



**NHS Barnsley CCG**

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**2014/15 Internal Audit Annual  
Report and Interim Head of  
Internal Audit Opinion**





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# 1. Executive Summary

This report is provided in support of your accounts and Annual Governance Statement. It provides detail in support of my Head of Internal Audit Opinion and a summary of the delivery of your internal audit service for the 2014/15 financial year along with a note of key developments within the service during the year.

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 Body 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. The fluid nature of some the new arrangements

the CCG has had to put in place to respond to the changing risk environment has meant that on occasion, work planned and scheduled has been delayed at the request of the CCG. In particular, we have been asked carry forward an allocation of days into 2015/16 in order to complete the review of the CCG's arrangements for Transformation originally scheduled for quarter 4 in 2014/15 at the most appropriate time following recent changes in the governance structure put in place to manage the process.

Our audit work has been delivered in line with our SLA with the Organisation. 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 which underpin the Governing Body's own assessment of the effectiveness of the Organisation's system of internal control. This opinion, in turn, assists the Governing Body 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 31<sup>ST</sup> 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 in providing its Annual Governance Statement and other third party assurances should also be considered. In addition the CCG should take account of other independent assurances that are considered relevant.

## 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 CCG has robust arrangements for developing and monitoring the GBAF and high level Risk Register. The Governing Body was involved at the outset in the development of the GBAF for 2014/15, with a similar approach being taken for 2015/16. Each risk is assigned to an Executive Lead and a Governing Body Committee.

In 2014/15, the GBAF and Risk Register were presented quarterly to the Governing Body, but with a monthly exception report which set out the key issues arising from the two documents, including changes in risk evaluations and escalation to the GBAF.

These documents are reviewed at the various committees of the Governing Body including the Audit Committee and the Quality and Patient Safety Committee. The review process is led by the Head of Assurance, who is responsible for ensuring a monthly update is made of each risk in the GBAF and the Risk Register.

The Audit Committee monitors this process on an ongoing basis throughout the year, with an additional requirement that each committee submits an annual report of how it has complied with its Terms of Reference, including managing the risks assigned to it.

We selected a sample of assurances detailed within the GBAF and confirmed that they were actually received by the Governing Body or a nominated sub-Committee and were up to date.

### 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 CCG'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.

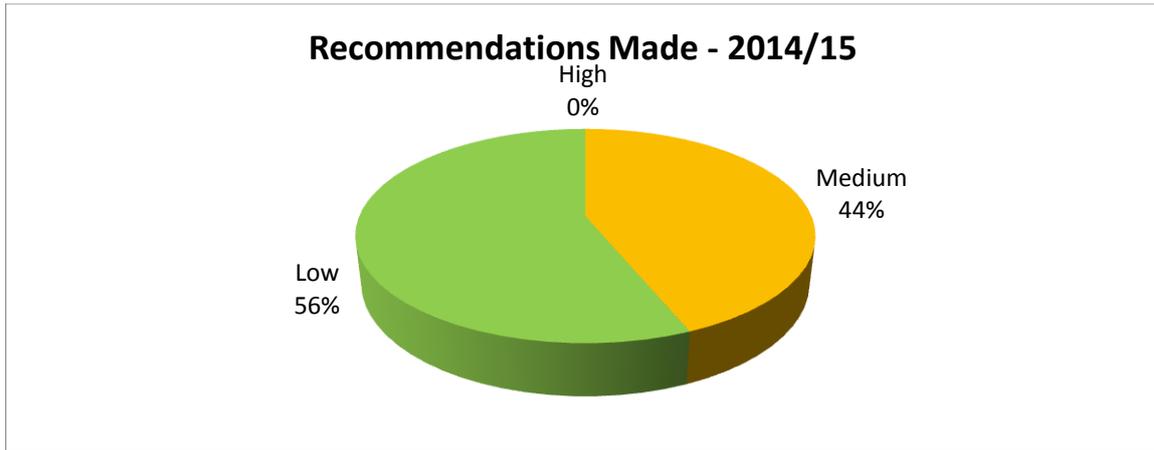
At the time of producing this Annual Report, we have issued seven reports, of which:

- Four reports were issued with Significant Assurance;
- We have published three reports relating to advisory work for which no formal audit opinion was provided.

