overall financial planning of the organisation. The performance results including the Financial Recovery Plan are reported to the Board.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

### Reporting criteria considerations

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/Audit & Risk Committee

### Arrangements in place

Primary oversight is the responsibility of the ICB's Board, with some delegated responsibilities (such as financial management) to the Audit and Risk Committee and the Finance and Resource Committee which report to the Board.

The main function of the Board is to ensure that the ICB has made appropriate arrangements to deliver on its functions effectively, efficiently and economically and complies with generally accepted principles of good governance as are relevant to it. The Audit & Risk Committee is responsible for maintaining an overview of the operation of Internal Control and Governance. The governance framework for the ICB is set out in the Constitution. The SoRD, as set out in the Constitution describes the responsibilities reserved for the Membership and those delegated to the Board.

The ICB sets out that one of the key governance documents is the BAF which monitors strategic risks and outlines sources of assurance for managing the risk, gaps in assurance and actions being taken to address them. While the Risk Register is used to monitor operational risks. The Audit and Risk Committee provides the Board with assurance on the effectiveness of the Board Assurance Framework (BAF) and the robustness of the ICB's operational risk management processes.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The ICB has implemented systems to ensure conflicts of interest are identified, recorded, and acted upon accordingly. Annually, all staff and non-executive directors are required to make declarations. The ICB continues to manage conflicts of interest by applying its Managing Conflicts of Interest and Gifts, Hospitality and Sponsorship Policy, excluding anyone from decision-making where a conflict arises, and making public declaration of interests through its Conflicts of Interest Register which is published on the ICB's website and covers GP practice members, employees, Board members and members of committees and sub-committee. All Board and Committee papers have a Declaration of Interests section.

The ICB undertake both online and in person training supporting adherence to these policies. The ICB also have a slide deck they share with staff. This training is also formalised as part of the onboarding of new staff.

The ICB has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements. These policies and procedures are reviewed and revised regularly, and the update of policies is overseen by the Audit and Risk Committee.

The ICB has adopted a number of codes and protocols that govern the standards of behaviour expected of the Board and of the body covering public service values, openness and public responsibilities, relations with suppliers and for staff. These are communicated as part of the induction process, ongoing awareness training and these include policies on Counter Fraud & Bribery, Hospitality & Gifts and Whistleblowing Policies. The Quality and Patient Experience Committee (QPEC) oversee an annual programme of work that is part of a suite of actions the ICB has in place to monitor adherence to clinical and care related standards and requirements. Action plans are agreed at Directorate level and monitored by the Committee to help ensure required improvements are delivered. Significant findings are reported to the Board

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

### Reporting criteria considerations

### Arrangements in place

How financial and performance information has been used to assess performance to identify areas for improvement

The Finance and Resource Committee reports on key improvements that it has made and examples of how it has delivered against its statutory duties. The committee reports on performance of all key areas, which includes constitutional and target performance, people, quality, system working and partnerships. The reports clearly outline performance against planned targets and outcomes.

The analysis of the financial information provides direction to the ICB during the year whether it will or it will not meet its NHSE control target. On a more detailed basis, it also shows the underspend/overspends against each expenditure category. This in turn allows the ICB to identify QIPP schemes and other cost saving measures against these. This has also been used to assess performance information to identifying these have meant the ICB prioritise more resources in these areas.

This information is presented to the F&R Committee to provide assurance to the Board that the financial strategy, financial policies and QIPP plans effectively support the organisational strategy. Additionally, the Audit & Risk Committee provide assurance to the Board on the design, implementation, and effectiveness of internal controls. The Quality and Patient Experience Committee (QPEC) regularly review escalation reports on quality of services commissioned, to include patient experiences, quality improvement initiatives and any significant failure of care quality delivery. Additionally, separate Finance and Resource papers also go to the ICB's Board meetings.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The ICB is responsible for commissioning, or buying, the majority of healthcare services for the population of Lincolnshire. The Finance and Resource Committee monitored delivery against operational plans and receives regular finance and performance reports, investigating variance from plan and agreeing rectification plans.

