



The Audit Findings for NHS Somerset ICB

For the year ended 31 March 2024

13 June 2024

Barrie Morris

Key Audit Partner

T 0117 305 7708

E barrie.morris@uk.gt.com

Andrew Davies

Engagement Manager

T 0117 305 7844

E andrew.davies@uk.gt.com

Ebenezer Adom-Mensah

Engagement In-charge

T 0117 305 7875

E ebenezer.adom-mensah@uk.gt.com





Private and Confidential

**NHS Somerset ICB
Wynford House
Yeovil
Somerset
BA22 8HR**

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL
www.granthornton.co.uk

Dear Alison

Audit Findings for Client Name for the year ended 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [Transparency Report 2022 \(granthornton.co.uk\)](http://www.granthornton.co.uk)

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Barrie Morris
Partner
For Grant Thornton UK LLP

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Contents

Section	Page
1. Headlines	4
2. Audit Findings	6
3. Audit Adjustments	18
4. Value for Money Arrangements	22
6. Independence and Ethics	23
7. Appendices	24

Appendices	Page
A Communication of audit matters to those charged with governance	25
B Audit approach	26
C Action Plan	27
D Fees and non-audit services	28
E Management letter of representation	30
F Audit opinion	34

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Somerset Integrated Care Board ('the ICB') and the preparation of the ICB's financial statements for the year ended 31 March 2024 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the ICB's financial statements give a true and fair view of the financial position of the ICB's and of its income and expenditure for the period;
- the ICB's financial statements, and the parts of the Remuneration and Staff Report to be audited, have been properly prepared in accordance with the Department of Health and Social Care (DHSC) group accounting manual 2023/24 (GAM); and
- expenditure has been incurred 'as intended by Parliament'

We are also required to report whether other information published together with the audited financial statements in the Annual Report, is materially consistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and whether the income and expenditure included in the financial statements has been applied for the purposes intended by Parliament (the regularity opinion).

Our audit work was completed remotely during April to June 2024. Our findings are summarised on pages 6 - 21. We have not identified any adjustments to the financial statements which impacts your reported Comprehensive Expenditure figure. We have identified several disclosure amendments. These amendments are detailed at pages 18 -21. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix C.

Our work is ongoing and as yet there are no matters of which we are currently aware that would require modification of our audit opinion [Appendix F] or material changes to the financial statements, subject to the following matters:

- completion of our subsequent event review;
- completion of final internal quality reviews;
- receipt of management representation letter – see Appendix E; and
- review of the final set of financial statements, including confirming the other information published together with the financial statements remains consistent post all audit adjustments.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our regularity work has found that expenditure included in the financial statements has been applied for the purposes intended by Parliament.

Our anticipated audit report opinion as set out in Appendix F will be unmodified.

1. Headlines (continued)

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the ICB has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in detail on the ICB's overall arrangements, and set out our key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the ICB's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our work on Value for Money arrangements and our findings are set out in our Annual Auditors Report which is included on the Committee agenda for consideration of those charged with governance.

No significant weakness have been identified. We have identified a number of improvement recommendations, which are set out in our Annual Auditors Report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit following the Board meeting on 27 June 2024.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. We have raised a recommendation for the ICB to consider the general arrangements for Pharmacy, Ophthalmic and Dental Services. With ICB's taking on these services during 2023/24 there were new revenue and expenditure streams to be considered, and new processes to be understood and documented. This is in terms of understanding how transactions are posted into the ICB ledger and how activity is monitored. This was a learning process for both for the finance and audit teams in terms of providing/requesting sufficient and appropriate evidence to enable the audit team to gain the correct level of assurance. Going forward we recommend that the ICB invest time in fully understanding the flow of transactions, who is monitoring each level of activity, and who is responsible for providing the evidence for in year transactions and year end balances to ensure that there is an appropriate audit trail of underlying evidence. This will ensure that these balances are more easily tested in future years. As part of our audit debrief, we will support this by clarifying what evidence will be required for each stream.

Our approach to materiality

As communicated in our Audit Plan dated March 2024, we determined materiality at the planning stage as £19.7m based on 1.5% of forecast operating costs. When the financial statements were received, we have reconsidered planning materiality based on the final financial statements. We have not changed materiality on receipt of the draft financial statements as the actual costs were not significantly different from the forecast. In addition, our overall risk assessment of the ICB remains unchanged.

Our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have used 1.5% of operating costs as the basis for determining materiality.

Reporting threshold

- We will report to you all misstatements identified in excess of £0.3m, in addition to any matters considered to be qualitatively material.

Materiality area	Amount (£)	Qualitative factors considered
Materiality for the financial statements	19,700,000	This is equivalent to a 1.5% of the operating costs for the period ended 31 March 2024.
Performance Materiality for the financial statements	14,750,000	The performance materiality has been set at 75% of financial statements materiality. This reflects our risk assessed knowledge of potential for errors occurring. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Trivial matters	300,000	This balance is set at £300,000 as this is the reporting threshold for any errors identified as part of our work on the National Audit Office's Whole of Government Accounts (WGA) exercise.
Senior officer remuneration disclosures.	20,000	Due to the public interest in senior officer remuneration disclosures, and based on the code, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for individual senior officer remuneration disclosures. We evaluate errors in the remuneration report for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.

