

The Audit Findings for NHS Somerset ICB

For the nine-month period ended 31 March 2023

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June 2023

Dear members of the Audit Committee

Audit findings for NHS Somerset ICB for the nine-month period ended 31 March 2023

This Audit Findings Report 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 responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters 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. 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 www.grantthornton.co.uk/en/about-us/leadership-and-governance/transparency-report/

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.

Jackson Murray

Director

For Grant Thornton UK LLP

Private and confidential

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of NHS Somerset Integrated Care Board ('the ICB') and the preparation of the ICB's financial statements for the 9-month period ended 31 March 2023 for consideration by 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 income and expenditure for the period; and
- 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 2022/23 (GAM).

We are also required to report whether other information published together with the audited financial statements in the Annual Report, is materially inconsistent 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 2023. Our findings are summarised on pages 8 to 19. We have not identified any adjustments to the financial statements which impacts your reported Comprehensive Expenditure figure. We have reported two immaterial unadjusted misstatements. We have also identified a small number of disclosure amendments. These amendments are detailed on pages 18-19.

Our work has utilised and built on the three-month period accounted for by the predecessor CCG.

At the time of writing this report our work is nearing completion and there are no matters of which we are aware that would require modification of our audit opinion, or material changes to the financial statements, subject to the following matters;

- completion of our testing on block and non-block expenditure;
- completion of our testing on the remuneration report and related disclosures;
- completion of our work on related parties;
- finalising our work on regularity, summarisation schedules and Whole of Government Accounts procedures on behalf of the National Audit Office; and
- completion of final manager and engagement lead quality reviews and satisfactory resolution of any points raised.

Following satisfactory completion we intend to issue an unqualified opinion on the financial statements following:

- receipt and review of the final, signed set of financial statements;
- completion of our subsequent events review; and
- receipt of the signed management representation letter.

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.

Income and expenditure included in the financial statements have been applied for the purposes intended by Parliament.

Our anticipated audit report opinion will be unqualified. This is set out at Appendix F.

1. Headlines

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, as well as 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

At the time of writing this report we have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report by 31 July 2023. This is in line with the National Audit Office's revised deadline of 22 September 2023.

We have attached a letter to Appendix G which explains the reasons for the delay in completion of VFM work and that this has been taken into account in the NAO deadlines which do not require the Auditor's Annual Report to be presented ahead the signing of the audit opinion on the financial statements.

Our work to date has not identified any significant weaknesses.

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 upon the completion of our work on the ICB's VFM arrangements, which will be reported in our Annual Auditor's report by September 2023.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. We would like to thank the finance team for their support and cooperation during the audit. We do appreciate the challenges presented by having the 3-month CCG audit running at the same time as the 9-month ICB audit and we appreciate the responsiveness and professional working relationship that has been maintained.

Our approach to materiality

As communicated in our Audit Plan dated March 2023, we determined materiality at the planning stage as £13.5m based on 1.5% of forecast gross operating costs. At period-end, we have reconsidered planning materiality based on the final financial statements and have not updated materiality. This was due to there being no change to our initial risk assessment and forecast and actual outturn expenditure not being significantly different.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

As the financial performance for an ICB is measured in terms of the breakeven target, the focus of management is on the total operating expenditure. We have therefore determined financial statements materiality based on a proportion of gross operating costs.

Reporting threshold

We will report to you all misstatements identified in excess of £0.300m, in addition to any matters considered to be qualitatively material.

Materiality area	Amount	Qualitative factors considered
Materiality for the financial statements	£13.5m	This is equivalent to 1.5% of the operating costs for the period ended 31 March 2023.
Performance Materiality for the financial statements	£10.125m	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 purpose of assessing the risks of material misstatement and in determining the nature, timing, and extent of further audit procedures. It 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	£0.3m	We will report to you all misstatements identified in excess of £0.3m 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.

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.

