



Auditor's Annual Report 2022/23

NHS Frimley Clinical Commissioning Group

NHS Frimley Integrated Care Board

Key contacts

Your key contacts in connection with this report are:

Dean Gibbs

Director

Tel: 07776 163710

Dean.Gibbs@kpmg.co.uk

Mohini Katoch

Manager

Tel: 07393 792509

Mohini.Katoch2@kpmg.co.uk

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This report is addressed to NHS Frimley ICB (the ICB) and has been prepared for the sole use of the ICB. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Summary

Introduction

This Auditor's Annual Report provides a summary of the findings and key issues arising from our audits of the three month period to 30 June 2022 of NHS Frimley Clinical Commissioning Group (the 'CCG') and of the nine month period to 31 March 2023 of NHS Frimley Integrated Care Board (the 'ICB'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the ICB alongside the annual report and accounts.

Our responsibilities

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

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

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

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

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

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

Summary

Findings

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

	ICB	CCG
Accounts	<p>We issued an unqualified opinion on the ICB's accounts on 30 June 2023. This means that we believe the accounts give a true and fair view of the financial performance and position of the ICB.</p> <p>We have provided further details of the key risks we identified and our response on page 7.</p>	<p>We issued an unqualified opinion on the CCG's accounts on 29 June 2023. This means that we believe the accounts give a true and fair view of the financial performance and position of the CCG.</p> <p>We have provided further details of the key risks we identified and our response on page 5.</p>
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 DHSC requirements.</p>	<p>We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the CCG.</p> <p>We confirmed that the Governance Statement had been prepared in line with the DHSC requirements.</p>
Value for money	<p>We are required to report if we identify any significant weaknesses in the arrangements the ICB has in place to achieve value for money.</p> <p>We have identified a significant weakness for the ICB in the 'Governance' domain with regards to Risk Management and that has been detailed on page 13.</p>	<p>We are required to report if we identify any significant weaknesses in the arrangements the CCG has in place to achieve value for money.</p> <p>We have nothing to report in this regard.</p>
Regularity	<p>We did not identify any matters where irregular expenditure had been incurred.</p>	<p>We did not identify any matters where irregular expenditure had been incurred.</p>

Accounts Audit – CCG

The table below summarises the key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Risk	Findings
<p>Management override of controls We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p>We have no adverse findings to report in respect of journal entry controls and we have not identified any adverse findings in respect of significant unusual transactions.</p> <p>We have not raised any formal recommendations relating to our testing performed on journals and areas of management judgement and influence</p>

Value for money - CCG

Introduction

We consider whether there are sufficient arrangements in place for the CCG for each of the elements that make up value for money. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

Per AGN03, auditors are not required to undertake a full risk assessment specifically aimed at planning a programme of VFM arrangements work to support a full commentary on arrangements against the reporting criteria when the body has demised in year. However, should any significant weaknesses come to our attention, they will be reported by exception.

We therefore undertake procedures to assess if there are any risks of significant weakness arising. These procedures include:

- Assess findings from work undertaken on the audit of the financial statements
- Review minutes of Governing Body and committee meetings
- Inquire of management and those charged with governance
- Review any internal audit findings in the period
- Follow up prior year value for money weaknesses at the entity
- Review any other information available such as media reports

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

Further details of our value for money responsibilities can be found in the Audit Code of Practice at Code of Audit Practice (nao.org.uk).

Summary of findings

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

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

Accounts Audit - ICB

The table below summarises the key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Risk	Findings
<p><i>Fraudulent expenditure recognition</i> Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk over non-NHS expenditure and primary care expenditure accruals.</p>	<p>We identified some misstatements that have not been corrected by management. Updating for these would lead to an increase in the reported position, however we did not consider this material.</p> <p>We have not raised any recommendations relating to our testing performed.</p>
<p><i>Management override of controls</i> We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p>We have no adverse findings to report in respect of journal entry controls and we have not identified any adverse findings in respect of significant unusual transactions.</p> <p>We have raised one medium rated control recommendation relating to our work performed on journals with regards to the posting of reversing journals. We have not identified any issues in our work over areas of management judgement and influence.</p>

Value for money - ICB

Introduction

We consider whether there are sufficient arrangements in place for the ICB for each of the elements that make up value for money. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

Further details of our value for money responsibilities can be found in the Audit Code of Practice at Code of Audit Practice (nao.org.uk).