The F&R Committee monitors both financial and non-financial information throughout the year. Monitoring reports on the performance and quality of the services provided within the ICB are presented, as well as any recommendations and related recovery plans.

Quarterly performance reports are subsequently presented to the Board to discuss progress and variance to targets within these services. There are also specific Nursing, Quality and Governance Reports within which areas for improvement can be identified by way of variances to expectations. Actions to these are subsequently affected with progress on these reported back to the Board as part of in-year reporting. Similarly, Performance Analysis over these services across the year are detailed in the Annual Report.

The ICB has also commissioned Internal Audit operational reports on some key areas which demonstrates that they are still taking action to deliver their services effectively.

The ICB operates an integrated assurance and oversight function with NHSE to support NHSE's regulatory responsibilities. The ICB is also regularly monitored by NHSE through the national oversight framework against national performance targets as part of ongoing financial and performance monitoring arrangements within the commissioning sector.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>The ICB engages wider stakeholders as part of its system transformation programmes through formal committees and the Integrated Care Partnership (ICP). The ICP is a Joint Committee of the ICB with the local authority, rather than a statutory body. ICP is formed by the Executive Director Group between ICB, Lincolnshire County Council and Lincolnshire Community Health Services Trust with the focus on Better Care Fund and wider key partnership projects. The Lincolnshire ICB interacts with the partner within the ICS:</p> <ul style="list-style-type: none"><li>• East Midlands Ambulance Service NHS Trust (EMAS)</li><li>• Lincolnshire Community Health Services NHS Trust (LCHS)</li><li>• United Lincolnshire Hospitals NHS Trust (ULHT)</li><li>• Lincolnshire Partnership NHS Foundation Trust (LPFT)</li><li>• Lincolnshire County Council (LCC).</li></ul> <p>The ICB operates with a local Integrated Care System (ICS) - Lincolnshire Integrated Care System which exists to achieve four aims:</p> <ul style="list-style-type: none"><li>• Improve outcomes in population in health and healthcare.</li><li>• Tackle inequalities in outcomes, experience and access.</li><li>• Enhance productivity and value for money.</li><li>• Help the NHS support broader social and economic development</li></ul> <p>The role of the ICB in its partnership is to use its resources and powers to achieve demonstrable progress on these aims, collaborating to tackle complex challenges, including:</p> <ul style="list-style-type: none"><li>• Improving the health of children and young people</li><li>• Supporting people to stay well and independent</li><li>• Acting sooner to help those with preventable conditions</li><li>• Supporting those with long-term conditions or mental health issues</li><li>• Caring for those with multiple needs as populations age</li><li>• Getting the best from collective resources so people get care as quickly as possible</li></ul> <p>We consider the participation of the ICB in the ICP as well as the role that the ICB plays as part of the ICS to be evidence of the ICB working with significant partners and stakeholders to oversee the delivery of health care services to the population on Lincolnshire.</p>

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>The ICB is a commissioning organisation and has a Associate Director of Contracting and Procurement role that reports to the Director of Finance and oversees the contractual arrangements in place within the ICB. Wider commissioning functions sit within the delivery, nursing and medical directorate, each of which are led by an Executive Director.</p> <p>The ICB has a Governance Handbook which includes the Delegated Financial Authority Limits procurement policy that it follows for procurement of services. The ICB aligned the procurement activity to the Public Contracts Regulations 2015 (PCR) and associated statutory requirements monitoring value for money and sustainability. The ICB aligned the processes of contract variations or extensions to the PCR 2015. Professional standards and policies including whistleblowing/bribery are also present. There are statutory and non-statutory NHS duties relating to agreed contract values, and resource limits. All proposals are furthermore monitored against the pre-defined and agreed framework by the programme leads and senior responsible officer with further reference where necessary through contract management processes.</p> <p>As part of the co-commissioning strategy, ICBs have responsibility for commissioning and contract monitoring GP services in their locality, with NHS England maintaining overall accountability which is governed by the ICB's constitution, governance handbook which includes the Scheme of Reservation and Delegation (SoRD). However, the ICB is not compliant with the expectation arising from the Scheme of Reservation and Delegation (SoRD) where it states in the handbook that all commissioning contracts are finalised and signed before the healthcare services are provided. Consistent with the prior year we have continued to identify unsigned contracts. Alternative evidence was available to support the contractual values and we are not aware of any existing significant disputes with providers. However, this presents a risk to the ICB that they may not be able to contractually hold the provider to account, leading to potential financial and legal exposure with providers, as the contracts may not be enforceable if not signed. Whilst this is a control issue, we do not consider this to constitute a significant weakness in the arrangements for securing value for money.</p>