Other risks are, in the auditor's judgment, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Income cycle includes fraudulent transactions	Rebutted	↔	X	Low	●
Expenditure cycle includes fraudulent transactions	Rebutted	↔	✓	Low	●
Management override of controls	Significant	↔	✓	High	●
Completeness of year end secondary healthcare expenditure on non-block and contract variations.	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 to disclosures within the financial statements

● Material adjustment or change to disclosures within the financial statements

Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

The revenue cycle includes fraudulent transactions (rebutted)

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

Auditor commentary

Within our Audit Plan we rebutted this presumed risk for NHS Somerset ICB because:

- 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.

We have reassessed this rebuttal during the audit and confirm that this remains appropriate for NHS Somerset ICB.

Fraudulent expenditure recognition (rebutted)

Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:

“As most public bodies are not spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition”. Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.

Auditor commentary

Within our Audit Plan we have rebutted this presumed risk for block payments to providers, as the opportunity to manipulate contract variations is low. Within the 2022/23 financial year there are more variable elements to the in-year contracting and as such we have identified the completeness of year end secondary healthcare accruals and the related expenditure (non-block expenditure and contract variations) a significant risk.

We have therefore not rebutted this presumption for this area of expenditure – see overleaf for further information on this risk.

We have reassessed this rebuttal during the audit and confirm that this remains appropriate for NHS Somerset ICB.

At the time of writing this report our work on non-block contracting is nearing completion and no issues have been identified to date.

Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The ICB faces external pressure to meet agreed targets, and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management over-ride of control, in particular journals, management estimates and transactions outside the normal course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

As part of our work we:

- 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.

At the time of writing this report or work in this area remains in progress. Our work to date has not identified any issues in respect of management override of controls.

Our work did identify that there are 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 no ICB or CSU users posted and approved their own journal. Whilst this functionality has not been used, we consider this to be a deficiency which could provide opportunity for overriding relevant controls.

Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Completeness of year end secondary healthcare accruals and the related expenditure (non-block expenditure and contract variations)

A significant percentage of the ICB's expenditure is through contracts for healthcare with NHS providers and non-NHS providers.

A high percentage of this expenditure is through contracted activity, however, a significant element is on non contracted activity or variations to block contracts.

We have therefore identified the completeness of secondary healthcare expenditure on non-block and contract variations, especially during the final quarter of the year, as one of the most significant assessed risks of material misstatement.

Auditor commentary

As part of our audit work we:

- gained an understanding of the financial reporting processes used for the purchase of secondary healthcare and evaluated the design of the associated controls;
- agreed all significant expenditure (by which we mean contracts where the total value of expenditure in year exceeds performance materiality) to signed annual contracts. In addition, we have tested a further sample of lower value contracts to ensure that the total untested balance remains below performance materiality;
- agreed, on a sample basis, invoices for variations to secondary healthcare contracts to supporting evidence;
- reviewed after date payments to ensure all liabilities have been appropriately recorded;
- using 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.

At the time of writing this report our work in this area remains in progress.

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). 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 Yeovil District Hospital NHS Foundation Trust (£20.1m) and a variance in respect of Sulis at Royal United Hospitals Bath NHS Foundation Trust (£3.2m).

Financial statements – 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 7 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 2022/23 was £76m. This figure is made up of year-to-date actuals to January 2023 of £59m, with a large part of the remaining balance being the estimated accrual of £17m.</p> <p>We reported in our Audit Findings report in 2021/22 that the CCG had over accrued by £0.803m for prescribing costs. This has been adjusted in 2022/23 3-month period.</p> <p>For the period ending 30th June 2022, we have subsequently reported an under accrual of £0.334m. We can confirm that this under accrual was adjusted within the 9-month period.</p> <p>We have reviewed the calculation of the estimate in the 2022/23 (period ending 31 March 2023) accounts based on management's approach and compared the estimate to the post year end actual data for February and March 2023.</p> <p>For NHS Somerset ICB the actual costs were higher than the estimate and hence were under-accrued by £0.363m in the financial statements.</p> <p>We have reported this as an unadjusted misstatement please see page 19.</p>	Grey (as over-accrued)

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Financial Statements – other communication requirements