Overview of significant audit risks identified

The below table summarises the significant risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs. A significant risk can be a significant risk due to error or due to fraud. For the purposes of the ISAs (UK), the auditor is concerned with fraud or suspected fraud that causes a material misstatement in the financial statements. Two types of intentional misstatements are relevant to the auditor – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. As part of our consideration of risks relating to fraudulent financial reporting, we consider the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to influence the ICB's year-end performance.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Findings
Management override of controls	Significant	↔	✓	High	●
Secondary healthcare expenditure – Non-contracted expenditure and contract variations (Occurrence and Accuracy, and the existence of the associated payable).	Significant	↔	-	Medium	●

↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan

● No adjustment or change in disclosure required

● Non-material adjustment or change in disclosure required

● Material adjustment or change in disclosure required.

Overview of significant audit risks identified – financial statements

Risks identified in our Audit Plan	Commentary	Conclusions
<p>Management override of controls</p> <p>In accordance with ISA (UK) 240, we have identified a risk of fraud in respect of management override of controls.</p> <p>Under ISA(UK) 240 there is a non-rebuttable presumed risk of management override of controls. We have therefore identified management override of controls, in particular of journals, management estimates and of transactions outside the course of business as a significant risk of material misstatement.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk unusual journals; gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. tested unusual journals made during the year and at the accounts production stage for appropriateness and corroboration. <p>Our work has not identified any issues in respect of management override of controls. However, we have identified the following deficiency.</p> <p>During our work it was noted that the general ledger limits assigned to journal approvers were set at two different levels, with seven of them being assigned a limit of £1 billion, and two users having a limit of £100 million. Such significantly high authorisation levels indicates a weakness in the effectiveness of the control measure, potentially exposing the ICB to increased risk. Furthermore, we identified incompatible roles whereby journal posters with approval roles can post and approve their own journals. Further audit procedures performed by the audit team revealed that all affected journals were those posted by SBS users and there was no indication that this deficiency had been exploited.</p> <p>We have recommended that management review the current thresholds to ensure they are aligned with the average recurring transactions and the roles of the respective users, thereby strengthening the control environment and mitigating the risk of unauthorised transactions.</p> <p>From April 2023, all ICBs took on delegated responsibility of NHS England pharmaceutical, ophthalmic and dental (POD) functions. The transactional information related to these services is often processed by service organisations, the ICB then base their journals from this information.</p> <p>Given the ICB has responsibility for these functions, it should implement sufficient and appropriate controls to verify the information provided by service organisations.</p>	<p>Our work has not identified any indications of management override of controls.</p>

Overview of significant audit risks identified – financial statements (continued)

Risks identified in our Audit Plan	Commentary	Conclusions
<p>The revenue cycle includes fraudulent transactions (rebutted)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Within our Audit Plan we rebutted this presumed risk for NHS Somerset ICB because:</p> <ul style="list-style-type: none"> funding is principally an allocation from NHS England which is not accounted for in the Statement of Comprehensive Net Expenditure; and revenue does not primarily involve cash transactions. <p>We have reassessed this rebuttal during the audit and confirm that this remains appropriate for NHS Somerset ICB.</p>	<p>Whilst we have rebutted this risk we have noted one issue that we wish to bring to your attention. During the year Section 256 monies, totalling £57m, that had previously been paid to Somerset County Council (now Somerset Council) were returned to the ICB to be redirected elsewhere in the system. This amount was the value of remaining balances across a number of different agreements.</p> <p>This return of the grant monies had been included in the draft financial statements as other income.</p> <p>As there has been no services provided to the ICB in respect of this expenditure in the prior year, the return of this funding cannot be accounted for as income under IFRS15, and therefore should have been accounted for as negative expenditure.</p> <p>The Statement of Comprehensive Net Expenditure, Note 2 - Other operating revenue and Note 5 – Operating expenditure have been updated to correct this.</p> <p>This has no impact on the overall financial position of the ICB.</p>
<p>Fraudulent expenditure recognition (rebutted)</p> <p>Practice Note 10 states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition.</p>	<p>Within our Audit Plan we have rebutted this presumed risk for the ICB because:</p> <ul style="list-style-type: none"> expenditure is primarily driven by agreed block payments to providers; and opportunity to manipulate contract variations is low in the current NHS financial regime. We have however, included this as a significant risk in relation to the risk of error from non-contracted and contract variations. 	<p>We have reassessed this rebuttal during the audit and confirm that this remains appropriate for NHS Somerset ICB.</p> <p>At the time of writing this report our work on non-contracted and contract variations is nearing completion and no issues have been identified to date.</p> <p>We have noted as part of our work on secondary healthcare expenditure that the majority of contracts were not signed until later in the financial year, contrary to NHSE guidance, and therefore in a number of instances variations were included within the overall contracted value. We have carried out sufficient testing to gain assurance that the variable elements are supported by activity and therefore expenditure has been appropriately recognised.</p> <p>We have raised a recommendation that for 2024/25 all contracts are agreed and signed at the beginning of the financial year in line with NHSE guidance.</p> <p>This will ensure that contract monitoring controls operate effectively.</p>

