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1. Executive Summary

This report is provided in support of your draft accounts and Annual Governance Statement and details my Interim Head of Internal Audit Opinion and a summary of the delivery of your internal audit service for the 2014/15 financial year. This opinion will remain open until the submission of the final accounts at the end of May 2015 so may be subject to revision should there be any changes within the organisations control environment, specifically in relation to any work within your Internal Audit Plan for 2014/15 which is currently being finalised or which was deferred at the request of the organisation. Prior to the submission of the final accounts, I will re-issue a letter to the organisation to confirm my opinion.

2014/15 has continued to be a year of significant change for the NHS and commissioning organisations in particular, with, amongst other areas, the applications for the devolvement of functions as part of co-commissioning and the challenges around developing joint working relationships with Local Authorities as part of the establishment of the Better Care Funds. Commissioning organisations face on-going issues around working with their providers in support of the transformation agenda and the development of quality services for the populations that they serve, all within reducing management costs. Commissioning organisations continue to seek independent assurances across an ever-increasing range of services and the delivery of these assurances is reflected within our Internal Audit Plans.

The completion of individual assignments within our agreed Audit Plan and our assessment of your overall governance and assurance arrangements has enabled us to form an opinion on your arrangements for internal control as follows:

Overall Opinion

I am pleased to report that we are providing the CCG with **Significant Assurance** as there is a generally sound system of internal control, designed to meet objectives, and that controls are generally being applied consistently. This opinion is determined through our review of your Governing Board Assurance Framework (GBAF) and associated processes and the work that we have undertaken throughout the year.

This opinion will remain open until the submission of the final accounts at the end of May 2015 so may be subject to revision should there be any changes within the organisation's control environment, specifically in relation to any work within your Internal Audit Plan for 2014/15 which is currently being finalised. Prior to the submission of the final accounts, I will re-issue a letter to the organisation to confirm my opinion.

Your Internal Audit Plan for 2014/15

Your Internal Audit Plan was developed in line with the mandatory requirements of the Public Sector Internal Audit Standards (PSIAS), and was aligned to your Governing Body's Assurance Framework and strategic objectives. We also engaged with the Executive Team and the Audit Committee to identify priority areas for audit review. As such, the plan was designed to enable us to satisfy our statutory responsibility to provide a balanced annual Head of Internal Audit Opinion. Our work, as always, was discussed with External Audit and Counter Fraud to ensure effective use of resources.

Progress in relation to the delivery of your Internal Audit Plan has been reported to each Audit Committee meeting.

We have applied a flexible approach to the delivery of our work which has allowed us to respond to requests from senior management and the Audit Committee, in order to reflect the organisation's changing assurance needs and to address emerging risks.

Performance Against Service Level Agreement

The 2014/15 year was one of challenge for the CCG and we have been mindful of staff workload and priorities when undertaking our audit work. This has, however, meant that on occasion, work planned and scheduled has been delayed at the request of the CCG as a result of internal calls on the time of Executive and Operational Leads. We have also recognised that in response to the rapidly changing environment, some of the reviews originally agreed at the commencement of the 2014/15 financial year required amendment to reflect a change in risk profile.

Our audit work has been delivered in line with our SLA with the CCG. Section 3 of this report demonstrates our performance against the SLA, including adherence to the mandatory Public Sector Internal Audit Standards. We have provided a breakdown of our delivery of your plan and evidence our achievement against the Key Performance Indicators included within our SLA (see Appendix B). In addition, we have provided analysis of the feedback from the Client Satisfaction Questionnaires completed across the service delivered by our Commissioner Services Team for 2014/15.

360 Assurance

This has also been a year of change for our organisation as we have built upon the foundations of our merger in July 2013.

Our focus has been on continuing to develop the strength of our audit team, specifically we have been able to significantly develop our Clinical Quality and Performance and Information Teams. This has allowed us to consolidate our position as one of the leading UK providers of internal audit, assurance and counter fraud services to the NHS.

We look forward to building on these successes, with the support of our clients.