Issue	Commentary	Auditor view
ISAE 3402 Service Auditor Reports The ISAE 3402 Service Audit Type II reports have been received which assess the state of the control environment for the period 1 April 2021 to 31 March 2022 for the following services used by the ICB: <ul style="list-style-type: none"> NHS Shared Business Service Limited: Finance and Accounting Services The Electronic Staff Record Programme NHS Shared Business Service Limited: Dental Payments Process NHS Business Services Authority: Prescription Payments 	<p>A summary of the report findings are set out below:</p> <p>NHS Shared Business Services Limited: Finance and Accounting Services An unqualified opinion was given.</p> <p>The Electronic Staff Record Programme A qualified opinion was given due to the following:</p> <ul style="list-style-type: none"> The controls related to the authorisation and revocation of logical access did not operate effectively during the period 1 April 2022 to 31 March 2023 to achieve control objective 2 "Controls provide reasonable assurance that security configurations are created, implemented and maintained to prevent inappropriate access." <p>NHS Business Services Authority: Dental payments A qualified opinion was given due to the following:</p> <ul style="list-style-type: none"> Controls relating to periodic review of user access to applications did not operate effectively, and in a number of instances the controls related to timely removal of leavers' access to applications and the network did not operate effectively. As a result, controls did not operate effectively during the period 1 April 2022 to 31 March 2023 to achieve the control objective 2 "Controls are in place to provide reasonable assurance that access to systems is appropriately restricted". <p>NHS Business Services Authority: Prescription Payments A qualified opinion was given due to the following:</p> <ul style="list-style-type: none"> Controls relating to periodic review of user access to applications did not operate effectively, and in a number of instances the controls related to timely removal of leavers' access to applications and the network did not operate effectively. As a result, controls did not operate effectively during the period 1 April 2022 to 31 March 2023 to achieve the control objective 3 "Controls are in place to provide reasonable assurance that access to systems is appropriately restricted". 	<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 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>

Financial Statements – other communication requirements (continued)

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 2021 to 31 March 2022 for the following services used by the ICB:</p> <ul style="list-style-type: none"> NHS Digital GP Payments Capita Primary Care Support Services South Central and West Commissioning Support Unit 	<p>NHS Digital GP Payments</p> <p>A qualified opinion was given due to the following:</p> <ul style="list-style-type: none"> Controls relating to periodic review of user access to applications did not operate effectively, and in a number of instances the controls related to timely removal of leavers' access to applications and the network did not operate effectively. As a result, controls did not operate effectively during the period 1 April 2022 to 31 March 2023 to achieve the control objective 2 "Controls are in place to provide reasonable assurance that access to systems is appropriately restricted". <p>Capita Primary Care Support Services</p> <p>A qualified opinion was given due to the following:</p> <ul style="list-style-type: none"> In a number of instances, controls related to approval of new user access to DPS and removal of leavers from GPDC, DPS and PDS did not operate effectively. As a result, controls did not operate effectively during the period 1 April 2022 to 31 March 2023 to achieve the control objective "Control objective 2: Controls are in place to provide reasonable assurance that access to systems is controlled."; and Controls were not in place to provide appropriate segregation of duties between the production and the development environments of the GPDC application. As a result, controls were not suitably designed during the period 1 April 2022 to 31 March 2023 to achieve Control Objective 4: "Controls are in place to provide reasonable assurance that system change cannot be undertaken unless valid, authorised and tested". <p>South Central and West Commissioning Support Unit (SCW)</p> <p>SCW states in its description that a quarterly CSU user access review of the ESR system is completed by a CSU HR / Payroll officer to confirm that ESR access rights are segregated to prevent a single user having both HR Admin and Payroll Admin User Responsibility Profiles, without customer approval, and that following review, any changes required are made within one working day, with the review signed off by a CSU senior HR / Payroll officer. However, from a sample of two quarterly CSU user access reviews, in both reviews, 10 individuals held both HR Admin and Payroll Admin User Responsibility Profiles, without customer approval. Therefore, this control was not operating effectively during the period 1 April 2022 to 31 March 2023. This resulted in the non-achievement of the "appropriately segregated" assertion of Control Objective E.9 "User access rights are appropriately segregated" during the period 1 April 2022 to 31 March 2023.</p>	<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 any of the ICB discussed.</p> <p>We are satisfied that the ICB have appropriate compensating controls in these areas to mitigate against any increased area of risk.</p> <p>The ICB have updated the Annual Governance Statement to reflect these reports.</p>





