Auditor’s Annual Report

NHS North East and North Cumbria Integrated Care Board – year ended 31 March 2025

June 2025

Contents

01 Introduction
02 Audit of the financial statements
03 Commentary on value for money (vfm) arrangements
04 Other reporting responsibilities

A Appendix A - further information on our audit of the financial statements

This document is to be regarded as confidential to NHS North East and North Cumbria ICB. It has been prepared for the sole use of the Audit Committee as the appropriate group charged with governance by the Board of Directors. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

01

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 2025. 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 19 June 2025. Our opinion on the financial statements was unqualified.

Reporting to the group auditor
In line with group audit instructions issued by the NAO, on 19 June 2025 we reported that the ICB’s consolidation schedules were consistent with the audited financial statements.

We cannot formally conclude the audit and issue an audit certificate until we have received confirmation from the NAO that the group audit of the Department of Health and Social Care has been completed and that no further work is required to be completed by us.

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.

02

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 2025 and of its financial performance for the year then ended. Our audit report, issued on 19 June 2025 gave an unqualified opinion on the financial statements for the year ended 31 March 2025.

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 2023/24 ('GAM'), appropriately tailored to the ICB's circumstances.

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 identify 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 any matters where, in our opinion, the Governance Statement did not comply with 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.

03

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 National Audit Office (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 functions.

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 functions.

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 or 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 with staff and directors.

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.

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	18	No	No	No
Improving economy, efficiency and effectiveness	21	No	No	No

VFM arrangements

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its functions

VFM arrangements – financial sustainability

Overall commentary on financial sustainability

Context to NHS spending

The calendar year 2025 has seen some significant developments across the NHS, starting in January 2025, when the Government issued its policy paper "Road to recovery: the government's 2025 mandate to NHS England", setting out three priorities:

- cut waiting times;
- improve access to primary care; and
- improve urgent and emergency care.

Subsequently, in March 2025, the Government announced its decision to abolish NHS England in a process expected to take place over a two-year timeframe. Alongside this is the expectation of Integrated Care Boards to reduce running costs by 50% and increased expectation of organisational reform between 2026 to 2027.

NHS finances remain in a highly challenged position. NHS England's review of Month 11 financial performance (March 2025) provided some context on the financial challenges in 2024/25, where *"systems planned to deliver the most significant efficiency savings that have ever been delivered totalling £9.3bn (equivalent to 6.1% of their total allocation)"* and that at that point, the forecast was to deliver slightly below that target at £8.7bn.

NHS systems have a collective requirement to seek to achieve system financial balance, as well as a duty to seek to comply with system resource use limits set by NHS England, after the inclusion of any non-recurrent support funding revenue allocation where this is applicable.

In April 2025, the Interim Chief Executive of NHS England wrote to all ICBs and NHS trusts to provide detail on the Government's reform agenda for the NHS. This included[1] an overview of the financial position in 2025/26, which we have summarised in the table below.

This shows that the financial plans submitted for 2025/26 would have been a gross deficit of £2,516m had deficit support funding of £2,204m not been available.

Region	Gross position £m	Deficit support £m	27 March Plan £m
London	(284)	221	(63)
Midlands	(620)	620	0
East of England	(169)	169	0
North East & Yorkshire	(232)	232	0
North West	(714)	542	(172)
South East	(368)	329	(39)
South West	(129)	91	(38)
Grand Total	**(2,516)**	**2,204**	**(312)**

Source: www.england.nhs.uk/long-read/working-together-in-2025-26-to-lay-the-foundations-for-reform/#appendix-1-2025-26-financial-plan-summary-as-at-31-march-2025

VFM arrangements – financial sustainability

Overall commentary on financial sustainability

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. Financial plans are developed at a place level, using a 'bottom-up' approach. There are 12 places within the ICB, each with their own subcommittee. 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 Chief Finance Officer leads the financial planning process and works closely with the Executive Chief of Strategy and Operations to ensure that all pressures, national "must do's" and approved business cases from planning processes are included within the finance plan.