Overview of significant audit risks identified – financial statements (continued)

Risks identified in our Audit Plan	Commentary	Conclusions
<p>Secondary healthcare expenditure – Non-contracted expenditure and contract variations (Occurrence and Accuracy, and the existence of the associated payable).</p> <p>A significant percentage of the ICB's expenditure is through contracts for healthcare with NHS providers and non-NHS providers.</p> <p>A high percentage of this expenditure is through contracted activity; however, a significant element is on non-contracted activity or variations to block contracts. Contracting guidance suggests that there will be increased variable spend in 2023/24.</p> <p>We have therefore identified the occurrence and accuracy of variable and non-contracted secondary healthcare expenditure; which was one of the most significant assessed risks of material misstatement.</p>	<p>Apart of our work we:</p> <ul style="list-style-type: none"> gained an understanding of the financial reporting processes used for the purchase of secondary healthcare and evaluate the design of the associated controls; agreed, on a sample basis, invoices for variations to secondary healthcare contracts to supporting evidence; Used the DHSC mismatch report, we investigated unmatched expenditure and payable balances with NHS bodies over the NAO £0.3m threshold, corroborating the unmatched balances used by the ICB to supporting evidence; and agreed, on a sample basis, payable and accrual balances relating to secondary healthcare to supporting evidence. 	<p>At the time of writing this report our work against this risk remains in progress.</p> <p>We currently have no significant issues to bring to your attention.</p> <p>Please see the commentary on page 9 of this report regarding the signing on healthcare contracts.</p> <p>Within the Agreement of Balance (AoB) exercise we noted that in two cases the ICB expenditure balances did not include transactions incurred with subsidiaries of parent entities (Trusts).</p> <p>This does not impact on the ICBs financial statements, and we are satisfied that the correct expenditure is included within these. We are satisfied that this is due to the AoB reporting template not including a line for subsidiary transactions, and a mismatch between Trust and ICB AoB templates. As a result, a material balance of expenditure between the ICB and Symphony Healthcare Services was not able to be included in the AoB toolkit by the ICB, resulting in material mismatch between the ICB and Somerset NHS Foundation Trust (£31.5m) and a variance in respect of Sulis at Royal United Hospitals Bath NHS Foundation Trust (£3.9m).</p> <p>This reporting is consistent with our reporting in the prior year.</p>

Other findings - key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Prescribing Accrual	Within the Financial Statements 10 months of actual costs for primary care prescribing are included and a two month estimate (accrual). The accrual is based on a combination of the BSA forecast for the year and intelligence on local prescribing trends and information.	<p>Total prescribing expenditure during 2023/24 was £104m. This figure is made up of year-to-date actuals to January 2024 of £88m, with a large part of the remaining balance being the estimated accrual of £16m.</p> <p>We reported in our Audit Findings report in 2022/23 that the ICB had under accrued by £0.334m for prescribing costs.</p> <p>We have reviewed the calculation of the estimate in the 2023/24 accounts based on management's approach and compared the estimate to the post year end actual data for February and March 2024.</p> <p>For NHS Somerset ICB the actual costs were lower than the estimate and hence costs were over-accrued by £0.793m in the financial statements.</p> <p>We have reported this as an unadjusted misstatement please see page 20.</p> <p>In assessing the 2023/24 over accrual we have also considered the under accrual in the prior period. This means that the net impact on the year is an overstatement of prescribing costs of £0.459m.</p> <p>Management are not proposing to adjust for the actual costs on the grounds of materiality.</p> <p>As part of our evaluation, we are required to consider the impact that this might have on the ICB's breakeven duty. The ICB has reported a breakeven position for the year and therefore any understatement of expenditure would involve us considering the impact on the regulatory opinion.</p> <p>As the prescribing accrual is overstated, we are therefore satisfied that there is no impact on our regulatory opinion for 2023/24.</p> <p>We have discussed with management that this could impact on the 2024/25 accrual as the ICB have recognised 2024/25 costs early and will therefore represent an understatement of prescribing costs at the 31 March 2025 year-end; if this were not offset by a further over-accrual.</p>	We consider the estimate is unlikely to be materially misstated however management's estimation contains assumptions we consider cautious.
Pharmacy Accrual	As above.	<p>In 2023/24 the value of the pharmacy accrual for February and March 2024 was £2,290,879. Following the submission of the draft financial statements the actual February/March pharmacy spend data was received by the ICB. The actual figures showed expenditure of £1,869,112, which identified an over accrual of £0.422m.</p> <p>Management are not proposing to adjust for the actual costs on the grounds of materiality.</p> <p>As set out above, we have evaluated this overstatement with reference to the ICB's breakeven duty and have concluded that as this is an overstatement it would not impact on the breakeven duty.</p>	We consider the estimate is unlikely to be materially misstated however management's estimation contains assumptions we consider cautious.

