

Internal Audit Annual Report & Head of Internal Audit Opinion 2018/19

NHS Stockport Clinical Commissioning Group

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1. Introduction

The purpose of this Head of Internal Audit Opinion is to contribute to the assurances available to the Accountable Officer and the Governing Body which underpin the Governing Body's own assessment of the effectiveness of the organisation's system of internal control. This Opinion will assist the Governing Body in the completion of its Annual Governance Statement (AGS), along with considerations of organisational performance, regulatory compliance, the wider operating environment and health and social care transformation.

This opinion is provided in the context that the CCG like other organisations across the NHS is facing a number of challenging issues and wider organisational factors.

2. Executive Summary

This annual report provides the 2018/19 Head of Internal Audit Opinion for NHS Stockport CCG, together with the planned internal audit coverage and output during 2018/19 and MIAA Quality of Service Indicators.

Key Area	Summary
Head of Internal Audit Opinion	The overall opinion for the period 1 st April 2018 to 31 st March 2019 provides Moderate Assurance, that there is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some of the organisation's objectives at risk.
Planned Audit Coverage and Outputs	<p>The 2018/19 Internal Audit Plan has been delivered in accordance with the schedule agreed with the Audit Committee at the start of the financial year, including approved plan variations. This position has been reported within the progress reports across the financial year, with the final report concluding completion of the Internal Audit Plan. As agreed with management, the review of Integrated Commissioning has been deferred to 2019/20.</p> <p>Review coverage has been across governance and leadership, financial performance, quality and information and technology.</p> <p>We have raised 45 recommendations as part of the reviews undertaken during 2018/19. All recommendations raised by MIAA have been accepted by management. MIAA has continued to undertake follow up reviews during the course of the year.</p>
MIAA Quality of Service Indicators	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards.

3. Head of Internal Audit Opinion

3.1 Roles and responsibilities

The whole Governing Body is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Annual Governance Statement (AGS) is an annual statement by the Accountable Officer, on behalf of the Governing Body, setting out:

- how the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control that supports the achievements of policies, aims and objectives;
- the purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the Assurance Framework process; and
- the conduct and results of the review of the effectiveness of the system of internal control, including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

The organisation's Assurance Framework should bring together all of the evidence required to support the AGS requirements.

In accordance with Public Sector Internal Audit Standards, the Head of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which can provide assurance, subject to the inherent limitations described below. The outcomes and delivery of the internal audit plan are provided in Section 4.

The opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led Assurance Framework. As such, it is one component that the Governing Body takes into account in making its AGS.

3.2 Opinion

Our opinion is set out as follows:

- *Basis for the opinion*
- *Overall opinion*
- *Commentary*

3.2.1 Basis

The basis for forming our opinion is as follows:

Basis for the Opinion
1. An assessment of the design and operation of the underpinning Assurance Framework and supporting processes.
2. An assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account of the relative materiality of systems reviewed and management's progress in respect of addressing control weaknesses identified.
3. An assessment of the organisation's response to Internal Audit recommendations, and the extent to which they have been implemented.

3.2.2 Overall Opinion

Our overall opinion for the period 1st April 2018 to 31st March 2019 is:

High Assurance, can be given that there is a strong system of internal control which has been effectively designed to meet the organisation's objectives, and that controls are consistently applied in all areas reviewed.	
Substantial Assurance, can be given that that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently.	
Moderate Assurance , can be given that there is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some of the organisation's objectives at risk.	✓
Limited Assurance, can be given that there is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls impacts on the overall system of internal control and puts the achievement of the organisation's objectives at risk.	
No Assurance, can be given that there is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the organisation's objectives.	

3.3.3 Commentary

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

Our opinion covers the period 1st April 2018 to 31st March 2019 inclusive, and is underpinned by the work conducted through the risk based internal audit plan.

Assurance Framework

The organisation's Assurance Framework requires improvement to meet the NHS requirements, could be more visibly used by the Governing Body. It does clearly reflect the risks discussed by the Governing Body.