I would like to take this opportunity to thank the CCG for the co-operation and assistance provided to my team during the year.

Tim Thomas

Director



2. Head of Internal Audit Opinion

In accordance with Public Sector Internal Audit Standards, I am required to provide an annual opinion, based upon work performed by Internal Audit to assess the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. This is achieved through the completion of an annual internal audit plan (Appendix A), which is based on the organisation's key risks.

The purpose of my annual Head of Internal Audit Opinion is to contribute to the assurances available to the Accountable Officer and the Governing Body (GB) which underpin the GB's own assessment of the effectiveness of the Organisation's system of internal control. This opinion, in turn, assists the Board in the completion of its Annual Governance Statement (AGS).

The opinion does not imply that Internal Audit has reviewed all risks and assurances related to the organisation.

HEAD OF INTERNAL AUDIT OPINION ON THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL FOR THE YEAR ENDED 31ST MARCH 2015.

My opinion is set out as follows:

- 2.1 Overall opinion;
- 2.2 Basis for the opinion; and
- 2.3 Commentary.

2.1 Overall Opinion

From my review of your systems of internal control, primarily through the operation of your Governing Body Assurance Framework and the individual assignments I have undertaken, I am providing **Significant Assurance** that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently.

2.2 Basis for the Opinion

The basis for forming my opinion is as follows:

- a) An assessment of the design and operation of the underpinning Assurance Framework and supporting processes. *(Guidance requires that I weight the opinion towards the suitability of the Governing Body Assurance Framework. and indicates that where I am unable to conclude that an appropriate Assurance Framework process is in place, I am obligated to issue an overall opinion of Limited Assurance. This is regardless of the level of assurances provided in respect of individual audit assignments).*
- b) An assessment of the range of individual opinions arising from risk-based audit assignments contained within Internal Audit risk-based plans that have been reported upon throughout the year. This assessment has taken account of the relative materiality of systems reviewed and management's progress in respect of addressing control weaknesses identified.
- c) An assessment of the organisation's response to Internal Audit recommendations, and the extent to which they have been implemented.

Department of Health guidance requires that, when determining my opinion, I place greatest emphasis on points a) and b) above.

My opinion is one source of assurance that the CCG has to support its Annual Governance Statement. Other third party and independent assurances should also be considered.

2.3 Commentary

The commentary below provides the context for my opinion and, together with the opinion, should be read in its entirety. The issues highlighted in this commentary should be considered by the Organisation when completing its AGS.

2.3.1 The Design and Operation of the Governing Body Assurance Framework (GBAF) and Associated Processes

The GBAF provides a simple and comprehensive method for the effective and focused management of the principle risks to meeting the CCG's strategic objectives.

The review and update of the Assurance Framework and Risk Register has continued throughout the financial year, with both documents, including amendments, being submitted to the Audit & Quality Assurance Group (AQuA) in May & November 2014 and March 2015.

The Governing Body last reviewed the Assurance Framework in January 2015 as part of the Corporate Assurance Report. It was also presented to the Governing Body through the Corporate Assurance Report in November 2014 and is scheduled for discussion at the April 2015 meeting of the Governing Body.

We have been able to confirm, from sample testing, that assurances detailed within the Assurance Framework had actually been received by the Governing Body.

In summary:

- Senior officers of the CCG have been involved in the development of the Assurance Framework, and are involved in the regular review updates;
- The function of the Assurance Framework is well understood by members of the Governing Body who have had experience of operating with an Assurance Framework prior to the establishment of the CCG;
- The terms of reference for the Audit & Quality Assurance Group specifies its role in respect of the Assurance Framework;
- The Assurance Framework refers to the CCG's key priorities and the principle risks flow from these priorities;
- Controls are described clearly and in appropriate detail in the Assurance Framework;
- Gaps in assurance are expressed in terms of additional steps to be taken in order for these gaps to be addressed; and
- There is an established Integrated Risk Management Policy;

2.3.2 The range of individual opinions arising from risk-based audit assignments, contained within risk-based plans that have been reported throughout the year.