At the time of writing, there is one audit assignment still in the process of being finalised with Lead Officers. At the time of writing, there is one assignment still in the process of being finalised; relating to governance arrangements being put in place over the Better Care Fund. Once this exercise has been concluded we will issue the final version of the Head of Internal Audit Opinion on the CCG's overall System of Internal Control. As no high risk issues have been identified in this ongoing piece of work, however, we do not anticipate there to be any changes in our overall opinion or the associated commentary.

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 32 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

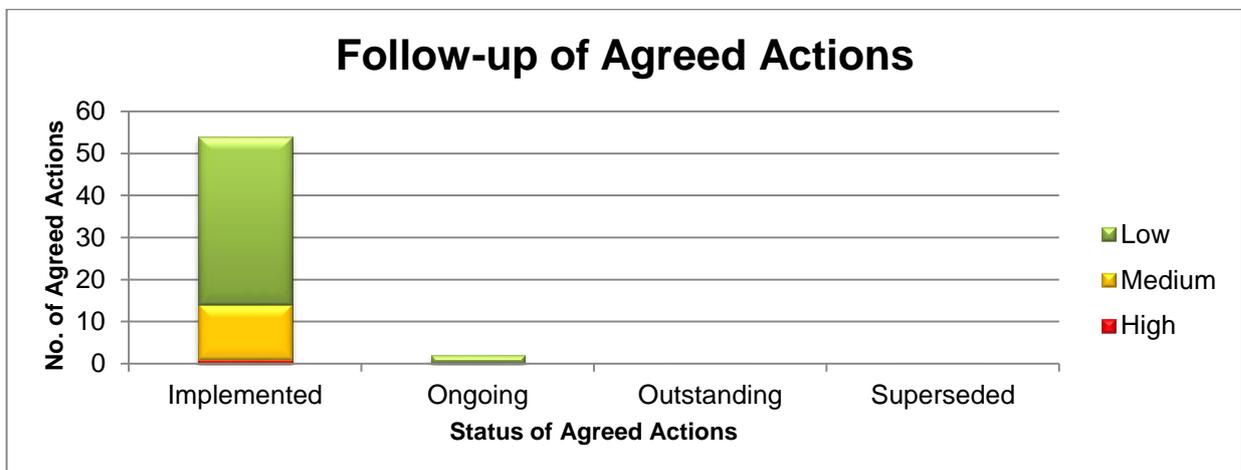
As part of PSIAS, I am required to consider the appropriateness of the organisation’s response to Internal Audit recommendations made and action subsequently implemented.

Our follow-up process assesses 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. We report to each Audit Committee on the position with respect to the implementation of internal audit recommendations. We have developed an approach in cooperation with the Head of Assurance which informs this report so that on a monthly basis, we are able to highlight: -

- New recommendations arising from reports issued in the previous month
- Recommendations that are in progress, but where their due date has not been reached
- Recommendations that have been reported as completed in the previous month
- Any recommendations that have not been completed by the due date, for which approval of a revised date is requested from the Audit Committee. The Audit Committee is a strong advocate for ensuring progress is made with outstanding recommendations.

All high risk recommendations are subject of a specific follow up review, As part of our year end process, we seek evidence of implementation any medium risk recommendations that have not already been subject to follow up, for example as part of a cyclical audit,

Follow-up work completed during the year has confirmed that the organisation is proactively ensuring that appropriate actions are being taken to address internal audit recommendations in line with agreed timescales. The graph below demonstrates progress against agreed actions in relation to all follow-up work reported to the Audit Committee during 2014/15:



## 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 145 days was approved at the Audit Committee meeting on the 21<sup>st</sup> of May 2014. At the time of writing, all but one assignment within the Internal Audit Plan have been fully completed at the time of writing. As previously noted we have, at the request of the CCG, carried forward resources allocated to a review of Transformation arrangements to deliver in 2015/16.

