



Auditor's Annual Report
NHS North East and North Cumbria Integrated Care Board
Year ended 31 March 2026

June 2026

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Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for NHS North East and North Cumbria Integrated Care Board ('the ICB') for the year ended 31 March 2026. Although this report is addressed to the ICB, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 18 June 2026. Our opinion on the financial statements was unqualified.



Reporting to the group auditor

On 18 June 2026, in line with group audit instructions issued by the NAO, we reported that the ICB's consolidation schedules were consistent with the audited financial statements.



Opinion on regularity

In our audit report we gave an unqualified opinion on regularity. This means that in our opinion, in all material respects the expenditure recognised in the financial statements has been applied for the purposes intended by Parliament.



Value for money arrangements

We did not identify any significant weaknesses in the ICB's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the ICB's arrangements.

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Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the ICB and whether they give a true and fair view of the ICB’s financial position as at 31 March 2026 and of its financial performance for the year then ended. Our audit report, issued on 18 June 2026 gave an unqualified opinion on the financial statements for the year ended 31 March 2026.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the ICB’s accounting practices

We reviewed the ICB’s accounting policies and disclosures and concluded they comply with the Department of Health and Social Care Group Accounting Manual 2025/26 (‘GAM’), appropriately tailored to the ICB’s circumstances. We received good quality accounts in line with the statutory deadline, supported by comprehensive working papers.

Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties, and we have had the full co-operation of management. We thank the Chief Finance Officer and his team for their support in responding to our queries throughout the audit.

Other reporting responsibilities

Reporting responsibility	Outcome
Opinion on regularity	We are required to form and express an opinion on whether the ICB’s expenditure has been, in all material respects, applied for the purposes intended by Parliament (our regularity opinion). Our audit report included an unqualified opinion on regularity.
Annual Report	We did not any material misstatements or significant inconsistencies between the content of the annual report, the financial statements and our knowledge of the ICB.
Annual Governance Statement	We did not identify matters where, in our opinion, the Governance Statement did not comply with the guidance issued by NHS England. We also did not identify any matters where, in our opinion, the Governance Statement is misleading or is not consistent with our knowledge of the ICB and other information of which we are aware from our audit of the financial statements.
Remuneration and Staff Report	We report that the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the National Health Service Act 2006.

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Our work on value for money
arrangements

VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Our approach

We are required to consider whether the ICB has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



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.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the ICB has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information;
- information from internal and external sources including regulators;
- knowledge from previous audits and other audit work undertaken in the year; and
- interviews and discussions.

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

VFM arrangements – Overall summary

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the ICB. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - We make these recommendations for improvement where we have identified a significant weakness in the ICB arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	12	No	No	No
 Governance	16	No	No	No
 Improving economy, efficiency and effectiveness	19	No	No	No

VFM arrangements

Financial Sustainability

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



VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Context to NHS spending

In 2020/21, NHS England (NHSE) established Integrated Care Systems (ICSs) as the key unit for financial allocations and they remain central to financial planning, with the aim of encouraging greater collaboration and collective responsibility for financial performance.

NHSE is responsible for determining allocations of financial resources to Integrated Care Boards (ICBs). Total annual budgets given to ICBs cover the majority of NHS spending and NHSE uses a fair share allocation process which is designed to distribute financial resources across ICBs in a way that reflects local health care needs and helps to reduce health inequalities.

The Aligned Payment and Incentive Scheme (API) came into effect on 1 April 2023 and includes fixed and variable elements. Commissioners were then required to agree contracts with their providers. For ICBs, almost all contracts were based on aligned payment and incentive contracts with a fixed and variable element. The fixed element covered funding for the expected level of activity for all services apart from those identified in the variable element. The API variable element means that the ICB paid the commissioners for the elective activity delivered at 100% of the published NHS Payment Scheme unit prices. The Elective Recovery Fund available for commissioners for 2025/26 included core elective recovery funding distributed on a fair share basis and additional elective recovery funding distributed on a target basis, based on 2024/25 forecast outturn as at month 8.