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

During the prior year, 2023/24, significant work was undertaken to develop a medium-term financial plan for both the ICB and wider Integrated Care System (ICS), including identification of significant financial pressures. Work is continuing around the medium-term financial plan which will be required to be formally produced and submitted to NHSE in 2025/26 following the issuing of three-year allocations.

The ICB achieved its key financial targets for 2024/25. The month 12 outturn report for 2024/25 was reported to the June 2025 Board meeting, setting out that:

- the ICB reported an outturn surplus of £12.19m (prior year £4.489m surplus) - this was planned to offset deficits within other organisations within the ICS; and
- the ICS reported a small outturn surplus of £0.38m (prior year £0.43m), against the revised breakeven plan (following receipt of non-recurrent deficit funding of £49.95m).

Deficit funding

The ICB received non-recurrent deficit funding on behalf of the ICS as follows:

- 2023/24: £35.0 million;
- 2024/25: £49.9 million; and
- 2025/26: £33.3 million.

NHSE has highlighted in its 2023/24 annual assessment, published online in January 2025, the following:
*"**Enhancing productivity and value for money***
Both the ICB and system met their breakeven duties, but the system position relied on non-recurrent financial support from NHS England. The ICB over-delivered against planned efficiencies but as most of these were non-recurrent the ICB will need to identify further efficiencies to become more financially sustainable".

Financial 'grip and control'

To support delivery of the financial position, an independent review of financial 'grip and control' measures across all ICS organisations was undertaken in 2024/25. The review was intended to both provide assurance around controls in place as well as identifying areas for potential improvement and agreeing resulting actions for individual organisations and across the system. Action plans were developed both at an individual organisation and system level, which have been monitored through relevant committees within individual provider organisations and the ICB.

VFM arrangements – financial sustainability

Overall commentary on financial sustainability

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 2024/25, the ICB delivered 103% of planned efficiencies (prior year 107%), totalling £120.670m, of which £49.401m were recurrent and £71.269m were non-recurrent. The overachievement of non-recurrent efficiencies offset the underachievement of recurrent efficiencies. 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.

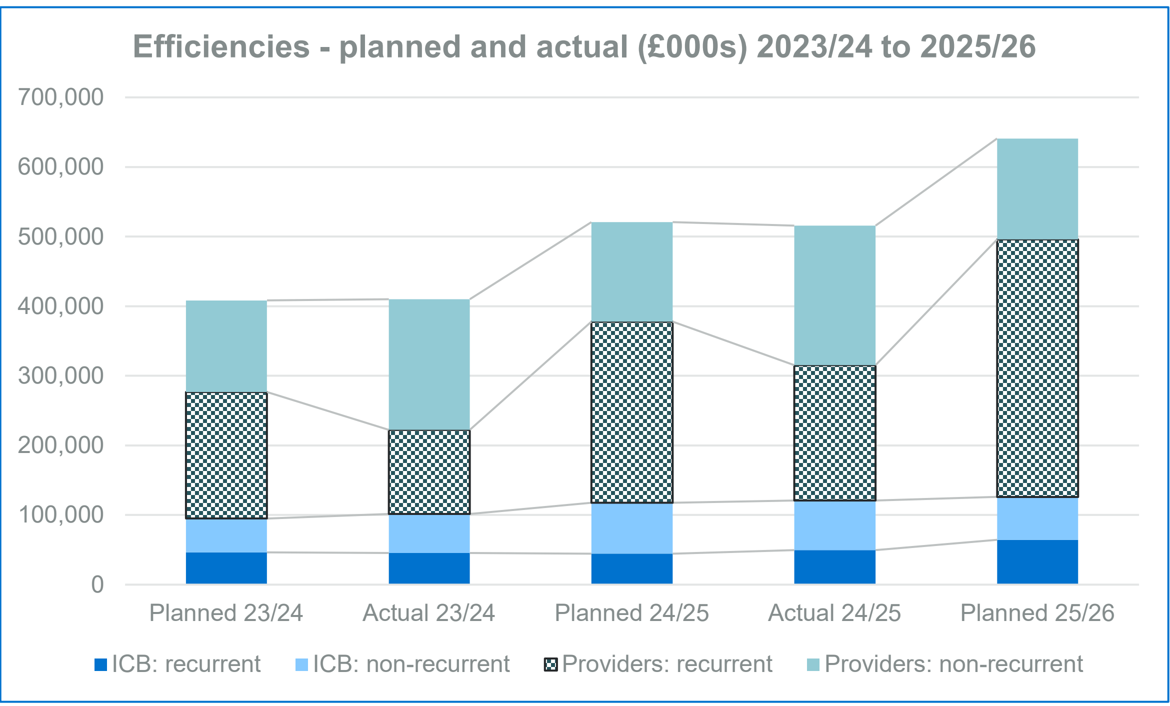
For 2025/26, we reviewed the efficiencies identified for 2025/26 within the financial plan reported to the June 2025 Board, totalling £126.114m, of which 5% (prior year 14%) was unidentified at the time of agreeing the plan.