Other findings – Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Oracle	Review of service auditor reports and design and implementation effectiveness assessment of complementary user entity controls.	●	●	●	●	None
Electronic staff record	Review of service auditor reports and design and implementation effectiveness assessment of complementary user entity controls.	●	●	●	●	None

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

Other findings

Issue	Commentary	Auditor view
<p>ISAE 3402 Service Auditor Reports</p> <p>The ISAE 3402 Service Audit Type II reports have been received which assess the state of the control environment for the period 1 April 2023 to 31 March 2024 for the following services used by the ICB:</p> <ul style="list-style-type: none"> • NHS Shared Business Service Limited: Finance and Accounting Services • The Electronic Staff Record Programme • NHS Business Services Authority: Prescription and Dental Payments • Capita Primary Care Support Services 	<p>We have considered the service auditor reports to identify any potential control deficiencies affecting the ICB.</p> <p>NHS Shared Business Services Limited: Finance and Accounting Services</p> <p>The ISAE 3402 Service auditor type II report for NHS Shared Business Services Limited: Financial and Accounting services gives a clean opinion on the controls reviewed. No issues were identified within the report.</p> <p>The Electronic Staff Record Programme</p> <p>The ISAE 3402 Service auditor type II report for NHS Shared Business Authority: Electronic Staff Records gives a clean opinion on the controls reviewed. No issues were identified within the report.</p> <p>NHS Business Services Authority: Prescription and Dental Payments</p> <p>The ISAE 3402 Service auditor type II report for NHS Shared Business Authority: Prescription and Dental Payments gives a clean opinion on the controls reviewed. No issues were identified within the report.</p> <p>Capita Primary Care Support Services</p> <p>A qualified opinion was given due to the following:</p> <ul style="list-style-type: none"> • Control Objective 11 - Capita states in their description that they have controls in place to ensure that instances where users had access to the finance role in PCSE online for external users is granted to a user with the appropriate approval form. During the period 1 April 2023 to 31 March 2024, the above mentioned access to finance roles could not be evidenced in eight out of forty selected instances. This exception has resulted in the non-achievement of the control objective: 'Controls provide reasonable assurance that logical access by internal Capita staff and GPs to NHAIS and PCSE Online is restricted to authorised individuals' <p>In relation to above, on 1 May 2024, the Director of Support Services issued a letter of comfort to all Delegated ICBs relating to Primary Care Support England (PCSE) services, which were operated by Capita for the period 1 April 2023 to 31 March 2024.</p> <p>The report states the key action that has been introduced to address 23/24 exceptions to address the Control Objective 11 in the SAR:</p> <ol style="list-style-type: none"> 1. Enhanced user management checks and reporting, such as weekly audit of all roles, to check that the roles have been granted correctly by PCSE. 2. The PCSE Online User Management role is now included within the quarterly PCSE Online user access audit and a justification is required for any user where the delegate has requested that the access is retained. 	<p>The audit team have considered the issues identified and do not consider them significant enough to have an impact on our audit opinion.</p> <p>These qualifications are relevant to controls operating at the third party and not the ICB.</p> <p>We are satisfied that that the ICB has appropriate compensating controls in these areas to mitigate against any increased area of risk.</p> <p>The ICB has updated the Annual Governance Statement to reflect these reports.</p>

Communication requirements

Issue	Commentary
Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedure.
Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the ICB which is included as Appendix E in this Report.
Accounting practices	<ul style="list-style-type: none"> We have evaluated the appropriateness of the ICB's accounting policies, accounting estimates and financial statement disclosures. We are satisfied with the accounting policies, accounting estimates and financial statement disclosures contained within the statements.
Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send balance confirmation requests to the ICB's bank. This permission was granted, and the requests were sent, these requests were returned with positive confirmation, and no issues were noted.
Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
Audit evidence and explanations	<ul style="list-style-type: none"> All information and explanations requested from management was provided.
Significant difficulties	<ul style="list-style-type: none"> No difficulties were noted.

Other responsibilities

Issue

Commentary

Going concern

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the ICB's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the ICB meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the ICB and the environment in which it operates
- the ICB's financial reporting framework
- the ICB's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities (continued)

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified/or set out here any inconsistencies. We plan to issue an unmodified opinion in this respect – refer to Appendix F.</p>
Auditable elements of Remuneration Report and Staff Report	<p>We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the Act, directed by the Secretary of State with the consent of the Treasury.</p> <p>We have audited the elements of the Remuneration Report and Staff Report, including the Fair Pay Multiple Disclosures, as required by the Code. This work identified some required amendments to the figures presented in the annual report.</p> <p>Our work identified 3 officers that were disclosed in the incorrect salary banding and one officer in a shared post with Somerset County Council was not disclosed. These have now been corrected.</p> <p>One further issue was noted as part of our work on pay ratios where the % change in salary disclosure was calculated incorrectly. This has now been updated.</p> <p>We propose to issue an unqualified opinion on this area of our work.</p>