Conflicts of Interest

As required by NHS England's Managing Conflicts of Interest: Revised Statutory Guidance for CCGs (June 2017), an audit of conflicts of interest was completed following the prescribed framework issued by NHS England. The following compliance levels were assigned to each scope area:

Scope Area	Compliance Level	RAG rating
1. Governance Arrangements	Partially Compliant	●
2. Declarations of interests and gifts and hospitality	Partially Compliant	●
3. Register of interests, gifts and hospitality and procurement decisions	Partially Compliant	●
4. Decision making processes and contract monitoring	Fully Compliant	●
5. Reporting concerns and identifying and managing breaches / non compliance	Fully Compliant	●

The CCG has met 22 of the 27 key elements within each of the five scoped areas.

Primary Medical Care Commissioning and Contracting Arrangements

The Primary Medical Care Commissioning and Contracting Internal Audit Framework for Delegated CCGs was issued in August 2018. NHSE require an Internal audit of delegated CCGs primary medical care commissioning arrangements. The purpose of this is to provide information to CCG's that they are discharging NHSE's statutory primary medical care functions effectively, and in turn to provide aggregate assurance to NHSE and facilitate NHSE's engagement with CCGs to support improvement.

The 2018/19 **Primary Medical Care Commissioning and Contracting** review focused upon **Governance** and provided **Significant Assurance** (*assurance rating provided as per the NHSE guidance*).

Risk Based Reviews

We issued

No high assurance opinions:	None
Three substantial assurance opinions:	<ul style="list-style-type: none"> • Financial Systems: Key Controls • Primary Medical Care – Governance • Performance Management Framework
Five moderate assurance opinions:	<ul style="list-style-type: none"> • Data Security & Protection Toolkit • Serious Incidents & Investigations • Medicines Optimisation • Patient & Public Engagement • Safeguarding
No limited assurance opinions:	None
No, no assurance opinions:	None

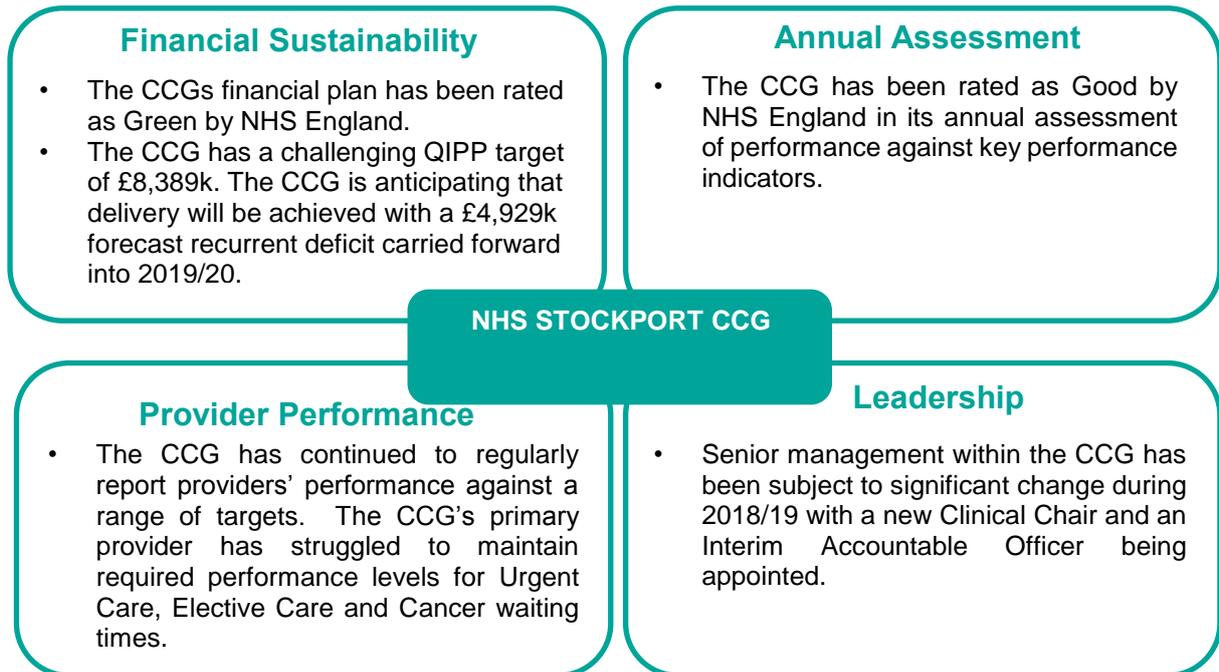
We raised **no critical and four high risk recommendations** in respect of the above assignments. The high risk recommendations were in relation to the reviews of Serious Incidents & Investigations, Medicines Optimisation, Patient & Public Engagement and Safeguarding.