In line with Public Sector Internal Audit Standards, the 2014/15 Internal Audit Plan was produced using a risk-based approach. The audit plan was developed following a review of the organisation's principal level risks to the achievement of its strategic objectives, as detailed within its Assurance Framework, and following consultation with the organisation's Executive Team and Audit Committee members.

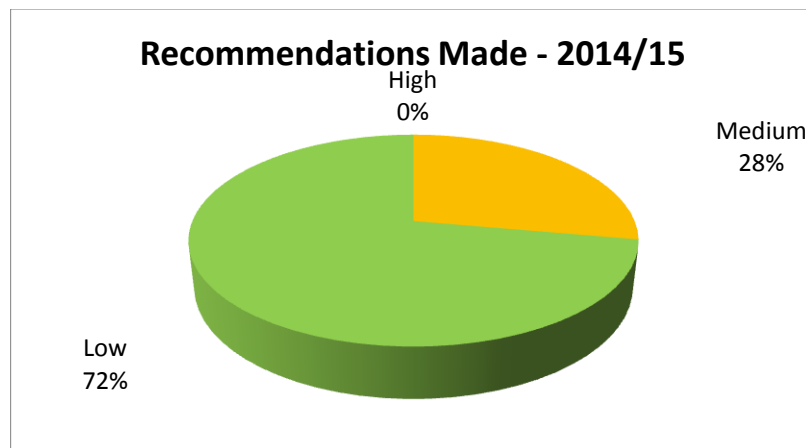
At the time of producing this Annual Report, we have issued 8 reports, of which:

- Full assurance was provided in relation to one review;
- Four reports were issued with Significant Assurance;
- Two reports related to our delivery of the Project Assurance role for the Emergency Centre Project Board. Issuing of formal opinions were not, therefore, appropriate; &
- One report summarised the findings of follow-up work undertaken in respect of all recommendations made in 2013/14.

At the time of writing, there is one assignment still in the process of being finalised; this relates to the CCG's arrangements for ensuring appropriate Continuing Healthcare to patients with long term conditions is provided where necessary. Once this exercise has been concluded we will issue the final version of the Head of Internal Audit Opinion. We do not anticipate any change to the overall Opinion although we will highlight any high risk issues should any be identified in the review in order that the CCG can take an informed decision as to whether it chooses to amend the 2014/15 Annual Governance Statement.

At the time of writing, no high risk issues have been formally reported as a result of our 2014/15 work to date.

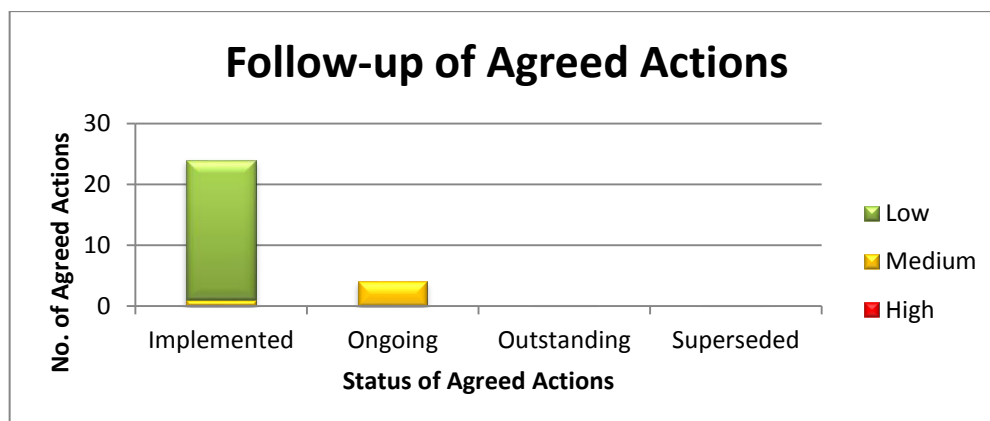
Appendix A provides details of all work completed within the 2014/15 plan. In total, this work has resulted in **18** recommendations to date. The chart below provides a breakdown of the risk ratings of these recommendations for the year.