Other responsibilities under the code

Issue	Commentary
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> the Annual Governance Statement does not comply with guidance issued by NHS England or is misleading or inconsistent with the information of which we are aware from our audit, the information in the annual report is materially inconsistent with the information in the audited financial statements or is apparently materially incorrect based on, or is materially inconsistent with, our knowledge of the Trust acquired in the course of performing our audit, or otherwise misleading. if we have applied any of our statutory powers or duties. where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. <p>We have nothing to report on these matters.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the year end 31 March 2024 audit of NHS Somerset ICB by following the board meeting on 27 June 2024.</p>
Regularity opinion	<p>This opinion sets out whether expenditure incurred is in line with the purposes for which it was provided. We are also required to identify whether any unadjusted misstatements impacts the ICB breakeven position. Where there is such an impact, we are required to consider whether that will impact the regularity opinion we should give.</p> <p>The only consistent non-adjusted error last year and this year is in respect of the prescribing accrual. A further unadjusted error for the new pharmacy accrual is also noted in 2023/24.</p> <p>As set out on page 21 in the prior year the ICB under accrued by £0.363 million at 31 March 2023 for prescribing. The equivalent difference between estimation and actual as at 31 March 2024 is set out as an unadjusted error on page 20 totalling a £0.793 million over accrual. In addition, for the first time in 2023/24, an estimate was made for the pharmacy accrual, which when compared with the actuals, indicated an over-accrual of £0.422m. The net impact of these opening and closing unadjusted misstatements is £0.852million of additional expenditure in 2023/24 that if corrected for, would have reduced the total reported spend in 2023/24 and resulted in an increased surplus for the year. As a result, we are satisfied that these unadjusted errors do not impact on the requirement for the ICB to ensure that in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament.</p> <p>We are therefore satisfied that there are no adjusted or unadjusted errors identified that would impact the regularity opinion.</p>

Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Statement of Comprehensive Net Expenditure £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
<p>Whilst we have rebutted this risk, we have noted one issue that we wish to bring to your attention. During the year Section 256 monies, totalling £57m, that had previously been paid to Somerset County Council (now Somerset Council) were returned to the ICB to be redirected elsewhere in the system. This amount was the value of remaining balances across a number of different agreements.</p> <p>This return of the grant monies had been included in the draft financial statements as other income.</p> <p>As there has been no services provided to the ICB in respect of this expenditure in the prior year, the return of this funding cannot be accounted for as income under IFRS15, and therefore should have been accounted for as negative expenditure.</p> <p>Note 2 – other operating revenue, Note 5 operating expenditure and the Face of the statement of comprehensive net expenditure have been updated to correct this.</p> <p>This has no impact on the overall financial position of the ICB.</p>	<ul style="list-style-type: none"> Expenditure reduced (CR) by £57m Income reduced (DR) by £57m 	None	None

Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Adjusted?
We have audited the elements of the Remuneration Report and Staff Report, including the Fair Pay Multiple Disclosures, as required by the Code. This work identified some required amendments to the figures presented in the annual report.	✓
Our work identified 3 officers that were disclosed in the incorrect salary banding and one officer in a shared post with Somerset Council was not disclosed. These have now been corrected.	
One further issue was noted as part of our work on pay ratios where the % change in salary disclosure was calculated incorrectly. This has now been updated. These have now been corrected.	
The £84k included for other non-statutory audit expenditure, in note 5, includes fees paid for the 2022/23 MHIS work completed and paid in 2023/24 of £42,000 (including VAT), and an accrual of £42,000 (including VAT) for the 2023/24 MHIS work, for which an engagement letter has not yet been signed. This has been explained in an addition to the footnotes.	✓
Our work on related parties identified that a number of values disclosed that did not agree to supporting records. These have now been correctly restated. The largest difference was changed by £538k.	✓
During the course of the audit a number of small disclosure amendments were made to the financial statements. These have not been reported separately due to their insignificant nature.	✓

Audit adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Statement of Comprehensive Net Expenditure	Statement of Financial Position	Impact on adjusted net surplus/deficit	Reason for not adjusting
In 2023/24 the value of the prescribing accrual for February and March 2024 was £17,409,050. Following the submission of the draft financial statements the actual February and March prescribing spend data was received by the ICB. The actual figures showed expenditure of £16,616,378, which identified an over accrual of £0.793m.	Cr 'Purchase of goods and services' £0.793m	Dr 'Current trade and other payables' £0.793m	Increase surplus by £0.793m	Immaterial difference and hence the estimate was materially accurate. We have evaluated the impact of these findings on page 11 of this report and are satisfied that this does not impact our regularity opinion as it does not move the ICB into a deficit position.
In 2023/24 the value of the pharmacy accrual for March 2024 was £2,290,879. Following the submission of the draft financial statements the actual March pharmacy spend data was received by the ICB. The actual figures showed expenditure of £1,869,112, which identified an over accrual of £0.422m.	Cr 'Purchase of goods and services' £0.422m	Dr 'Current trade and other payables' £0.422m	Increase surplus by £0.422m	Immaterial difference and hence the estimate was materially accurate. We have evaluated the impact of these findings on page 11 of this report and are satisfied that this does not impact our regularity opinion as it does not move the ICB into a deficit position.