Follow Up

During the course of the year we have undertaken follow up reviews and can conclude that the organisation has made **good progress** with regards to the implementation of recommendations. We will continue to track and follow up outstanding actions.

Wider organisation context

This opinion is provided in the context that the Governing Body like other organisations across the NHS is facing a number of challenging issues and wider organisational factors.



The CCG is part of the Greater Manchester Health and Social Care Partnership, working in partnership to deliver transformation across Stockport. The health and social care landscape in England has changed, with huge funding pressures across all public services. The CCG direction is underpinned by 'Taking charge of our Health and Social Care in Greater Manchester, The Manchester Agreement'. Stockport Together programme is coming to the end of the third year of its 5-year plan and the CCG also continues to work towards the development and implementation of a Single Commissioning Function for health and social care in Stockport.

In providing this opinion I can confirm continued compliance with the definition of internal audit (as set out in your Internal Audit Charter), code of ethics and professional standards. I also confirm organisational independence of the audit activity and that this has been free from interference in respect of scoping, delivery and reporting.

Steve Connor

**Head of Internal Audit, MIAA
March 2019**

4. Internal Audit Coverage and Outputs

The Internal Audit Plan has been delivered in accordance with the schedule agreed with the Audit Committee at the start of the financial year. This position has been reported within the progress reports across the financial year, with the final report concluding completion of the Internal Audit Plan. As agreed with management, the review of Integrated Commissioning has been deferred to 2019/20.

Of the reviews completed in the year, assurance ratings were given in eight cases. Assurance ratings were not applicable to two reviews, due to the nature of this work. The audit assignment element of the Opinion is limited to the scope and objectives of each of the individual reviews. Detailed information on the limitations (including scope and coverage) to the reviews has been provided within the individual audit reports and through the Audit Committee Progress Reports throughout the year.

A summary of the reviews performed in the year is provided below:

	Review	Assurance Opinion	Recommendations Raised				
			Critical	High	Medium	Low	Total
1	Assurance Framework	N/A	N/A	N/A	N/A	N/A	N/A
2	Managing Conflicts of Interest	N/A					7
3	Data Security & Protection Toolkit	Moderate	N/A	N/A	N/A	N/A	N/A
4	Serious Incidents & Investigations	Moderate	0	1	4	2	7
5	Medicines Optimisation	Moderate	0	1	2	0	3
6	Financial Systems: Key Controls	Substantial	0	0	4	0	4
7	Patient & Public Engagement	Moderate	0	1	5	2	8
8	Safeguarding	Moderate	0	1	4	1	6
9	Primary Medical Care Services - Governance	Substantial	0	0	3	3	6
10	Performance Management Framework	Substantial	0	0	2	2	4
		TOTAL	0	4	24	10	45

All recommendations raised were accepted by management.

We will continue to follow up progress against all recommendations as part of the 2019/20 Internal Audit Plan.