The chart to the right sets out the actual and planned efficiencies for the Integrated Care System (ICS) as a whole, split into the ICB and providers. This chart provides a visual overview of the scale of the continued significant challenges facing the ICS in 2025/26.

The ICB must ensure it delivers a higher level of recurring savings than in 2024/25, as well as work with system partners to maintain a balanced financial position across the ICS. The ICB is well aware that whilst efficiencies have been delivered overall in the last few years, there has been continued reliance on non-recurrent savings.

As highlighted by the ICB:

- ***“there is system agreement that normal efficiency levels are insufficient and transformational and system level changes now need to be enacted”;*** and
- [the level of efficiencies providers need to deliver] “***represents a huge potential risk to delivery of plans, particularly as the majority of efficiencies in 2024/25 were delivered on a non-recurring basis”.***



VFM arrangements – financial sustainability

Overall commentary on financial sustainability

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, chaired by the ICB Chief Finance Officer, 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.

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 inc. 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.

Strategic workforce planning

The ICB has undertaken workforce planning and system recovery work throughout 2024/25 which has placed it in a good position ahead of the challenging 2025/26 financial year.

The ICB’s System Recovery Programme infrastructure and governance aims to achieve true collaborative system approach across the Provider Collaborative and the ICB resulting in the creation of a robust strategic workforce programme.

In June 2024, the System Recovery Programme Workforce Board approved a Workforce Programme to support trusts to achieve their financial plans and collectively return the system to financial balance within three years. A significant development to support this was the creation of a central workforce data dashboard which staff across providers, the ICB and the Programme have access to.

In addition, in December 2024, all trusts undertook a self-assessment of their workforce planning and control assurance arrangements using a framework developed by NHS England.

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, for example, the ICB has increased its projected ICB surplus to mitigate for risks in respect of one Trust.

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.

VFM arrangements – financial sustainability

Overall commentary on financial sustainability

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 NHS North East and North Cumbria ICB equates to 32.3%.

NHS England published the first version of the Model ICB Blueprint in May 2025. Key functional changes that are expected from the blueprint include:

- grow capabilities in population health analytics, commissioning, and evaluation;
- retain and adapt functions like quality management and governance, often at scale; and
- transfer some functions (e.g., provider performance oversight, digital leadership, safeguarding) to regions, providers, or national bodies over time.

Key factors in managing the transition are:

- ICBs must reduce costs to £18.76 per head by Q3 2025/26 (guidance around the £18.76 continues to evolve and discussions are continuing across ICBs and with NHSE to clarify the scope of costs and reductions expected);
- emphasis on streamlining, collaboration, and mergers where appropriate;
- support for staff includes redeployment, voluntary redundancy, and retention schemes;
- establish Transition Committees for governance and risk management; and
- NHS England will provide central support and coordinate the transition process.

NHSE have also suggested that there is an expectation most integrated care boards are expected to "cluster" with neighbours "as soon as possible" and formally merge in either April 2026 or 2027.

When this is layered over the planned proposals to cut ICB costs, it is clear 2025/26 will be one of significant challenge for the ICB. As part of addressing this, the ICB has set up an ICB Transition Programme to oversee the progression toward a strategic commissioning organisation, with a Transition Committee which is meeting fortnightly and supported by a programme team.