2.3.3 The Organisation's response to Internal Audit recommendations and the extent to which they have been implemented

As part of PSIAS, I am required to consider the appropriateness of the organisation's response to Internal Audit recommendations made and action subsequently implemented.

As part of our follow-up process, we seek to assess whether management has taken appropriate action to address risks identified during our original review and the extent to which action taken has had the desired impact on outcomes. With the agreement of the CCG, we implemented a new follow-up process during the year which allows us to work in partnership with the CCG's own arrangements for monitoring implementation of our recommendations. Using this process we were able to undertake a follow-up review of actions agreed during almost all the exercises we completed in 2013/14, the outcome of which was reported to the March 2015 meeting of the AQuA Committee. The graph below summarises the outcome of this exercise:



3. 360 Assurance Performance

3.1 Compliance with Public Sector Internal Audit Standards

As Internal Auditors we are required to comply with the mandatory Public Sector Internal Audit Standards. The delivery of our service adheres to these standards and our working processes are clearly documented in our Internal Audit Manual, which is aligned to the requirements of the standards. These are reviewed on a regular basis and all staff are required to formally acknowledge receipt and adherence.

During 2014/15 we engaged with BHP Chartered Accountants who have undertaken an external assessment of our compliance with PSIAS. This review confirmed our compliance with the standards and a copy of the resulting report and actions agreed in order to enhance our processes has been shared with the Chief Finance Officer.

3.2 Achievement of the Plan

The 2014/15 Internal Audit Plan for 115 days was approved at the Audit Committee meeting on the 21st of May 2014. All but one assignment (CHC review) within the Plan have been completed at the time of writing.

During 2014/15 we have had discussions with representatives from your External Audit provider to ensure that our work programmes did not overlap and that our reviews could be referenced by External Audit, where appropriate.

3.3 Staffing

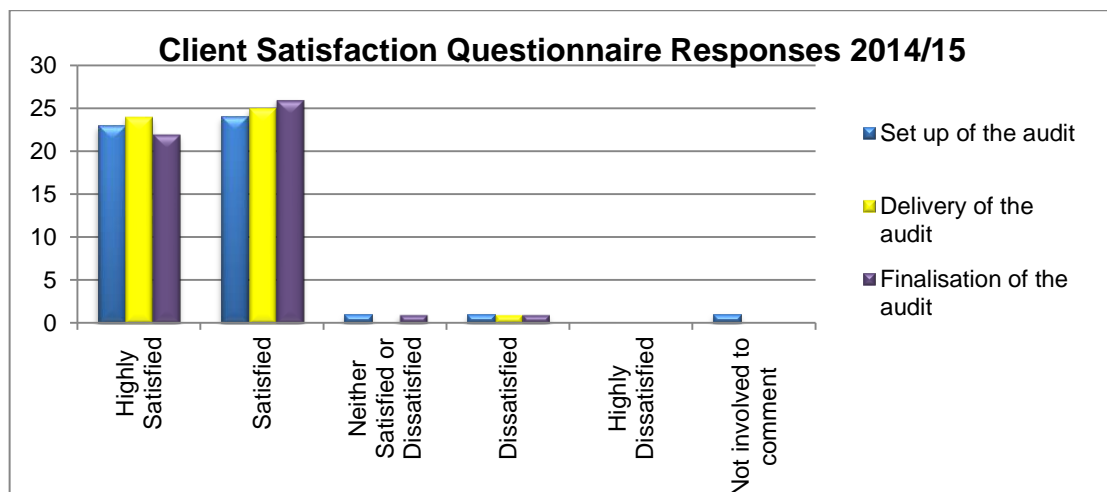
As the Director of 360 Assurance, I have a strategic responsibility for overseeing the effective delivery of the audit services to the organisation. The contract is delivered by a team of staff led by your nominated Assistant Director, Kevin Watkins. Throughout 2014/15 we have been sufficiently staffed to meet the requirements of the audit plan.