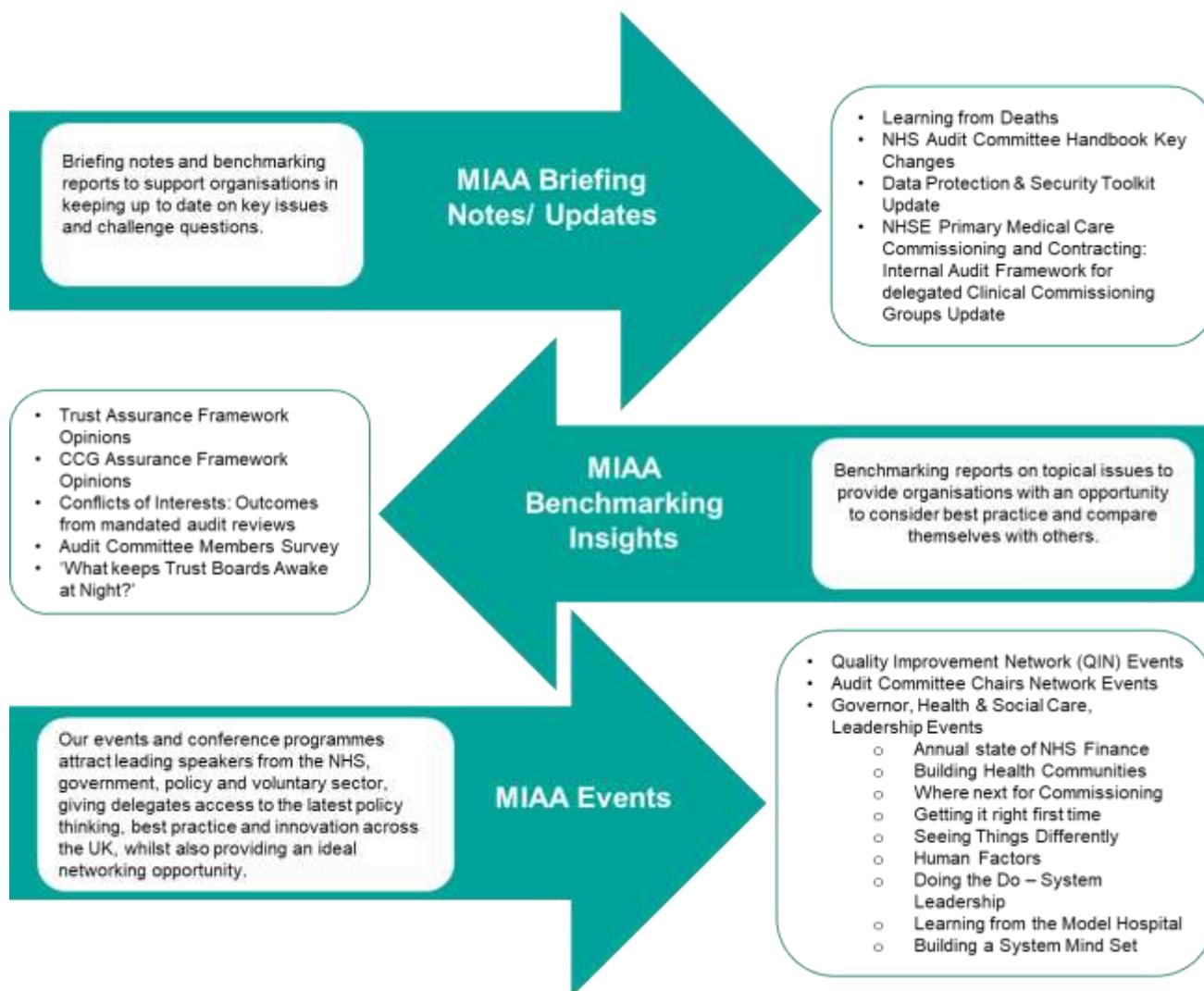
CONTRIBUTION TO GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ENHANCEMENTS: *Additional areas where MIAA have provided added value contributions.*

Detailed insight into the overall Governance and Assurance processes gained from liaison throughout the year with the Chief Finance Officer and Senior Management Team. Regular review of Governing Body papers and work to develop the Assurance Framework.

Ongoing discussion with lead Officers, Managers and Non-Executive Directors throughout the year.

Effective utilisation of internal audit including in year communication and changes to the audit plan in respect of Integrated Commissioning.

Contribution through MIAA Insights



5. Areas for consideration – your Annual Governance Statement

The Head of Internal Audit Opinion is one source of assurance that the organisation has in providing its AGS other third party assurances should also be considered. In addition the organisation should take account of other independent assurances that are considered relevant.

We have identified a number of other strategic challenges that should be considered by the Governing Body when drafting the AGS. Whilst the scope of the Internal Audit Plan would have considered elements of these, it is important that the Governing Body reflects more widely on how these should be factored into the AGS. Areas for consideration include:

- Wider partnership working and engagement as part of the Greater Manchester Health and Social Care Partnership including the management and monitoring of Stockport Together and an integrated commissioning approach with the local authority.
- Continued establishment and delivery of cross-organisation arrangements for the Better Care Fund and other pooled budget developments.
- Organisation performance, including challenges in achieving financial duties, ongoing financial viability, delivery of QIPP, service pressures and key relationships with and performance of Providers. Alongside this the CCG needs to consider the implications of the NHS long term plan, including the new financial framework.
- Outcomes from external governance reviews, and assessment and feedback from the NHS England Improvement and Assessment Framework processes in year.
- Ongoing development of the Governing Body and its Membership throughout the year.
- Any implications relating to in year changes to the Executive and Senior Management Team.
- Relationship and management of 3rd party providers upon which the Clinical Commissioning Group places reliance, and the provision of assurances from these (including GMSS, SBS and McKesson).
- Communication and engagement with the membership, key stakeholders and other partners.
- Information governance arrangements, risks and any associated incidents relating to Patient Identifiable Data.
- Workforce capacity, engagement and development.
- Cyber security, information governance risks and any associated reportable incidents to the Information Commissioner.
- Committee structure including the frequency of meetings and attendance of members in compliance the Terms of Reference.

6. MIAA quality service indicators

MIAA's strategy has quality at the heart of everything we do and our overall approach to quality assurance includes ISO9001:2015 accreditation, compliance with Public Sector Internal Audit Standards, the quality of our people and outcome measures.

6.1 Externally accredited quality systems

Since 1992 we have held ISO9001:2015 quality certification for our audit process. This includes, but is not limited to, the scoping, conduct and review of audit assignments and is independently assessed every year.

The MIAA Audit (Quality) Manual defines the operational procedures and processes within which all our work is delivered. Audit work is supervised, reviewed and signed off at each stage prior to review by the Audit Manager for overall quality assurance and reporting. As part of the quality control process "coaching notes" are raised electronically on the audit assignment working paper file to ensure the assignment is delivered to the highest standard. In addition, Audit Committee Reports are subject to Quality Assurance at Director Level.



The latest confirmation of our ongoing ISO9001:2015 accreditation was received in 2018.

6.2 Compliance with Internal Audit Standards

MIAA comply fully with professional best practice, internal audit standards and legal requirements. We assess our compliance with the Public Sector Internal Audit Standards (PSIAS) each year.

Internal Audit Standards	MIAA Compliance
1000 - Purpose, Authority & Responsibility	MIAA undertakes audit work to evaluate and improve the effectiveness of risk management, control and governance processes. An annual Director of Audit Opinion is provided to support the Annual Governance Statement.
1100 - Independence & Objectivity	MIAA is managed independently from, and with no executive responsibilities for, the audited body. MIAA have direct access to the Audit Committee Chair and are represented at meetings. All MIAA staff complete an annual declaration of interest, including actions taken to mitigate these.
1200 - Proficiency & Due Professional Care	Professional care is monitored and achieved through compliance with MIAA's quality and review systems. The Director of Audit is a CCAB Qualified accountant and MIAA's staff are either fully or part qualified (including CCAB, IIA, CISA, QICA, and LCFS).

Internal Audit Standards	MIAA Compliance
1300 - Quality Assurance & Improvement	MIAA have accreditations for systems, processes and training. We are ISO9001:2015 quality assessed, Investors in People, Finance Skills Development (Level 2) and training accreditations with CCABs. All reports follow a strict quality assessment process.
2000 - Managing the Internal Audit Activity	MIAA have a defined approach for risk assessment, planning, performance and reporting. Three-year risk based audit plans are developed for our client organisations, with regular progress reported to the Audit Committee.
2100 - Nature of Work	MIAA's internal audit activity evaluates and contributes to the improvement of governance, risk management and internal control. There is regular liaison with the Local Counter Fraud Specialist, External Auditor and other review bodies to facilitate effective coordination of work.
2200 - Engagement Planning	MIAA's work is structured to comply with Department of Health and Social Care and NHS Improvement requirements and the role as defined in the Audit Committee Handbook. We establish risk based audit plans in conjunction with the organisation and with the approval of the Audit Committee.
2300 - Performing the Engagement	Terms of Reference are established and agreed for each review, including objectives, scope, timing and resource allocations. MIAA staff identify, analyse, evaluate and document sufficient information to achieve the assignment objectives. All assignments are properly supervised.
2400 - Communicating Results	MIAA communicate the results of each assignment. Working with the organisation, the Director of Internal Audit ensures that communications are accurate, objective, clear, concise, constructive, complete and timely.
2500 - Monitoring Progress	MIAA establish follow up processes to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk. This is operated alongside the organisations own management follow up and provides independent assurance to the Audit Committee.
2600 – Communicating the Existence of Risks	MIAA recognise the professional role of Internal Audit to challenge the level of risk accepted by management, support resolution and ensure transparency in reporting to Audit Committee.