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 implementations					None
Electronic staff record	effectiveness assessment of complementary user entity controls					None

 This assessment is in relation to ICB users having access rights which allows the users to create and amend users including changes in supervisor, approval limits and responsibilities.

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
Matters in relation to fraud	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 procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	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	A letter of representation has been requested from the ICB which is included in the Audit Committee papers.
Accounting practices	We have evaluated the appropriateness of the ICB's accounting policies, accounting estimates and financial statement disclosures. A number of minor amendments were made to the accounting policies to enhance the transparency of the disclosures within the Accounts.
Confirmation requests from third parties	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.

Other responsibilities under the Code

Issue	Commentary
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations	All information and explanations requested from management was provided.
Regularity Opinion	<p>We are required to give a regularity opinion on whether the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them (the regularity opinion).</p> <p>At the time of writing this report our work in this area is in progress. Our testing to date has not identified any issues and we are therefore proposing to issue an unqualified regularity opinion.</p>
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. 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 are currently auditing the elements of the Remuneration Report and Staff Report, including the new Fair Pay Multiple Disclosures, as required by the Code. Our work to date has identified some required adjustments to the salary, CETV and pensions bandings, due to the way that the 12-month data has been apportioned.</p> <p>Subject to the satisfactory completion of this work, we propose to issue an unqualified opinion on this.</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 apparently materially incorrect based on, or materially inconsistent with, our knowledge of the ICB 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. A small number of minor adjustments were made as part of our work.</p>
Review of accounts consolidation schedules and specified procedures on behalf of the group auditor	<p>We have not yet completed our work in these areas. We have set out earlier in this report agreement of balances variances that we are required to include in our reporting to the NAO, noting that we understand the reasons for these, and that the expenditure is appropriately recognised within the ICB's financial statements. In the group audit instructions, the ICB was selected as a non-sampled component.</p>
Certification of the closure of the audit	<p>We are unable to certify the closure of the period end 31 March 2023 audit of NHS Somerset ICB at the time of issuing our audit opinion. This is due to our VFM work being incomplete.</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

No adjusted misstatements have been identified at the date of issuing our Report. We will provide an update to Management and the Audit Committee should any issues be identified from the remaining testing.

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?
NHSE issued some guidance after the draft accounts were prepared. This led to some minor changes to the ICB's accounting policies, the ordering of the lines within the SoCiTE and an adjustment to reflect a technical overdraft within the cashflow statement. These are all related to accounting for the modified absorption of the predecessor CCG balances.	✓
Our review of the ICB's Annual Report and Annual Governance statement identified a small number of required amendments.	✓
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

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 9-month audit to 31 March 2023 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	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>Our work on the 3-month prescribing accrual identified an under accrual of £0.334m.</p>	Dr 'Purchase of goods and services' £0.363m	Cr 'Current trade and other payables' £0.363m	Immaterial difference and hence the estimate was materially accurate.
Total impact	£0.363m expenditure understatement	£0.363m payables understatement	

3. Value for money

Approach to Value for Money work for the period ended 31 March 2023

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.



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.

At the time of writing this report we have not identified any significant weaknesses in arrangements. Our Annual Audit Report will be presented on completion. We aim to circulate the report before the end of July 2023.

4. 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 or the successor 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 ICB's 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. Details of fees charged are set out in Appendix C.

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.

5. Appendices

A. Communication of audit matters to 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	●	
Confirmation of independence and objectivity	●	●
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 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, we are also required to distribute our findings to 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 all those charged with governance.