The allocations for primary medical care services and running costs by the ICB remained largely consistent with previous years, taking into account the demographics of the populations served and broader economic factors.

The ICB is subject to a running cost allowance with a 30% real terms reduction per ICB issued by 2025/26, with at least 20% delivered in 2024/25.

Ongoing collaboration is required across the ICS with the ICB playing a key role in ensuring individual organisations work together to achieve system-level outcomes.

The 2024 Autumn Spending Review provided the NHS with a one-year capital settlement covering 2025/26. The 2025/26 NHS capital allocation was split into 3 categories:

- a system-level allocation to cover day-to-day operational investments which have typically been

self-funded by organisations in ICSs or financed by Department for Health and Social Care (DHSC) through normal course of business loans or system capital support Public Dividend Capital (PDC);

- previously committed funds to support already committed and announced schemes from the previous Spending Review period, specifically the New Hospital Programme (NHP), Hospital Upgrades and the reinforced autoclaved aerated concrete (RAAC) programme; and
- other national capital programme investments encompassing key national priorities, including enhancing performance in elective recovery, diagnostics, urgent and emergency care (UEC), estates safety, advancing technology initiatives, supporting primary care, and driving progress towards net zero commitments.

The DHSC 10-year health plan: fit for the future, sets out the Government's plan to reinvent the NHS through three radical shifts: hospital to community; analogue to digital; and sickness to prevention.

The plan also sets out a planned new operating model and a different approach to NHS finances. To support this, a new model of planning is being implemented across the NHS and its partner organisations.

The model ICB blueprint, published in November 2025 sets the direction of travel for the ICB's role and functions with strategic commissioning being the central purpose of ICBs in the future. The move to the model ICB blueprint includes an average 50% reduction in costs of commissioning, commonly known as running costs, for ICBs to achieve, in aggregate, a running cost of £19 per head of population.

Annual funding settlements and planning cycles have previously made it difficult to focus on long-term strategic planning of services. To break this cycle, a national medium-term planning framework has been introduced which shifts the focus towards a rolling five-year planning cycle.

ICBs and NHS Foundation Trusts are now required to produce separate integrated five-year plans to demonstrate how financial sustainability will be secured over the medium term. These will need to be refreshed annually as part of the annual planning cycle.

For 2026/27 plan submissions for finance, performance and workforce were submitted in December 2025 alongside the ICB's strategic commissioning plan.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

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

The arrangements to produce the financial plans are consistent with those in place during the previous financial period. For 2025/26 financial plans were developed at a place level, using a 'bottom-up' approach. The plans are based on current year financial forecasts which build in existing financial pressures, including any recurring full year effects.

Plans are reviewed with budget leads to identify relevant pressures. The review of the plans also includes input from Directors of Finance and their deputies across the ICB, allowing for input from both place and system level and sharing of intelligence to ensure all relevant financial pressures are built into the plans. Collaboration with partner trusts and across the ICS ensures relevant financial pressures are identified and a consistent approach is taken.

The final stage of the review process involves presenting the plan for review by relevant committees, followed by presentation to the Board for approval.

Revenue allocations have been published for three financial years, 2026/27 to 2028/29 and the ICB submitted a financial plan in February 2026 which shows a breakeven position is expected to be delivered in each of the three financial years, including a recurrent breakeven position.

The ICB achieved its key financial targets for 2025/26. The annual report and accounts for 2025/26 set out that the ICB reported an outturn surplus of £34.8m (prior year £12.2m surplus) - this was planned to offset deficits within other organisations within the ICS.

How the ICB plans to bridge its funding gaps and identifies achievable savings

Significant work has been undertaken again across the system and with NHSE to manage the overall system deficit. Comprehensive efficiency requirements are established at the beginning of the financial year and monitored as part of the routine monthly financial reporting processes.

Oversight of progress against the delivery of efficiencies was included in the monthly Finance and Performance Committee meetings, which set out an analysis of efficiencies and whether the

forecast for the year is on track to be achieved. In our view, this is evidence of arrangements to monitor, oversee and, if necessary, take action.