Impact of unadjusted misstatements in the prior year

Detail	Statement of Comprehensive Net Income	Statement of Financial Position	Impact on adjusted net surplus/deficit	Reason for not adjusting
<p>In 2022/23 the value of the prescribing accrual for February and March 2023 was £16,941,209. Following the submission of the draft financial statements the actual February and March prescribing spend data was received by the ICB. The actual figures showed expenditure of £16,940,846, which identified an under accrual of £0.363m.</p>	<p>Dr 'Purchase of goods and services' £0.363m</p>	<p>Cr 'Current trade and other payables' £0.363m</p>	<p>Reduce surplus by £0.363m.</p>	<p>Immaterial difference and hence the estimate was materially accurate.</p> <p>We have evaluated the impact of these findings on page 11 of this report and concluded that there is no impact on the regularity opinion as this also does not move the ICB into a deficit position in 2023-24.</p>

Value for Money Arrangements

Approach to Value for Money work for the year ended 31 March 2024

The National Audit Office issued its latest Value for Money guidance to auditors in December 2021. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

.In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

In undertaking this work we have not identified any significant weaknesses in arrangements. Our Auditors Annual Report accompanies this audit findings report and sets out our detailed findings.

Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the ICB that may reasonably be thought to bear on our integrity, independence and objectivity.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the ICB as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the ICB.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have made enquiries of all Grant Thornton UK LLP teams providing services to the ICB. No non-audit services were identified which were charged from the beginning of the financial period to the current date. Details of fees charged are set out in Appendix D.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2019 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the ICB's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to **ensure** our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

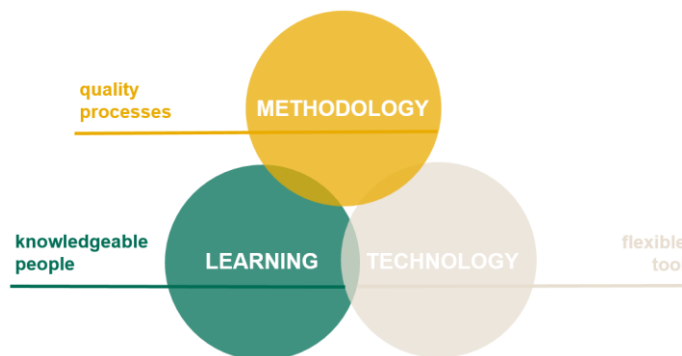
B. Our Audit approach

As a Firm, we have significantly developed our use of audit, data interrogation and analytics software

LEAP



- A globally developed ISA-aligned methodology that re-engineers our audit approach to focus on quality and effectiveness
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- The LEAP approach allows us to tailor the audit programme to help engagement teams respond quickly to any changes as they occur, keeping quality high through responsiveness and flexibility



IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also use other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

Inflo



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



REQUEST AND SHARE

- Communicate and transfer documents securely
- Extract data directly from client systems
- Work flow assignment and progress monitoring



ASSESS AND SCOPE

- Compare balances and visualise trends
- Understand trends and perform more granular risk assessment



VERIFY AND REVIEW

- Automate sampling requires
- Download automated work papers



INTERROGATE AND EVALUATE

- Analyse 100% of transactions quickly and easily
- Identify high risk transactions for investigation and testing
- Provide client reports and relevant benchmarking KPIs



FOCUS AND ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance





INSIGHTS




- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons

C. Action Plan



We set out here our recommendations for the ICB which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p> Medium</p>	<p>We noted as part of our work on secondary healthcare expenditure that the majority of contracts were not signed until later in the financial year, contrary to NHSE guidance which states that they should be signed by the start of the financial year. Therefore, in a number of instances variations, were included within the overall contracted value.</p>	<p>We recommend that for 2024/25 all contracts are agreed and signed at the beginning of the financial year in line with NHSE guidance. This will ensure that contract monitoring controls operate effectively</p> <p>Management response</p> <p>Ordinarily, we would expect all contracts to be signed off ahead of the new financial year. However, for 2024/25 there have been significant delays in publication of the NHS Standard Contract. In addition, operational planning guidance was only released at the end of March 2024 and final confirmed allocations for the financial year at the end of April 2024. Ongoing discussions have been taking place since this time to agree initial funding values for individual providers. This process has only just been concluded. We are endeavouring to meet the national deadline for agreement and signature of contracts by early July 2024.</p>
<p> Medium</p>	<p>With ICB's taking on POD services during 2023/24 there were new revenue and expenditure streams to be considered, and new processes to be understood and documented. This is terms of understanding how transactions are posted into the ICB ledger and how activity is monitored. Obtaining information to document the processes and test the transactions has been made more difficult as the ICB were themselves trying to gain and understanding of processes.</p>	<p>We recommend that the ICB invest time in fully understanding these flows, who is monitoring each level of activity, and who is responsible for providing the evidence for in year transactions and year end balances. This will ensure that these balances are more easily tested in future years.</p> <p>Management response</p> <p>2023/24 was the first year of Somerset ICB having delegated responsibility for POD services and we appreciate that this has resulted in additional audit attention at a very detailed level. For many of our in-year processes in relation to POD services we are reliant on the support given to Somerset ICB by the Collaborative Commissioning Hub and the technical knowledge and experience within their team. The level of understanding within Somerset ICB has increased significantly over 2023/24 and will continue to increase as we progress through the coming financial year. We have identified an additional role within the ICB finance team as part of the organisational restructure, to focus on Primary Care services, which should enable additional focus on POD services.</p>