B. Fees and non-audit services

We confirm below our final fee charged for the audit and non-audit services.

Audit fees	£	Safeguards and threats
Audit of 9 month ICB	175,000	N/A
Audit of 3 Month CCG	52,890	N/A
Sub total	227,890	
Mental Health Investment Standard (MHIS) audit-related fees	15,000	<p>Self Interest (because this is a recurring fee) - 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 £15,000 in comparison to the total fee for the audit of £175,000 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.</p> <p>Self review - The service is provided after the opinion has been given on the financial statements for the year.</p> <p>Management - Management will determine if amendments need to be made to their compliance statement and will check the factual accuracy of our work.</p>
Total (excluding VAT)	190,000	

The fees reconcile to the financial statements as follows:		The MHIS fees reconcile to the financial statements as follows:	
Fees per financial statements	£273,000	Fees per financial statements	£18,000
Less VAT on £175,000 and £52,890	(£45,578)	Less VAT on £18,000	(£3,000)
	£227,422		£15,000
Fees above	£227,890	Fees above	£15,000
Difference due to roundings	£468		

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]

Due to the timing of communication of audit fee values. The ICB has included the 3-month audit fees and MHIS additional fees in the 9-month accounts. These should have been included in the demising CCG's financial statements. The 9-month expenditure is therefore overstated by £63,486, and the 3-month expenditure understated by the same amount. There is a net nil impact across the full financial year, and as this is below trivial we have not reported as an unadjusted misstatement.

C Auditing developments

Revised ISAs

There are changes to the following ISA (UK) that impact audits of financial statement for periods commencing on or after 15 December 2021:

- ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

- ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
- ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

Area of change	Impact of changes
Risk assessment	<p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	<p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p>
Professional scepticism	<p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	<p>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.</p> <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	<p>The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	<p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p>

D Management letter of representation

NHS Somerset ICB Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of NHS Somerset ICB ('the ICB') for the year ended 31 March 2023 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 2022/23 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 2022/23 ('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.

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 year end expenditure accruals, including the prescribing accrual. 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.

D Management letter of representation (cont)

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 period-end. The financial statements are free of material misstatements, including omissions.

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.

D Management letter of representation (cont)

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.

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.

D Management letter of representation (cont)

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 29 June 2023.

Yours faithfully

Name..... Name.....

Position..... Position.....

Date..... Date.....

Signed on behalf of the ICB

E Audit opinion

We anticipate our audit opinion will be unqualified

DRAFT Independent auditor's report to the members of the Board 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 ICB (the 'ICB') for the period ended 31 March 2023, which comprise 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 2022-23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the ICB as at 31 March 2023 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 2022-23; 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.

E Audit opinion (continued)

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.

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 2022-23 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.

E Audit opinion (continued)

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 guidance issued by NHS England 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.

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 2022-23; 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 financial 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.

E Audit opinion (continued)

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.

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 2022-23).
- 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.

E Audit opinion (continued)

- 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).
 - 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; and
 - 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.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and/or expenditure recognition, and the significant accounting estimates related to year-end manual expenditure accruals, including the prescribing accrual.
- 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.

E Audit opinion (continued)

- 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.

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 2023.

Our work on the ICB's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the ICB's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, they will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the period ended 31 March 2023.

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.

E Audit opinion (continued)

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 undertake 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 document 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 consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for NHS Somerset Integrated Care Board for the period ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the ICB's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Use of our report

This report is made solely to the members of the Board 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 Board 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 Board of the ICB as a body, for our audit work, for this report, or for the opinions we have formed.

Jackson Murray, Key Audit Partner

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

F VFM delay letter

Dear Chair of Audit Committee as TCWG

Under the 2020 Code of Audit Practice, at local NHS bodies we are required to issue our Auditor's Annual Report at the same time as our opinion on the financial statements or, where this is not possible, issue an audit letter setting out the reasons for delay.

Ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, including the timing of when work on value for money arrangements is performed and reported. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on value for money arrangements and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible can be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 July 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Jackson Murray

Director