For 2025/26, the ICB delivered 104% of planned efficiencies (prior year 103%), totalling £131.5m. From our work on the financial statements, we have not identified any material or excessive use of one-off balance sheet adjustments to deliver non-recurrent efficiencies.

For the 2026/27 financial plan submission, we reviewed the efficiencies identified for 2026/27, totalling £121m, none of which (prior year 5%) was unidentified at the time of agreeing the plan.

The ICB must ensure it delivers a similar level of recurring savings in 2026/27 as in 2025/26. The ICB is well aware that while efficiencies have been delivered overall in the last few years, there has been continued reliance on non-recurrent savings.

How the body plans finances to support the sustainable delivery of functions in accordance with strategic and statutory priorities

The Integrated Care Strategy outlines strategic priorities across the ICB and ICS along with a range of policies to support the commissioning of services.

The Financial Plan has been developed alongside the wider operational plan and has been considered by relevant committees and Board. The Plan is underpinned by the national planning guidance published by NHSE including service priorities and requirements.

A well-established Directors of Finance Group across the ICS is chaired by the ICB Chief Finance Officer and led the development of the MTFP across the ICS, supported by the ICS Chief Executive Leadership Group and the ICB Finance, Performance and Investment Committee.

A policy for investment business cases has been agreed which outlines process for new investments, including a business case template to cover strategic and statutory priorities.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

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

The financial plan has been developed alongside the wider operational plan and has been considered by the relevant committees and Board. The plan is underpinned by the national planning guidance published by NHSE including service priorities and requirements. Plans have been developed collaboratively across the ICS with partner trusts to ensure consistency of approach. This is supported by weekly operational planning meetings which are attended by ICB officers and provider planning leads (covering all aspects of planning including finance, workforce, performance, activity etc).

Weekly ICS Director of Finance meetings with provider trusts to develop and review plans, with weekly ICS Chief Executive meetings to provide oversight and escalation of issues.

Final plans are approved by ICB Board as well as each provider trust Board within the ICS.

Triangulation takes place between finance, activity, performance, workforce information and this is reviewed by NHSE as part of the planning process.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The ICB considers the risks and uncertainties when setting its budget and also during in-year monitoring through the financial performance reports which include a detailed financial analysis. Risks are identified and supported by the risk register and risk management framework.

Financial risks to delivery of plans and mitigations are identified at the start of year as part of financial planning processes.

Established arrangements are in place to ensure that month-end closedown and reporting processes allow the review of the financial position each month thereby identifying potential risks and financial pressures.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans - continued

Monthly financial reports are reviewed in detail by the Financial, Performance and Investment Committee with summary reports also reviewed by the Executive Committee, the Board and the Audit Committee.

The overall ICS financial position is reviewed each month with provider trusts (including identified risks) to allow discussion and challenge of assumptions and identification of potential risks across organisations.

It was announced in March 2025 that there would be a complete overhaul of the function and purpose of ICBs accompanied by large scale cuts to operating costs of 50% by October 2025. As a result of prudent financial management and delivering the original cost savings requested in 2023/24, the required cost reductions for the ICB equates to 32.3%.

NHS England published the first version of the Model ICB Blueprint in May 2025 which set out the route to becoming a strategic commissioner alongside the reduction in running costs and transitional arrangements.

As part of addressing this, the ICB set up an ICB Transition Programme to oversee the progression toward a strategic commissioning organisation, with a Transition Committee which meets fortnightly and is supported by a programme team.

The governance and committee structure has changed from May 26. Executive Committee, Financial Performance and Investment Committee and place sub-committees no longer exist, having been replaced by Leadership Committee supported by several other sub-committees.

Overall, we have not identified a significant weakness in the ICB's arrangements relating to the financial sustainability criteria.

VFM arrangements

Governance

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



VFM arrangements – Governance

Overall commentary on Governance

Arrangements to monitor and assess risk and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

A risk management strategy and a board assurance framework are in place, supporting effective assessment and management of risks. These facilitate a quarterly review of risks by relevant committees, including reviews of the corporate risk register by the Audit Committee and the Board.