Key

-  High – Significant effect on financial statements or significant impact of control system
-  Medium – Some impact on financial statements and control system
-  Low – Best practice

C. Action Plan (continued)

Assessment	Issue and risk	Recommendations
 Medium	<p>From April 2023, all ICBs took on delegated responsibility of NHS England pharmaceutical, ophthalmic and dental (POD) functions. The transactional information related to these services is often processed by service organisations, the ICB then base their journals from this information.</p>	<p>Given the ICB has responsibility for these functions, it should implement sufficient and appropriate controls to verify the information provided by service organisations.</p> <p>Management response</p> <p>The ICB has commissioned an internal audit review of key controls operating within the POD services delivered by the Collaborative Commissioning Hub, looking at financial controls, procurement, contracting and high-level governance arrangements. The resulting report for 2023/24 has only recently been finalised and is due to be reported to the Audit Committee in June 2024. There are plans to conduct a further review in 2024/25 with a slightly different focus, including a review of readiness for the transfer of commissioning responsibility for specialised services in 2025/26.</p>
 Medium	<p>Our work on journals identified that the general ledger limits assigned to journal approvers were significantly varied, with seven of them being assigned a limit of £1 billion, and two users having a limit of £100 million. This significant disparity weakens the effectiveness of the control measure, potentially exposing the ICB to increased risk.</p>	<p>We recommend that management review the current thresholds to ensure they are aligned with the average recurring transactions and the roles of the respective users, thereby strengthening the control environment and mitigating the risk of unauthorised transactions.</p> <p>Management response</p> <p>The ICB is planning to review approval thresholds during 2024/25 in accordance with staffing changes within the organisation.</p>

Key

- High – Significant effect on financial statements or significant impact of control system
- Medium – Some impact on financial statements and control system
- Low – Best practice

D. Fees and non-audit services

The following tables below sets out the total fees for non-audit services charged from the beginning of the financial period to 11th June 2024, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the ICB's policy on the allotment of non-audit work to your auditor

- None of the above services were provided on a contingent fee basis.
- For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to NHS Somerset ICB. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these. These are documented on the following page.

Audit Fees

Audit of ICB	£190,225
Mental Health Investment Standard (MHIS) 2022/23	£35,000
Total	£225,225

The Audit fees reconcile to the financial statements as follows:

- Fees per financial statements £228,000
- VAT at 20% £38,045
- Audit fees above £190,225

The MHIS fees reconcile to the financial statements as follows:

- Fees per financial statements £84,000

This is made up of £35,000 plus VAT for the 2022/23 MHIS work which was completed and billed in 2023/24. The fee for this work is therefore £42,000.

The ICB have also accrued for the 2023/24 MHIS review, at the time of writing this report we have not been engaged to undertake this review and have therefore not considered separately the safeguards in place.

As part of our audit fees work we have requested that an additional disclosure be added to note 5 setting out the makeup of the £84,000 and that £42,000 relates to a service for which a letter of engagement has not yet been signed.

This covers all services provided by us and our network to the ICB, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (ES 1.69)

Fees and non-audit services (continued)

Assurance Service Fees

Service	£	Threats identified	Safeguards applied
Audit Related Assurance (MHIS)	35,000	<ul style="list-style-type: none"> Self Interest (because this is a recurring fee) Self review (because this service is provided after the opinion has been given) Management (because management will determine if amendments need to be made to their compliance statement and will check the factual accuracy of our work) 	<ul style="list-style-type: none"> The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £35,000 in comparison to the total fee for the audit of £190,225 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. Work does not involve direct review of any of the numbers specifically included in the financial statements that are subject to audit. Management prepares the statement of compliance independently.

E. Management letter of representation

Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
BRISTOL
BS2 0EL

27th June 2024

Dear Grant Thornton UK LLP

NHS Somerset Integrated Care Board Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of NHS Somerset Integrated Care Board ('the ICB') for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the ICB's financial statements give a true and fair view in accordance with International Financial Reporting Standards and the Department of Health and Social Care Group Accounting Manual 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

We have fulfilled our responsibilities for the preparation of the ICB's financial statements in accordance with International Financial Reporting Standards and the Department of Health and Social Care Group Accounting Manual 2023/24 ('the GAM'); in particular the financial statements are fairly presented in accordance therewith.

We have fulfilled our responsibilities for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions in the financial statements conform to the authorities which govern them.

We have complied with the requirements of all statutory directions affecting the ICB and these matters have been appropriately reflected and disclosed in the financial statements.

The ICB has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

E. Management letter of representation

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include period end expenditure accruals. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the GAM and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the GAM and adequately disclosed in the financial statements.

We acknowledge our responsibility to participate in the Department of Health and Social Care's agreement of balances exercise and have followed the requisite guidance and directions to do so. We are satisfied that the balances calculated for the ICB ensure the financial statements and consolidation schedules are free from material misstatement, including the impact of any disagreements.

Except as disclosed in the financial statements:

- a. there are no unrecorded liabilities, actual or contingent
- b. none of the assets of the ICB has been assigned, pledged or mortgaged
- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the GAM.

All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the GAM require adjustment or disclosure have been adjusted or disclosed.

We have only accrued for items received before the year-end.