### 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.

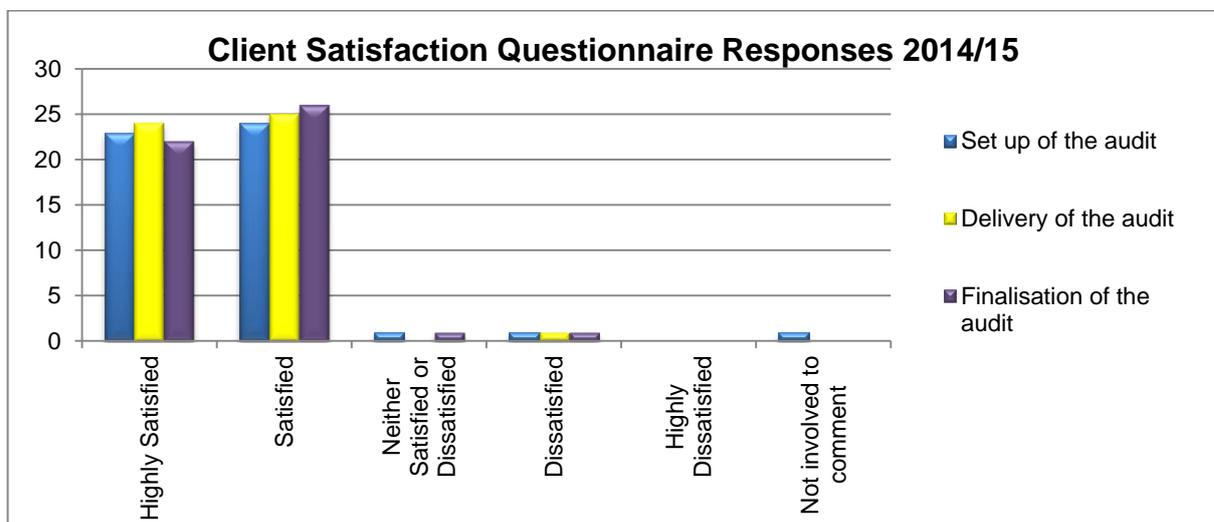
Throughout 2014/15 we have been sufficiently staffed to meet the requirements of the audit plan.

### 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.

### 3.5 Client Satisfaction Questionnaires

As part of our drive to improve quality, we have continued to 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 Organisation. Responses received 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
Service Auditor Reporting	1415BCCG01R	Complete	No concerns identified
Primary Care Development Programme	1415BCCG02R	Complete	Significant Assurance
Procurement, Patient Choice and Competition (Inc Conflicts of Interest)	1415BCCG03R	Complete	Review considered how arrangements were being established; therefore no opinion provided.
Information Governance Toolkit	1415BCCG04R	Complete	Significant Assurance
Budgetary Control and Key Financial Systems	1415BCCG05R	Complete	Significant Assurance
Adult Safeguarding	1415BCCG06R	Complete	Significant Assurance.
Safeguarding Workshop Output	1415BCCG07A	Complete	Opinion not applicable
Partnership Working with the Local Authority (Better Care Fund)	1415BCCG08R	Draft Report Issued	Review considered how arrangements were being established; therefore general conclusions drawn rather than a formal opinion.
Transformation/QIPP (including follow up on 2013/14 review)	Not Applicable	Deferred	CCG has requested this work be completed at the end of quarter 2 in 2015/16

## 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 <sup>st</sup> March annually.	The 2014/15 Operational Plan was agreed at the Audit Committee meeting on 29 May 2014. This non-compliance with the KPI has been corrected for the 2015/16 financial year, with the Draft Plan being submitted to the March 2015 meeting of the Audit Committee
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 Director of Finance and Procurement, 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 Director of Finance and Procurement.	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 Associate 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.	We have agreed a recommendation tracking procedure with the CCG and reported progress on implementation to each meeting of the Audit Committee. In line with our follow up protocol, we have reviewed evidence submitted to us as confirmation of implementation, and have concluded that there are no recommendations overdue for completion.
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).	Our compliance with PSIAS has been independently confirmed through an external review completed in 2014/15.
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.