The Board Assurance Framework for 2025/26 was presented to the Audit Committee throughout the year; this includes the corporate risk register prepared by management and used by the Board to monitor and assess risk.

The corporate register is updated quarterly and reported to the Executive Committee, Audit Committee and Board on a regular basis to highlight where each risk places, receiving input from Committee and Board members.

Internal audit services continue to be provided by AuditOne. They produce a risk-based plan to provide assurance over the effective operation of internal controls. Following discussion with management, the plan is approved by Audit Committee. Regular progress updates are provided during the year by AuditOne and include follow-up reporting of recommendations not fully implemented by due dates. Progress updates allow for the Committee to effectively hold management to account on behalf of the Board.

The Internal Audit Plan for 2025/26 was presented to the Audit Committee in April 2025. We reviewed the plan and during our attendance at meetings of the Audit Committees we noted the importance the Committee places on the work of Internal Audit.

The 2025/26 Internal Audit annual report, which included the Head of Internal Audit ('HoIA') opinion, was taken to the Audit Committee meeting in June 2026. Within the report, the HoIA again reports a "good" level of assurance in respect of the work carried out for the year.

AuditOne is commissioned to provide a counter fraud service to the ICB which includes accredited local counter fraud specialists ('LCFS'). An annual counter fraud workplan is presented to the Audit Committee to set out the focus of AuditOne in carrying out the service to the ICB. Regular update

reports are provided to the Audit Committee to update on work carried out since the last report and if any matters arose during that period. The results of the counter fraud work is provided through the Counter Fraud Annual Report and self-review assessment; this includes an assessment against NHS Counter Fraud Authority requirements.

Management review of the monthly financial position provides additional internal assurances over internal controls.

Further assurance is provided through service auditor reports provided annually by third parties. These reports set out the control environments of organisation providing services to the ICB, identifying and testing the controls in place to ascertain whether the control environments are operating effectively. As in prior years, a summary was provided to the Audit Committee noting no significant issues, and where control exceptions were identified, these did not have a material impact on the ICB, and mitigating controls were in place to address them.

Arrangements for annual budget setting

Budgets are required to be developed at place level within the ICB, with relevant input from place directors and commissioning / contracting leads. These are consolidated and reviewed for consistency by Directors of Finance across the ICB and the senior finance team. The budget includes efficiency targets.

The final financial plan for 2026/27 was presented to the Board in March 2026. Further details of the plan are included within the financial sustainability section of our commentary.

The Resource Allocation Group across the ICS continues in existence, which makes recommendations around the allocation of resources. These recommendations are reported to the Finance, Performance and Investment Committee and are subsequently reflected in the financial plan and associated budgets before being approved by the Board. For 2025/26, a similar budget setting process has been carried out, using information from the previous budget setting process.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How the ICB ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency: this includes arrangements for effective challenge from the audit committee

As part of approval of the ICB's Constitution and supplementary Governance Handbook by the Board, a scheme of delegation is in place to outline where decisions can be made and who can make these decisions, to ensure appropriate governance. A range of other policies have been approved by the Board which outline processes to be followed in various areas, such as a procurement policy, and policies around value-based commissioning and choice and equity.

Decisions made at the place level are reported up to Executive Committee to allow oversight and scrutiny. The Board receives regular updates from Committee meetings along with minutes of meetings for any decisions not made at Board level as a result of delegation to other levels in line with the Constitution.

Internal audit services provides annual assurance on the ICB's internal control environment and raise recommendations on areas where deficiencies or gaps in control are identified. AuditOne report progress on the Audit Plan to the Audit Committee. In 2025/26, an overall 'good' opinion was again issued at the June 2026 Committee.

The Audit Committee is integral to ensuring the ICB maintains good governance. Based on our attendance at the Audit Committee, there is appropriate challenge of officers, as part of the Committee's oversight responsibilities. The agenda contains all the expected items including:

- performance, finance, risk and Board Assurance Framework reports; and
- Internal Audit and Counter Fraud reports.