# Appendix B – Summary of recommendations

## Recommendations

The table below sets out the recommendations arising from the value for money work in the year(s) covered in this report for the year 2023/24.

All recommendations have been agreed by management.

Issue	Recommendation	Management response
Improving economy, efficiency and effectiveness	We recommend that the ICB ensures compliance with SoRD and ensures that commissioning contracts are finalised and signed to mitigate risks such as disputes and the lack of enforceability of the contracts.	<p>The legal and financial risk associated with not having signed contracts in place with individual providers is acknowledged. The ICB works to have contracts agreed and signed as soon as is possible following publication of planning guidance, financial allocations and the NHS Payment Scheme and assimilation of these complex and often competing requirements into ICB plans and into contracts. In some instances, the ICB has to balance signing up to contracts that may not be advantageous to the ICB with the need to be able to hold the provider to account through a formal signed contract.</p> <p>Furthermore, where the LICB is an associate to a contract there are instances where the contract remains unsigned pending agreement between the provider and the lead commissioner. This happened for a small number of contracts in 2023/24, and the ICB has limited options to force agreement and signature in these circumstances. This having been said, we will seek to more formally document and escalate to the lead commissioner where this happens. There are also some instances where providers outside of associate arrangements will not sign their contracts and although LICB could ultimately terminate these contracts, this must be balanced against the importance of the contract / contracted service to the ICB and to our patients.</p>

# Appendix B – Summary of recommendations

## Recommendations brought forward from 2022/23

The table below sets out the recommendations arising from the value for money work in the prior year, 2022/23, and progress made in 2023/24.

All recommendations were agreed by management.

Issue	Recommendation	Management response
Governance	<p>In the prior year, we recommend that the Board formalise the assurance processes by completing and approving the BAF for full implementation as a matter of priority.</p> <p>During 2023/24 the ICB has made progress in developing a BAF that is now operational and used in the organisation. We note that internal audit performed a review of the BAF during the financial year and raised some further recommendations for the ICB. We have reviewed these and do not consider them to result in a significant weakness.</p> <p>We recommend that the ICB continue to review and enhance the Board Assurance Framework and surrounding governance arrangements, including implementing the recommendations identified by Internal Audit.</p>	<p>The Audit and Risk Committee has been regularly briefed on the progress on the development and establishment of robust risk management arrangements for the ICB, including the development of the ICB Board Assurance Framework (BAF), Corporate Risk Register and Risk Appetite. To support this on-going work the BAF and Risk Appetite has been a key part of the agendas for the Audit and Risk Committee and the Board Development Sessions.</p> <p>The BAF is a live document and has been continuously updated during 2023/24. The Board at its Development Session held on the 28th May considered its strategic objectives for 2024/25. The intention is to now revisit the format of the BAF in line with examples of best practice and to reflect the outcome of the Board discussion, including the identification of the key risks to delivery of those objectives and key controls and mitigations to manage those.</p> <p>TIAA, the ICB internal auditors, carried out a review of the adequacy and effectiveness of the ICB's risk management arrangements including how it interfaces with the ICS wide risk management structures. This review also considered the extent to which risk management arrangements are linked to the ICS whilst ensuring accountability at the ICB. The outcome of the review identified adequate and effective risk management arrangements provide the ICB Board with confidence that systems underpinning risk management are effective and can be relied upon to provide assurance that the main risks to the achievement of the ICB's key strategic objectives are effectively managed. The overall assessment was Reasonable Assurance.</p>

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