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

VFM arrangements

Governance

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

VFM arrangements – governance

Overall commentary on governance

Arrangements to monitors and assesses 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 2024/25 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 2024/25 was presented to the Audit Committee in July 2024. We reviewed the plan and are satisfied this is an appropriate and reasonable plan. Our attendance at Audit Committees throughout the 2024/25 period showed us the importance the Committee places on the work of Internal Audit. We note the tight capacity for delivery of the 2025/26 Internal Audit plan, given the work carried forward from 2024/25; it will be important the ICB facilitates completion of work, despite other pressures, so that there is no risk to the Head of Internal Audit opinion for 2025/26.

The 2024/25 Internal Audit annual report, which included the Head of Internal Audit ('HoIA') opinion, was taken to the Audit Committee meeting in June 2025. 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 2025/26 was presented to the Board in June 2025. 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 2024/25, a similar budget setting process has been carried out, using information from the previous budget setting process.

VFM arrangements – governance

Overall commentary on governance

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 2024/25, an overall 'good' opinion was again issued at the July 2025 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, judgements over the depth of discussions and appropriate 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 appropriate 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. Internal Audit also carried out a review of the ICB's FPPT arrangements in 2024/25, with an overall 'good' assurance level achieved.

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

VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its functions

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 also. Progress updates on the objectives for the year are provided within the report 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 / contracting decisions.

NHS oversight framework segmentation

The NHS oversight framework segmentation is a system that allocates trusts and integrated care boards one of four segments based on their support needs. The segments range from segment 1, which indicates no specific support needs, to segment 4, which indicates a requirement for mandated intensive support. The segmentation is determined by criteria such as quality of care, performance, finance, and leadership.

We reviewed the May 2025 update which confirms that the ICB is in segment 2.

We noted the 2023/24 NHSE formal letter, published in January 2025, which highlighted a number of positive areas as well as recognising the further work required to ensure the ICS is financially sustainable.

Extract – NHSE 2023/24 assessment of NHS NENC ICB (published January 2025)

"System leadership
The ICB's comparatively strong operational performance reflects its strong system leadership and governance. It has clear strategic grip in place with the system's joint forward plan supplemented by a range of service-level strategies. The ICB also demonstrates effective joint working with its partners and local population in the system review of urgent care and the co-design of 3 new women's health hubs.

Improving population health and healthcare
The ICB has demonstrated grip across its system of both performance and quality, and we welcome the appointment of a dedicated quality director to oversee this agenda. There have been positive results against many of the key access standards, including strong performance in A&E and cancer. Further action will be required to sustain performance across all sectors but with particular focus given to tackling the elective list, which has increased in size, and the significant challenges facing mental health services.

Tackling unequal access, outcomes and experience
The ICB has established a system-wide transformation programme that brings together public health and other stakeholders to consider prevention, inequalities and the determinants of ill-health. Data has been brought together to provide contemporary oversight of key metrics and track trends that inform the actions required. This data is highlighting positive recent trends such as for suicide prevention and smoking reduction, but exposing the need to address obesity, preterm births and mental health.

Enhancing productivity and value for money
Both the ICB and system met their breakeven duties, but the system position relied on non-recurrent financial support from NHS England. The ICB over-delivered against planned efficiencies but as most of these were non-recurrent the ICB will need to identify further efficiencies to become more financially sustainable. The ICB acknowledges that it has this work to do and is already developing a digital strategy to support this effort. We look to see the ICB and its partners driving this improvement.

Supporting social and economic development
The ICB took a leading role in developing the joint forward plan and aligning it to the wider system health and wellbeing strategy, and it has a clear grip on delivery of the plan. Feedback from the health and wellbeing board recognises the ICB's engagement to develop alignment with the wider aims of local strategies. Maintaining this close partnership working and integration will be important following the ICB's reorganisation. We will be looking to the ICB to expand planning to place level to ensure join-up across every part of the system".

VFM arrangements – improving economy, efficiency and effectiveness

Overall commentary on improving economy, efficiency and effectiveness

NHS oversight framework segmentation – provider trusts

The ICB also monitors and reports on the segments of provider trusts, via its Integrated Delivery Plan; an extract from which is set out to the right.