The work programme is built around the reporting cycle allowing challenge of the draft accounts in April, approval of the accounts and annual report.

Audit Committee meetings are chaired effectively with key points summarised and opinions shared about the range and depth of discussions and professional challenge.

Arrangements for meeting relevant standards of behaviour: conduct

Corporate policies can be found on the ICB's website. These include the Standards of Business Conduct and Declarations of Interest policy which documents standards for business practice and conflict of interest arrangements. The policy is updated and approved annually.

The ICB publishes the register of interests of the Board on the website, along with a procurement register recording procurement decisions and contracts awarded (also including a record of related conflicts of interest as appropriate) and a gifts, hospitality and sponsorship register. These are updated on a regular basis to ensure regulatory requirements and standards are met, and to ensure senior managers and non-executive directors are held accountable. We have seen evidence that the ICB takes advice, where appropriate, to ensure standards are met.

Mandatory annual NHSE training on conflicts of interest is in place, with compliance monitored.

The ICB also has arrangements in place for the 'Fit and Proper Person Test' (FPPT) test for all Board Members, including a checklist it has developed locally, to help ensure compliance with the framework.

Overall, we have not identified a significant weakness in the ICB's arrangements relating to the governance criteria.

VFM arrangements

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



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

How financial and performance information has been used to assess performance to identify areas for improvement and how the ICB evaluates the functions it provides to assess performance and identify areas for improvement

The ICB produces a monthly integrated delivery report which includes quality, safety, performance and finance information to assess overall performance and identify areas for improvement. It includes areas of risk and mitigating actions to be taken. Progress updates on annual objectives are provided by way of reporting observations, actions and risks, quality implications and recovery and delivery of objectives. This report is presented to each meeting of the Board.

An ICB oversight framework has been agreed and introduced which provides a comprehensive set of arrangements for oversight of NHS services within the ICS, including scrutiny of all relevant indicators and metrics in the NHSE system oversight framework. The framework includes regular oversight meetings with provider trusts to review performance and agree actions for improvement. Reporting on the NHSE system oversight framework is included in the Integrated Delivery Report.

Contract monitoring processes are in place to review performance and outcomes on individual contracts and/or commissioned services. For larger contracts, such as those with provider trusts, regular meetings take place as part of these processes, whereas smaller contracts, such as those with non-NHS entities with smaller contact values, will have less frequent meetings. Action logs are used in these processes to ensure actions are decided, taken and followed up at the next meeting. Service reviews are regularly undertaken which incorporate financial and performance information to assist in future commissioning and contracting decisions.

NHS oversight framework segmentation

Under the terms of the NHS Act 2006, NHSE must conduct an annual performance assessment of each ICB, considering how well function are discharged. Individual assessments were conducted in quarter 1 of the 2025/26 financial year. The reports summarise how the ICB has performed in five core roles aligned with the core purposes of an integrated care system:

- provided system leadership and governance;
- improved population health and healthcare;

- reduced inequality;
- provided value for money; and
- enhanced social value.

The assessment notes several positive areas including strong leadership and partnership working, improving performance and good financial management, whilst recognising there are still challenges to maintain financial sustainability. The productivity and value for money section of the report states 'Financial management remains a strength of the ICB, with particular recognition of the efforts taken this year to over-deliver efficiencies to enable additional surplus to be used to offset deficits in the provider sector, although we do recognise that this was in part delivered through non-recurrent deficit support funding.'

How the ICB ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, to assess whether it is meeting its objectives

The ICB's oversight framework mentioned previously allows for the monitoring of performance across provider trusts. Regular performance reports are produced and presented to the Board with a focus on exploring exceptions.

The **North East and North Cumbria Integrated Care Partnership ('ICP')** is a committee established by the ICB and brings together the fourteen local authorities across the North East and North Cumbria and other stakeholders in the region. It is responsible for setting out key priorities and developing the ICB's strategy for health and care to meet the needs of the population. Four local partnerships make up the overall ICP, being North Cumbria ICP, Central ICP, North ICP and Tees Valley ICP. The local ICPs build a picture of the needs in their areas and give the opportunity for the local stakeholders to assess the needs of the local people.