Matters that informed our risk assessment

The table below provides a summary of the external sources of evidence that were utilised in forming our risk assessment as to whether there were significant risks that value for money was not being achieved:

Source	Detail
Governance statement	There were no significant control deficiencies identified in the governance statement.
ICB assessment framework	Segment 1 – No specific support needs
Head of Internal Audit opinion	Reasonable/ Moderate assurance

Commentary on arrangements

We have set out on the following pages commentary on how the arrangements in place at the ICB compared to the expected systems that would be in place in the sector.

Summary of findings

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

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

We identified a significant weakness with regards to the ICB's arrangements for risk management within the governance domain.

We reported this as part of our audit report and have provided further details in our commentary on page 13.

Value for money - ICB

Financial sustainability	
Description	Commentary on arrangements
<p>This relates to ensuring that the ICB has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <p>How the ICB sets its financial plans to ensure services can continue to be delivered;</p> <p>How financial performance is monitored and actions identified where it is behind plan; and</p> <p>How financial risks are identified and actions to manage risks implemented.</p>	<p>Setting the Financial Plan</p> <p>The Integrated Care Board's predecessor Clinical Commissioning Group (CCG) submitted a break-even financial plan for 2022-23 in line with the planning deadline of 21 June 2022. This was an improvement from the forecast deficit position at the beginning of the financial year following the announcement that additional funding would be made available to support the NHS with emerging inflationary pressures. As part of the financial plan submission an overall break-even financial plan was also set for the NHS Frimley integrated care system in line with NHS England requirements.</p> <p>There was appropriate scrutiny of the financial plan's development through the CCG's governance structures prior to submission, with regular updates provided and clear commentary on the risks within the financial plan and the mitigations that were being implemented in order to manage those risks. We noted that there was clear discussion about the size of the challenge faced by the system and the emerging challenges that it was facing.</p> <p>Efficiency Plans</p> <p>Efficiency plans will form a significant part of the 23/24 plan. The programmes to deliver these efficiencies are currently under review as part of the detailed financial sustainability plan currently in development across the ICB.</p> <p>Efficiency programmes can be proposed by any member of staff within the ICS to ensure schemes are identified in both a bottom-up and top-down manner and all relevant savings are captured. All staff members are encouraged to identify potential efficiencies and report these potential schemes to their line manager who can escalate to the relevant senior lead who then performs an assessment of the potential scheme and determine if the efficiencies could or should be sought.</p> <p>Efficiency plans are captured in an Efficiency Programme schedule and are monitored by the designated leads for each programme against pre-determined KPIs. These KPIs are reported monthly to the Quality and Performance Committee for review before presentation to Board.</p> <p>A decommissioning policy and procedure had also been developed and was approved by Finance and Performance committee and Board</p> <p>Consistency of Financial Plan with Workforce / Operational Plans</p> <p>We found effective arrangements for the alignment of financial, workforce and operational plans. During the financial planning process, medium/long term plans are aligned to the budgets (financial plans) approved by budget holders. Budget holders also have joint ownership of workforce and operational plans, which ensures alignment of key planning documents within the ICB.</p>

Value for money - ICB

Financial sustainability (continued)

Description

Commentary on arrangements

This relates to ensuring that the ICB has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

How the ICB sets its financial plans to ensure services can continue to be delivered;

How financial performance is monitored and actions identified where it is behind plan; and

How financial risks are identified and actions to manage risks implemented.

Monitoring of Financial Results

We found that the ICB has an appropriate reporting framework in place. The detailed financial performance of the ICB is reported each month to the Finance and Performance Committee with identification of risks within the position. There was evidence of discussion and challenge by the Committee. A summary report is then provided to the Board.