Independent confirmation of our compliance with professional standards is required every 5 years and is provided through our External Quality Assessment.

“From the evidence reviewed as part of the External Quality Assessment, no areas of non-compliance with the standards have been identified that would affect the overall scope or operation of the internal audit activity, nor any significant areas of partial non-compliance.

On this basis it is our opinion that Mersey Internal Audit Agency conforms to the requirements of the Public Sector Internal Audit Standards.”

MIAA EQA, CIPFA, 2016



6.3 Quality of our staff

The majority of MIAA’s staff are qualified or progressing towards qualification, with either CCAB bodies (e.g. CIPFA, ACCA, ICAEW) or the IIA or relevant specialist qualification. The high quality of the staff that deliver your Internal Audit service ensures that we have a clear focus on providing the quality of work that is required to add value to you. All of our senior team that work at the CCG are CCAB/CIIA qualified and we ensure at least 65% of the work is delivered by qualified staff.

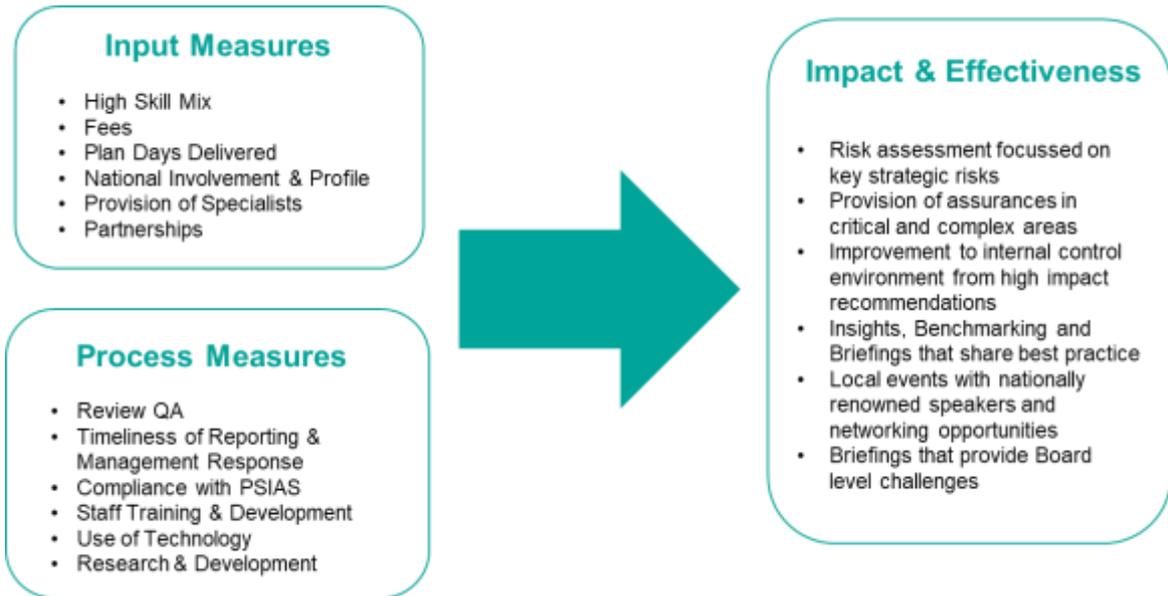
Since 1994 we have been an Investor in People. We are accredited to Finance Skills Development (FSD) Level 2 and have successfully gained training and CPD accreditations with all CCAB bodies.

We were short-listed for the Public Finance Innovation Award 2017 in the category for “Finance Training & Development Initiatives” and in 2018 won the HFMA “Governance Award” in partnership with the Northern Care Alliance.



6.4 Service delivery and outcome measures

It is important that client organisations ensure an effective Internal Audit Service, and whilst input and process measures offer some assurance, the focus should be on outcomes and impact from the service. The figure below confirms the measures that we believe demonstrate an effective service to you.



MIAA regularly report on input and process KPIs as part of our Audit Committee Progress reports, and the impact and effectiveness measures can be assessed through the HOIA Opinion.