The **Joint Forward Plan ('JFP')** sets out how the ICB will deliver the NHS aspects of the ICB's 'Better Health And Wellbeing For All' integrated care strategy, developed by the ICP. The plan is a national requirement for ICBs and partner Trusts and covers the period from 2023/24 to 2028/29. The JFP is updated annually.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

Where the body commissions or procures services, how it assesses whether it is realising the expected benefits

The ICB has procedures to ensure compliance with relevant legislation and professional standards including detailed procedure rules within the Constitution. A scheme of delegation outlines where decisions can be made, with Committees having a role in overseeing decision making and providing challenge where appropriate.

A procurement policy is in place to govern the procurement of services. There is also a procurement register recording procurement decisions and contracts awarded (also including a record of related conflicts of interest as appropriate).

Contract monitoring processes review the performance and outcomes on procured goods and / or services. As outlined previously, service reviews are undertaken to assist in future commissioning / contracting decisions, and this is fed back through the process to inform future decision making in the procurement cycle.

Overall, we have not identified a significant weakness in the ICB's arrangements relating to the improving economy, efficiency and effectiveness criteria.

Other reporting responsibilities

Other reporting responsibilities

Wider reporting responsibilities

Statutory recommendations and public interest reports

Under section 7 of the Local Audit and Accountability Act 2014, auditors of an NHS body can make written recommendation to the audited bodies. Auditors also have the power to make a report if they consider a matter is sufficiently important to be brought to the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue any statutory recommendations or exercised our power to make a report in the public interest during 2025/26.

Section 30 referrals

Under Section 30 of the Local Audit and Accountability Act 2014, auditors of an NHS body have a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate.

We have not issued a Section 30 referral to the Secretary of State.

Reporting to the group auditor

Whole of Government Accounts (WGA)

The ICB is consolidated into NHS England which is then consolidated into the Department of Health and Social Care (DHSC) group. The National Audit Office (NAO), as group auditor, requires us to report to them whether consolidation data that the ICB has submitted is consistent with the audited financial statements. In addition, the NAO may review our audit files in detail. For the 2025/26 year the NAO did not include the ICB in its sample of component bodies for review for the purpose of its audit of the DHSC group.

We reported to the NAO that consolidation data was consistent with the audited financial statements. We also reported to the NAO in line with its group audit instructions.

Materiality for the ICB under WGA is distinct from the materiality thresholds set by us for reporting to Audit Committee. Component materiality is determined by the NAO and is used by us for the purposes of reporting to the group auditor. For 2025/26, the component reporting threshold was £1m for financial statements and £300k threshold for parliamentary accountability disclosures and regularity requirements. These are also used as the maximum thresholds we can apply for our reporting to Audit Committee.

Other reporting responsibilities

Fees for our work as the ICB’s auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in April 2026. Having completed our work for the 2025/26 financial year, we can confirm that our fees are as follows:

Area of work	2025/26	2024/25
Planned fee for work under the Code of Audit Practice	£220,050	£199,050

Our estimated fee for mandated work in relation to the Mental Health Investment Standard for 2024/25 is £35,000 plus VAT (prior year £35,000 plus VAT). *N.b. this work is carried out to a later timeframe than the audit of the statutory financial statements.* This is no longer subject to separate audit fees, being included as a note to the accounts for 2025/26.

Fees for other work

We confirm that we have not undertaken any non-audit services for the ICB in the year.