Monthly finance reports have been presented to the ICB board, providing detail on the current financial performance against the 2022/23 plan. We have inspected a sample of these, and are satisfied that they include the appropriate level of detail. We have also inspected committee minutes, confirming that there is appropriate scrutiny of these.

The 2022-23 year end position for the ICB was a marginal surplus of £24k. The Frimley ICS, which comprised of Frimley ICB and Frimley Health Foundation Trust, has an overall surplus of £124k for the 2022-23 financial year. This position was underpinned by non-recurrent efficiencies, and also reflects a non-recurrent benefit of the proceeds of a land sale. A financial sustainability plan has been developed to ensure the long-term financial stability of the organisations across the system – agreed by all partners through formal governance mechanisms.

A £25m deficit position was outlined in the initial 2023/24 integrated planning return for the integrated care system, with about £98m in efficiencies required to reach this figure. The ICB share of the deficit was £7.5m. The final financial plan for the overall Integrated Care System was for break-even financial performance.

We note that key drivers of the financial challenges have been cost pressures within the acute sector, in particular relating to higher than forecast levels of agency usage and higher than planned levels of inflation.

We note that there are stretch targets built into the plan and that there are risks to the achievement of the forecast position, however we have been able to observe that the ICB has taken appropriate actions to coordinate the system in order to work towards the break-even target. While there is risk associated with the financial performance in 2023-24 we consider this is primarily within the acute provider and so have not identified a significant weakness in the ICB's arrangements.

Value for money - ICB

Financial sustainability (continued)

Description	Commentary on arrangements
<p>This relates to ensuring that the ICB has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <p>How the ICB sets its financial plans to ensure services can continue to be delivered;</p> <p>How financial performance is monitored and actions identified where it is behind plan; and</p> <p>How financial risks are identified and actions to manage risks implemented.</p>	<p>Conclusion</p> <p>We noted through inspection of minutes of meetings that the ICB have had regular interactions within the ICS to discuss the 2023-24 budget and noted that the ICB’s role in the system was in line with the guidance set by NHSE planning guidance for 2023-24.</p> <p>We therefore note that the ICB has taken sufficient actions to identify savings across the system in order to deliver a breakeven plan. Therefore we have not identified a significant weakness.</p>

Value for money - ICB

Governance	
Description	Commentary on arrangements
<p>This relates to the arrangements in place for overseeing the ICB's performance, identifying risks to achievement of its objectives and taking key decisions.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> Processes for the identification and management of strategic risks; Decision making framework for assessing strategic decisions; Processes for ensuring compliance with laws and regulations; How controls in key areas are monitored to ensure they are working effectively. 	<p>The newly established ICB board, appropriately includes both independent non-executive members as well as representation from Local Authorities and Partners. The ICB has also established sub-committees of the Board in expected domains, including the Audit Committee, Finance Performance and Investment Committee, System Quality Committee and Remuneration Committee These are in line with our expectations for the ICB's governance structure as they incorporate the statutory committees required of an ICB and the membership inclusion set out by NHS England as well as commonly observed sub-committees from within the sector.</p> <p>We also noted from the Governance Handbook that the ICB has set up place-based partnerships. This is consistent with NHSE guidance to support collaborative work within the system to respond to local needs.</p> <p>We have inspected the Standing Financial Instructions evidencing an appropriate escalation framework for making key decisions based on financial limits and policy in place for reporting losses and special payments.</p> <p>We reviewed the governance arrangements in relation to budget setting and monitoring. Management information currently at ICB level is reported to the Quality, Performance and Finance Committee and to Board as part of the overall ICS financial position. Budgets are reviewed as part of a monthly meeting which includes senior finance management and management accountant representation, providing scrutiny and challenge to the year to date position, bringing collective knowledge together to ensure a robust position is reflected.</p> <p>The ICB ensures compliance with expected standards of behaviour through code of business conduct held within the Conflicts of Interest Policy available on the intranet site. Conflicts of Interests and related party declarations are routinely updated wholesale as part of the year end closedown process. Members are routinely asked for any updated declarations at meeting such as Audit Committee, primary care commission committee (PCCC) and Place based Committees so that any changes or conflicts relating to agenda items can be captured. We have also reviewed the gifts and hospitality register maintained by the ICB.</p> <p>All related policies have been approved in line with their review requirements. These policies continued to apply throughout the period. We did not identify any significant risks associated with the arrangements in place for monitoring Fraud, compliance with Laws and Regulation and Officer Compliance with policies.</p>