Provider	NHS oversight framework segment	Oversight arrangements	CQC rating
Northumbria Healthcare NHSFT	1	ICB-led	Outstanding (2019)
Cumbria, Northumberland, Tyne & Wear NHSFT	2	ICB-led	Outstanding (2022)
North East Ambulance Service NHSFT	2	ICB-led	Requires improvement (2023)
North Tees and Hartlepool NHSFT	2	ICB-led	Requires improvement (2022)
South Tyneside and Sunderland NHSFT	2	ICB-led	Requires improvement (2023)
County Durham and Darlington NHSFT	3	NHSE / ICB-led	Good (2019)
Newcastle Upon Tyne Hospitals NHSFT	3	ICB-led	Requires improvement (2024)
Gateshead Health NHSFT	3	ICB-led	Good (2019)
North Cumbria Integrated Care NHSFT	3	ICB-led from Nov 23	Requires improvement (2023)
South Tees NHSFT	3	NHSE / ICB oversight of finance	Good (2023)
Tees, Esk and Wear Valley NHSFT	3	NHSE Quality Board	Requires improvement (2023)

VFM arrangements – improving economy, efficiency and effectiveness

Overall commentary on improving economy, efficiency and effectiveness

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 from across the North East and North Cumbria and other stakeholders across 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 within their constituent local authorities and give the opportunity for the local stakeholders in these areas to assess the needs of the local people.

An Integrated Partnership meeting brings together all partners from the ICB and each of the local authorities in the North East and North Cumbria semi-annually. On inspection of meetings during 2024/25, we can see all chairs of the four local ICPs provide updates on their areas and questions are invited.

The Jo**int 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.

The ICB is strengthening collaboration with the **voluntary, community and social enterprise sector (VCSE)** sector to address health challenges and socio-economic determinants of health. By embedding the VCSE sector as an equal partner, its aim is to create a more inclusive, effective, and sustainable health system that addresses inequalities and improves outcomes for all communities.

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 were appropriate.

A procurement policy is in place to govern the procurement of services, with procurement support being provided by North of England Commissioning Support ('NECS'). 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.

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 were 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 any indicators of a significant weakness in the ICB's arrangements relating to the improving economy, efficiency and effectiveness criteria.

04

Other reporting responsibilities and our fees

Other reporting responsibilities and our fees

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 exercise our power to make a report in the public interest during 2024/25.

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 any Section 30 referrals to the Secretary of State.

Reporting to the group auditor

Whole of Government Accounts (WGA)

The ICB is consolidated into NHS England's accounts which are 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. The NAO did not include the ICB in its sample of component bodies for the purpose of its audit of the DHSC group.

We cannot formally conclude the audit and issue an audit certificate until we have received confirmation from the NAO that the group audit of the Department of Health and Social Care has been completed and that no further work is required to be completed by us.

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 2025. Having completed our work for the 2024/25 financial year, we can confirm that our fees are as follows:

Area of work	2024/25	2023/24
Planned fee for work under the Code of Audit Practice	£199,050	£199,050
Exit packages	£0	£3,000
WGA sampled component	£0	£1,500
Total fees	**£199,050**	**£203,550**

Our estimated fee for mandated work in relation to the Mental Health Investment Standard for 2023/24 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.*

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, enhanced risks and audit findings