3.4 Key Performance Indicators (KPIs)

Appendix B sets out the KPIs that have been agreed as part of our SLA with the Organisation. We have demonstrated our achievement against each of the indicators within the Appendix

Client Satisfaction Questionnaires

As part of our drive to improve quality we issue Client Satisfaction Questionnaires following the conclusion of all audit reviews. The questionnaire seeks to confirm that the auditee was appropriately engaged in the planning and reporting process and that our approach to the review and subsequent report provided added value to the CCG. Responses received from all our CCG clients during 2014/15 are summarised in the graph below:



Appendix A – Internal Audit Outturn for 2014/15

Audit Assignment	Report Ref.	Status	Assurance Level/Comment
Emergency Centre Project – 2 nd Project Assurance Report	1415/RCCG/01PA	Issued	N/A
Patient & Public Engagement	1415/RCCG/02R	Issued	Significant
Emergency Centre Project – Project Governance Report	1415/RCCG/03PA	Issued	N/A
Conflicts of Interest	1415/RCCG/04R	Issued	Significant
Follow-up of 2013/14 Recommendations	1415/RCCG/05R	Issued	N/A
Better Care Fund	1415/RCCG/06R	Issued	Significant
Information Governance Toolkit	1415/RCCG/07R	Issued	Significant
Budgetary Control & Key Financial Systems	1415/RCCG/08R	Issued	Full
Continuing Healthcare	1415/RCCG/09R	Fieldwork Ongoing	TBC

Appendix B – Performance Indicators

Key Performance Indicator (From the SLA)	360 Assurance Performance 2014/15
Strategic and Operational Internal Audit Plans will be produced for client agreement by 31 st March annually.	The 2014/15 Operational Plan was agreed at the Audit Committee meeting on the 21 st of May 2014. This failure to meet the KPI's timing has been rectified for the 2015/16 Plan, which was approved by the Audit & Quality Assurance Committee at its meeting on the 20 th of March 2015.
All high-risk issues and any significant issues which could result in a no assurance opinion identified during the course of Internal Audit work will be brought to the immediate attention of the Chief Finance Officer, and other senior officers as appropriate).	No high risk issues were identified during the course of our audit work for 2014/15.
A final draft audit report will be issued within three weeks of the exit meeting. Exceptions resulting from extenuating circumstances will be agreed with the Chief Finance Officer	Final draft reports have been issued within the timescales outlined in this performance measure and the progress of each audit, including the reporting information, is contained within the report issued.
The Assistant Director will meet with the nominated Audit Lead at the client organisation at an agreed frequency at the request of the client (minimum quarterly).	Meetings were held with the Chief Finance Officer to discuss progress of the audit plan.
A report will be presented to the Audit Committee for each meeting, which details progress made towards the completion of the Internal Audit Operational Plan.	A progress report was presented by the Director, 360 Assurance or Associate Director at all Audit Committee meetings in the financial year.
Audit follow-up work will be completed in line with agreed timeframes.	A new follow-up process was implemented with the approval of the Audit & Quality Assurance Committee in January 2015. .
General enquiries will be responded to within two working days.	All requests for ad hoc advice have been responded to within the required timeframe.
As far as possible and reasonable, a consistent team will be provided.	The client has a dedicated team of professionally qualified auditors which has been consistent through-out the year. The client has been provided with details of nominated senior staff leads.
All work undertaken will be made available to the clients' External Auditors in order that they can place reliance upon Internal Audit activity, thereby avoiding unnecessary overlapping of work.	We have provided final reports to External Audit leads as a matter of routine. Completed audit files and other relevant documentary evidence are available to the External Auditors as required.
Internal Audit work is undertaken in compliance with the requirements of Public Sector Internal Audit Standards (PSIAS).	During 2014/15 we engaged with BHP Chartered Accountants who have undertaken an external assessment of our compliance with PSIAS. This review confirmed our compliance with the standards and a copy of the resulting report and actions agreed in order to enhance our processes has been shared with the Chief Finance Officer.
An Annual Report and Head of Internal Audit Opinion Statement will be provided in line with DH reporting timeframes.	This is provided on an annual basis and is in line with DH reporting timeframes.