Value for money - ICB

Governance (continued)	
Description	Commentary on arrangements
<p>This relates to the arrangements in place for overseeing the ICB’s performance, identifying risks to achievement of its objectives and taking key decisions.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <p>Processes for the identification and management of strategic risks;</p> <p>Decision making framework for assessing strategic decisions;</p> <p>Processes for ensuring compliance with laws and regulations;</p> <p>How controls in key areas are monitored to ensure they are working effectively.</p>	<p>We found that the ICB had appropriate controls in place around the prevention and detection of fraud. There is a local counter fraud service to provide assurance over arrangements to mitigate fraud and will report regularly to Audit Committee and Counter Fraud and Corruption Policy & Response Plan in place.</p> <p>A scheme of delegation is in place which sets out where different decisions/approvals should take place. Key decisions are made through management and escalation process for such matters at divisional, operational, executive management and Board level.</p> <p>Risk Management</p> <p>Following the transition from a CCG to an ICB the decision was made that it was necessary to set out a new strategy for the ICB and ICS. As this was not in place during the 2022-23 period the ICB had not formally defined the key risks facing the achievement of its primary objectives.</p> <p>As an interim measure risks scored 15 and above from the operational risk registers were considered to be the key risks facing the ICB. These were regularly reported to the Senior Leadership Team throughout the period. On two occasions these were also made available to the Audit Committee, though not actively reviewed as the focus of the risk element of its agenda was on how the risk management processes were being developed.</p> <p>The Board should be responsible for ensuring that risks to the organisation’s strategic objectives are being appropriately managed and we were therefore unable to observe that these risks had been formally identified during the period and were being monitored by the Board or its sub-committees.</p> <p>We noted from review of the top risks that had been identified that many of these at the time of our review did not have mitigations identified to set out what actions were being taken to manage the risks and ensure they were within an acceptable tolerance.</p> <p>We note that since year end the ICB has drafted its strategic objectives and a Board Assurance Framework to capture the risks to their achievement was approved by the Board on 20 June 2023.</p>

Value for money - ICB

Improving economy, efficiency and effectiveness

Description

Commentary on arrangements

. This relates to how the ICB seeks to improve its systems so that it can deliver more for the resources that are available to it.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

The planning and delivery of efficiency plans to achieve savings in how services are delivered;

The use of benchmarking information to identify areas where services could be delivered more effectively;

Monitoring of non-financial performance to assess whether objectives are being achieved; and

Management of partners and subcontractors.

We have gained an understanding of the processes relating to the efficiency programme. This includes the Identification of Cost Improvement Programmes (CIPs) through both top down and bottom up processes, the development of CIPs as part of the budget setting process, and monitoring through Board and the Financial & Performance Improvement Committee (FPIC).

We found appropriate processes in place to ensure that the ICB used information about costs and performance to improve the way they managed and delivered services. The ICB prepares a monthly finance report with summary of financial position and forecasts against the budget. This is presented at Finance and Performance Committee and used to identify any improvements.

Benchmarking of performance is undertaken at multiple levels - within providers against other providers, and at a system level comparing relative metrics with similar health care systems. The ICB utilise national benchmarking systems such as the model health system and performance benchmarking provided via the CSU & regional team when required.

The ICS activities are reported to the ICS Partnership Board and also to the ICB Board which are attended by the Accountable Officer and members of the Executive Director team for the ICB.