Appendices

A - Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Expenditure recognition</p> <p>Description of the risk</p> <p>Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom highlights that, as most public-sector bodies are net spending bodies, the risk of material misstatement as a result of fraud related to expenditure may in some cases be greater than the risk relating to revenue recognition.</p>	<p>How we addressed this risk</p> <p>We evaluated the design and implementation of controls the ICB has in place which mitigate the risk of expenditure being recognised in the wrong period.</p> <p>We also undertook a range of substantive procedures including sample testing material period-end accruals and contract variations.</p> <p>Audit conclusion</p> <p>Risk satisfactorily addressed, subject to completion of cut-off testing.</p>
<p>Management override</p> <p>Description of the risk</p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement as a result of fraud on all audits.</p>	<p>How we addressed this risk</p> <p>In line with our methodology, we addressed the management override of controls risk by carrying out audit work on:</p> <ul style="list-style-type: none"> • accounting estimates; • journal entries; and • significant transactions outside the normal course of business or otherwise unusual. <p>Audit conclusion</p> <p>Risk satisfactorily addressed, subject to completion of journals testing.</p>

Appendix A: Further information on our audit of the financial statements

Summary of unadjusted misstatements

Unadjusted misstatements		SOCNE		SOFP	
Description	Nature	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: trade and other payables: accruals	Actual			7,847	
Cr: purchase of goods and services: prescribing costs			-6,150		
Cr: purchase of goods and services: pharmacy costs			-1,697		
Being the over-accrual of estimated prescribing and pharmacy costs for February and March					
Dr: purchase of healthcare from non-NHS bodies	Extrapolated				
Cr: trade and other payables: non-NHS and other WGA accruals		9,372			-9,372
Being the specific errors understated by £48,200 extrapolated over the value of the sample					
Aggregate effect of unadjusted misstatements		9,372	-7,847	7,847	-9,372

Disclosure misstatements

We identified the following disclosure misstatements during our audit that have not been corrected by management:

Note 3.4 exit packages agreed in the financial year, the disclosure includes one case where alternative employment has been secured since the date of publication of the financial statements and annual report, there are a small number of further individuals included who are still seeking alternative employment. Total potential impact on the disclosure has been estimated at £500,000.

Appendix A: Further information on our audit of the financial statements

Follow up on previous years recommendations

Prescribing costs

Description of deficiency

The ICB discloses its estimate of prescribing costs in the accounts as follows:

*“(a) the estimate of prescribing and community pharmacy expenditure for the final two months of the year; this is informed by scenario analysis undertaken by management, utilising the forecast expenditure profile provided by the NHS Business Services Authority, historical prescribing patterns and profile of dispensing days, together with local intelligence and analysis of the impact of price concessions for example. **The total accrual recognised in the financial statements amounts to £134,088k of which prescribing is £107,747k and community pharmacy is £26,341k**”.*

The calculation of the February and March 2025 prescribing accrual separated out specific drugs that had seen a significant increase in the previous 10 months. The calculation showed that charges in respect of these drugs were estimated to increase by £8,126k (24.0%) from the previous year's February and March costs (£33,876k).

The increase in costs for all drugs was assessed at 5.1% and this was applied to the remaining February and March 2024 drugs cost (£62,535k) and a further £3,210k was added to the estimate. However, the overall increase of 5.1% included the significant increase in costs previously identified.

Using a 5.1% uplift across all drugs would have resulted in a total uplift of £4,917k, compared to that accrued of £11,336k.

In the months April 2024 to January 2025, year-on-year monthly prescribing costs showed changes in the range of -7.0% to +8.3%. The calculated increases within the prescribing accrual for February and March 2025 were +12.11% and +11.41% respectively. The actual outturn equated to -3.1% and +2.1%. Managers listed various factors that could impact on drug costs, demonstrating the complexity involved. However, the accrual was out of line with the previous 10 months' costs.

Current year update:

The ICB has followed a similar estimation process but has eliminated any double-counting.

Potential effects

The prescribing estimate, in effect, double counts the impact of significant increases in specific drugs, which has resulted in costs being overstated.

Recommendation

The estimation calculation should not include any double-counting. When finalised, the estimate should be subject to a “stand back” assessment of whether the accrual is reasonable

Management response

Prescribing figures are highly volatile, and January 2025 costs were particularly high, so were difficult to forecast (and will never be correct). We consider we had a reasonable basis for the accrual, and the difference is not significant. We will ensure we do a 'stand back' to assess the accrual and ensure any double-counting is eliminated.

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