We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The ICB's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the ICB and its financial position at the year-end OR list reasons. The financial statements are free of material misstatements, including omissions.

E. Management letter of representation

Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

We have updated our going concern assessment. We continue to believe that the ICB's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

- a. the nature of the ICB means that, notwithstanding any intention to liquidate the ICB or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the ICB's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the ICB's ability to continue as a going concern need to be made in the financial statements.

Information Provided

We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the ICB's financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. access to persons within the ICB via remote arrangements, where/if necessary, from whom you determined it necessary to obtain audit evidence.

We have communicated to you all deficiencies in internal control of which management is aware.

All transactions have been recorded in the accounting records and are reflected in the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

E. Management letter of representation

We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the ICB and involves:

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We have disclosed to you the identity of the ICB's related parties and all the related party relationships and transactions of which we are aware.

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Governance Statement

We are satisfied that the Governance Statement fairly reflects the ICB's risk assurance and governance framework, and we confirm that we are not aware of any significant risks that are not disclosed within the Governance Statement.

Annual Report

The disclosures within the Annual Report fairly reflect our understanding of the ICB's financial and operating performance over the period covered by the ICB's financial statements.

Approval

The approval of this letter of representation was minuted by the ICB's Board at its meeting on 27th June 2024.

Signed on behalf of the ICB

F. Audit opinion

Our anticipated audit report opinion will be unmodified

Independent auditor's report to the members of the Governing Body of NHS Somerset Integrated Care Board

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of NHS Somerset Integrated Care Board (the 'ICB') for the period ended 31 March 2024, which comprises the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Changes in Taxpayers Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of Schedule 1B of the National Health Service Act 2006, as amended by the Health and Care Act 2022 and interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2023-24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the ICB as at 31 March 2024 and of its expenditure and income for the period then ended;
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2023-24; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006, as amended by the Health and Care Act 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the ICB in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Accountable Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ICB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the ICB to cease to continue as a going concern.

F. Audit opinion

Our anticipated audit report opinion will be unmodified

In our evaluation of the Accountable Officer's conclusions, and in accordance with the expectation set out within the Department of Health and Social Care Group Accounting Manual 2023-24 that the ICB's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services currently provided by the ICB. In doing so we have had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the ICB and the ICB's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Accountable Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ICB's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Accountable Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Accountable Officer is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Governance Statement does not comply with the requirements of the Department of Health and Social Care Group Accounting Manual 2023-24 or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

F. Audit opinion

Our anticipated audit report opinion will be unmodified

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with the requirements of the Department of Health and Social Care Group Accounting Manual 2023-24; and
- based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the annual report for the period for which the financial statements are prepared is consistent with the financial statements.

Opinion on regularity of income and expenditure required by the Code of Audit Practice

In our opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we refer a matter to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the ICB, or an officer of the ICB, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we make a written recommendation to the ICB under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Accountable Officer

As explained more fully in the Statement of Accountable Officer's responsibilities, the Accountable Officer, is responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions, for being satisfied that they give a true and fair view, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the ICB's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the ICB without the transfer of its services to another public sector entity.

The Accountable Officer is responsible for ensuring the regularity of expenditure and income in the financial statements.

F. Audit opinion

Our anticipated audit report opinion will be unmodified

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

We are also responsible for giving an opinion on the regularity of expenditure and income in the financial statements in accordance with the Code of Audit Practice.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the ICB and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (international accounting standards and the National Health Service Act 2006, as amended by the Health and Care Act 2022 and interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2023-24).
- We enquired of management and the audit committee, concerning the ICB's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the ICB's financial statements to material misstatement, including how fraud might occur, evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and fraudulent income and expenditure recognition. We determined that the principal risks were in relation to:
 - Unusual journals (including journals posted by senior management and material post year end journals).

F. Audit opinion

Our anticipated audit report opinion will be unmodified

- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on unusual journals as defined above;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the recognition of year-end manual expenditure accruals and related payable balances;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including [add details of risks]. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the health sector and economy in which the ICB operates
 - understanding of the legal and regulatory requirements specific to the ICB including:
 - the provisions of the applicable legislation
 - NHS England's rules and related guidance
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - The ICB's operations, including the nature of its other operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - The ICB's control environment, including the policies and procedures implemented by the ICB to ensure compliance with the requirements of the financial reporting framework.

F. Audit opinion

Our anticipated audit report opinion will be unmodified

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the ICB's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the ICB's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the ICB has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the period ended 31 March 2024.

We have nothing to report in respect of the above matter.

Responsibilities of the Accountable Officer

As explained in the Governance Statement, the Accountable Officer is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the ICB's resources.

Auditor's responsibilities for the review of the ICB's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 21(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the ICB has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the ICB's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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; and

Improving economy, efficiency and effectiveness: how the ICB uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the ICB has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

F. Audit opinion

Our anticipated audit report opinion will be unmodified

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of NHS Somerset Integrated Care Board in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Governing Body of the ICB, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Governing Body of the ICB those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the ICB and the members of the Governing Body of the ICB as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

for and on behalf of Grant Thornton UK LLP, Local Auditor
Bristol

Date:



© 2024 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.