All single tender waivers and use of the Seal are reported to the Audit Committee at each meeting. Information governance reporting to the Audit Committee also covers IG processes and data protections issue

The ICB has been working in partnership with all organisations in the ICS under a command and control structure required for a level 4 incident for part of the year. The pandemic had resulted in very little service development during the year as urgent and emergency care has been the focus and then latterly, the restoration of core services. The main development has been the hospital discharge programme which has been a partnership approach with the 5 local authorities (Slough, Bracknell Forest, RBWM, Surrey and Hampshire County Council) along with neighbouring ICBs to support discharge of patients from local acute hospitals to free up capacity for acutely ill patients.

The initial approach to the closure of the affordability gap encompasses the direction of growth funding to the bottom line, with non-cash releasing efficiency plans being developed and implemented to allow growth to be absorbed within existing resource. This approach makes all efficiency actions effective contributors to bottom-line affordability. An approach which focuses on productive efficiency, delivering a greater level of capacity to service health and care need from an unchanged resource envelope, coupled with a reduction in the need for escalation capacity and additional discharge capacity funding has the potential to mitigate the initial gap to the planned position, which represents c. 3.8% of the system's NHS cost base.

The 2023/24 Financial sustainability Programme comprises of : Full year effects from 2022/23 Savings Delivered, Managing demand for health interventions (prevention & access policies), Efficient delivery of health interventions (provider CIP etc.), Efficiency in health procurement (both provider sub-contracting and all of the Continuing Healthcare / Section 117 / Medicines Management etc.) , Internal Organisational efficiencies (running costs).

Throughout the year, the ICB has continued its Better Care Fund (BCF) partnership arrangements with the relevant local authorities to deliver a variety of place based schemes which support people to avoid admission, stay in their own homes longer and be discharged to their homes more rapidly following a spell in hospital. This has included some non recurrent investment in resource to support ICB or Local Authority initiatives e.g. Ageing Well PM in Surrey Heath.

Value for money - ICB

Improving economy, efficiency and effectiveness (continued)

Description	Commentary on arrangements
<p>.This relates to how the ICB seeks to improve its systems so that it can deliver more for the resources that are available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <p>The planning and delivery of efficiency plans to achieve savings in how services are delivered;</p> <p>The use of benchmarking information to identify areas where services could be delivered more effectively;</p> <p>Monitoring of non-financial performance to assess whether objectives are being achieved; and</p> <p>Management of partners and subcontractors.</p>	<p>Conclusion</p> <p>Based on the risk assessment procedures performed we have not identified a significant risk associated with Improving economy, efficiency and effectiveness.</p> <p>We did not identify a significant risk for value for money in this area and no breaches of laws or regulations were identified. We considered that appropriate system-level actions had been put in place and there is an appropriate governance structure in place to oversee the delivery of the improvement plan.</p>

Value for money - ICB

We raised the following recommendations in response to significant weaknesses identified in our value for money procedures.

#	Issue, Impact and Recommendation	Management Response
1	<p>The formation of the ICB on 1 July 2022 led to the ICB undertaking a strategy refresh with aligned strategic objectives to help model their Board Assurance Framework (BAF). This BAF allows for the identification and mitigation of risks relevant to the organisation's strategic objectives.</p> <p>The Senior Leadership Team (SLT) received a draft BAF in October 2022, this was under development and strategic objectives, which necessarily inform the BAF, and had not yet been finalised. A draft BAF was developed in April 2023 that had been shared with the ICB Board but is yet to be approved at the time of writing this report.</p> <p>The ICB should formalise the agreement of the risks to the achievement of its strategic objectives to ensure there is an appropriate BAF in place for 2023-24 and onwards. A review of the mitigations required against these risks should be undertaken and a regular programme of assurance developed through the Audit Committee for oversight of the strategic risks, with assurance provided periodically to the Board.</p>	<p>The ICB has agreed its strategic objectives, and a Board Assurance Framework to capture the risks to their achievement of the ICB's strategic objectives was presented to the Board in May 2023 as part of a Board Risk Appetite Seminar and then presented to the Public Board Meeting on the 20 June 2023.</p> <p>The ICB will undertake a review of the mitigations required against these risks and will develop an assurance process to provide oversight of these strategic risks.</p>



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