As part of our audit, we identified significant risks and an enhanced risk 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
Risk of fraud in expenditure recognition (year-end accruals and contract variations) In our view, there is a risk of fraud in financial reporting relating to expenditure recognition arising from the potential to inappropriately record expenditure in the wrong period. This is not to imply we suspect actual fraud, but that we approach our audit with due professional scepticism. For the ICB we deem the risk to relate specifically to accruals of expenditure and contract variations around the year-end.	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. We also undertook a range of substantive procedures including: • sample testing material year-end accruals and contract variations. Our work was also informed by the following testing: • testing payments in the pre and post period-end to ensure they were recognised in the right period; and • reviewing inter-NHS reconciliations and data matches provided by the Department of Health and Social Care. This work also informed our work on the regularity element of the audit opinion. **Our work did not highlight any significant issues.**
Management override of controls 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. The unpredictable way in which such override could occur means we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.	We addressed this risk by carrying out audit work on: • accounting estimates impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements. **Our work did not highlight any significant issues.**
Prescribing estimate (enhanced risk) The ICB's accounts contain estimates of prescribing expenditure at the year-end. The ICB receives information on actual February and March 2025 prescribing expenditure before the draft accounts are prepared so a significant prescribing expenditure estimate is needed. In most years, the accounts contain an estimate based on NHS Business Services Authority (BSA) profiling which is reported two months in arrears. We consider this area of key management judgement to be an enhanced risk.	We critically reviewed the basis of the estimate. We identified a small element of double-counting for certain drugs in the as well as the need for a 'stand back' when making the estimate; therefore, we raised a non-significant recommendation. Post year-end testing showed the prescribing estimate differed to the 'actual' by £12.004m. The similar pharmacy estimate differed to the 'actual' by £2.230m. The total overstatement was £14.234m or 11% of the total estimate of £134.088m when compared to the 'actuals', which was not material. **Noting the non-material unadjusted misstatement and the non-significant recommendation raised, our work did not highlight any significant issues.**

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

Unadjusted misstatements

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Summary Memorandum, issued on 21 March 2025.

We only report to the Audit Committee unadjusted misstatements that are either material by nature or which exceed our reporting threshold (clearly trivial threshold of £0.300m).

We obtained written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments were required.

Description	Assets £000s	Liabilities £000s	Reserves £000s	Income and expenditure statement £000s
Four unadjusted misstatements were reported in our full Audit Completion Report, with the summarised aggregated effect shown below. The misstatements related to the following: • the over-accrual of estimated prescribing and pharmacy costs for February and March 2025 (£14.234m); • the incorrect netting off of a payable against a receivable (£1.997m); • the extrapolated error from our testing of payables (£1.279m); and • the misclassification of liabilities as payable accruals instead of as a provision (£6.940m)				
Aggregate effect of unadjusted misstatements	**1,997**	**13,516**	**0**	**-15,513**

Adjusted misstatements

We report all individual misstatements above our reporting threshold that we identified during our audit and which management had adjusted and any other misstatements we believe the Audit Committee should be made aware of.

There were one unadjusted non-material disclosure:

- Note 13.3 financial liabilities: a new line heading for ‘lease liabilities’ has been included in this year’s disclosure; the comparators have not been restated for this, on grounds of materiality.

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

Internal control conclusions

Prescribing estimate – ensuring there is no double-counting and doing a 'stand back' assessment of the reasonableness of the estimate (current year recommendation)

Description of deficiency

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, however, the calculation then applied an overall estimated increase for all drugs, thus double-counting an element within the calculation.

In addition, the year-on-year estimate varied and a 'stand back assessment' could have been carried out.

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.

Ensuring signed contracts are in place (prior year recommendation follow-up)

Description of deficiency

Our 2022/23 testing identified that block contracts for two providers were not signed on a timely basis.

Our 2023/24 testing identified that some contracts had been signed but not dated.

Potential effects

This presents a cut-off and completeness risk, whereby the costs incurred by the ICB in-year and presented within the Financial Statements do not reflect the final agreed expenditure.

Recommendation

Management should ensure that all block contracts covering base allocations are signed on a timely basis. Any amendments / further allocations should then proceed via the contract variation process.

Management response

Due to the extended planning process for 2023/24, agreement of contract values with NHS Foundation Trusts was delayed, but we agree signed contracts should be in place on a timely basis and this is being progressed as a priority.

Current year (2024/25) update:

Signed contracts were in place on a timely basis for 2024/25.
We note that the formal contract variations were not signed until after the year-end, however, that appropriate approval was obtained before the relevant contract variation payments were made prior to the year-end.

The recommendation is, therefore, assessed as 'closed'.

Contact

Forvis Mazars

Mark Kirkham
Partner
Tel: 0113 394 5315
mark.kirkham@mazars.com

The contents of this document are confidential and not for distribution to anyone other than the recipients.
Disclosure to third parties cannot be made without the prior written consent of Forvis Mazars LLP.

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

© Forvis Mazars 2024. All rights reserved.