

# Internal Audit Annual Report & Head of Internal Audit Opinion 2019/20

NHS Stockport Clinical Commissioning Group

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## MIAA Response on internal audit issues arising from the COVID-19 (Coronavirus) pandemic

All NHS organisations are working extremely hard in their response to COVID-19. Whilst NHSE/I are supporting organisations including, *'Reducing burden and releasing capacity at NHS providers and commissioners to manage the COVID-19 pandemic Capacity'* (letter to Chief Executive Officers and Chairs, dated 28<sup>th</sup> March, 2020), organisations still have a statutory responsibility to ensure that they have effective and robust governance arrangements in place. This includes any special arrangements established to help in their response.

The Audit Committee has a key role to play in supporting their organisation to ensure appropriate and robust finance and governance arrangements are in place. When we move into the recovery phase, (see below) organisations will be held accountable for their stewardship during this difficult time.

It is critical that whilst the organisations response to the virus is still developing, we adopt a pragmatic approach to the delivery of your Internal Audit service and the production of the Head of Internal Audit Opinion for 2019/20, which will support the Annual Governance Statement (AGS) that forms part of the Accounts and Annual Report



Fig 1. Business Continuity Process

### Head of Internal Audit Opinion (HOIAO) 2019/20

At this point in the year we have completed the majority of the 2019/20 Internal Audit Plan and are able to provide an opinion on that basis. In the main, this work was completed prior to COVID-19 beginning to impact. It is, however, important to make reference to your organisations response to COVID-19, as we fully appreciate that staff operating in your 1<sup>st</sup> and 2<sup>nd</sup> lines of defence will be focused on service delivery and our focus in this respect is on supporting this response in any way we can. We have contacted management to see how best we can support them in these critical times.

The HOIAO provides an overall opinion on the robustness of your internal control, governance and risk management arrangements. In the context of the current circumstances, it would be remiss not to include reference to COVID-19 and this will need to align with your Annual Governance Statement (AGS). We fully appreciate that this is a fast moving agenda and

whilst the exact nature of the work we will undertake in this respect is still being determined, our focus currently is to review all relevant guidance to enable us to effectively brief and support you during this time. Detailed overleaf are a number of key issues that organisations should consider within their AGS. These have been shared with your organisations by MIAA, together with the offer of support in addressing them.

### Governance Considerations: Covid-19

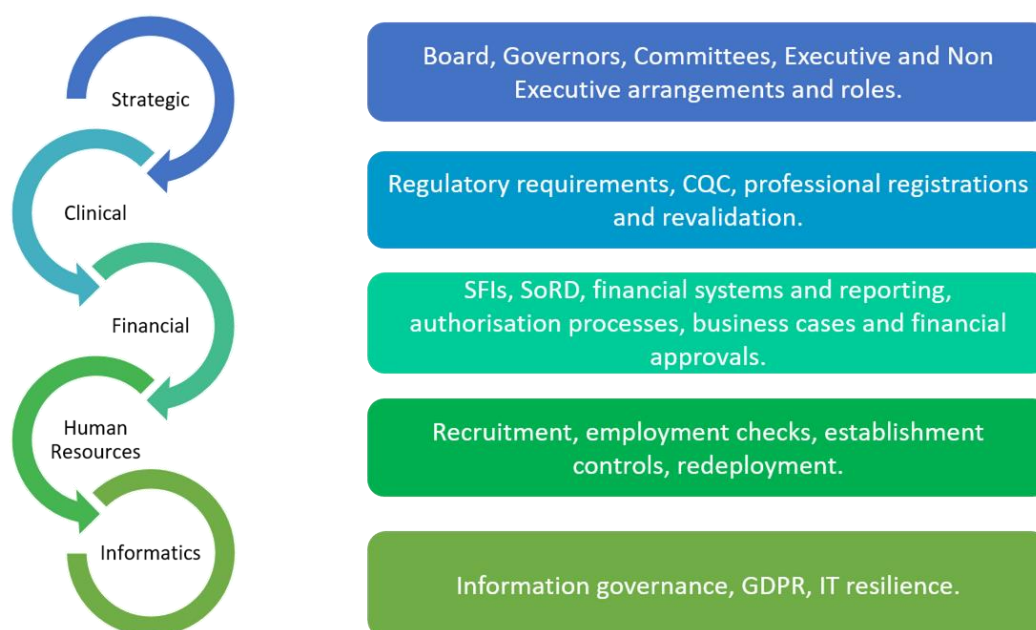


Fig 2. Potential areas for consideration in the AGS

### 2020/21 Internal Audit Plan

NHS organisations have had to move quickly to put measures in place to enable them to respond to COVID-19. The HfMA have issued a number of helpful guides that set out what these arrangements are:

<https://www.hfma.org.uk/publications/details/next-steps-on-nhs-response-to-covid-19-financial-arrangements>

<https://www.hfma.org.uk/publications/details/covid-19-guidance-map>

<https://www.hfma.org.uk/publications/details/identifying-malicious-emails>

In addition, NHSE/I guidance includes:

<https://www.england.nhs.uk/coronavirus/publication/reducing-burden-and-releasing-capacity-at-nhs-providers-and-commissioners-to-manage-the-covid-19-pandemic/>

Like everyone else, MIAA has had to modify its operations. With effect from Monday 23<sup>rd</sup> March 2020, wherever possible, MIAA staff began to work from home. We fully appreciate the challenging circumstance in which organisations are currently working and recognise that it is

not practical to try to continue to deliver an Internal Plan as we would do normally. Whilst we will be supporting organisations with their financial governance and anti-fraud arrangements, our short term focus (two/three months) will be on our advisory role, redeployment of staff to provide capacity and any additional support we can provide to organisations.

In practical terms, this will have the following impact on your Audit Plan:

- Wherever possible audits will be conducted remotely (We will work with you to identify the work that will add the most value at this time)
- We will postpone any planned audits of areas providing critical services (or that require input from key individuals)
- Where appropriate, we will seek agreement with you to extend due dates for the implementation of actions based on new risk / priorities.
- We will undertake a further risk assessment based on your organisations response to date, in order to develop revised internal audit priorities. Whilst a fully developed internal audit plan, approved through audit committee will not always be possible, we will work with you to identify support and the use of internal audit and anti-fraud resource at this time. This may include specific requests from you along with corporate publications and tools to support you.
- We will continue to fully communicate with the Audit Committee to keep them appraised as things develop (through whatever route you deem appropriate).
- We will continue to discuss with organisations the impact on their 1<sup>st</sup> and 2<sup>nd</sup> lines of defence and the potential internal control implications.

We recognise that for a number of organisations, this will mean little or no audit work in the first quarter of 2020/21 and we would urge you to use us to support new system developments, changes to processes and documentation, to support future assurance.

We are in a position to share what others are doing as well, so we can hopefully help to develop reviews/support offers once and share many times. At this point in time, we do not consider that this will compromise our ability to fully deliver an Internal Audit Service and Head of Internal Audit Opinion for 2020/21.

In addition, MIAA is a valued NHS asset and we very much appreciate the difficult circumstances in which all our clients are currently operating. Whilst we are looking to continue with a number of our core activities, we consider that we have clear responsibility to offer MIAA staff to support organisations in delivering business continuity. We are currently in discussion with a number of our clients regarding the redeployment of MIAA staff to support them at this critical time

As you move into the recovery phase of your Business Continuity Plan, we will work with you to undertake a revised risk assessment, to enable us to continue to support you where you most need it. This is likely to include reviewing how the organisation implemented NHSE/I guidance, issued to support them in responding to COVID-19, whilst still discharging their stewardship responsibilities. We will also be able to support through independent assurance on how COVID-19 costs were captured across a range of areas.

One of the points raised in the NHSE/I letter '*Reducing burden and releasing capacity*' (referred to above), was that 'trusts should continue quality committees, but consider streamlining other committees (e.g. Audit and Risk and Remuneration committees) and where possible delay meetings till later in the year.' It is important for the Audit Committee to fully understand the implications of this and any potential impact on it being able to discharge its responsibilities. Over the coming weeks, we will be looking at how organisations have responded to this along with wider governance arrangements and will share this insight with you.

*Steve Connor*

**Managing Director, MIAA**  
**April 2020**

# Contents

1. Introduction
2. Executive Summary
3. Head of Internal Audit Opinion
4. Internal Audit Coverage and Outputs
5. Areas for consideration - your Annual Governance Statement
6. MIAA Quality of Service Indicators

## 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 2019/20 Head of Internal Audit Opinion for NHS Stockport Clinical Commissioning Group, together with the planned internal audit coverage and output during 2019/20 and MIAA Quality of Service Indicators.

Key Area	Summary
Head of Internal Audit Opinion	The overall opinion for the period 1 <sup>st</sup> April 2019 to 31 <sup>st</sup> March 2020 provides <b>Substantial Assurance 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.</b>
Planned Audit Coverage and Outputs	<p>The 2019/20 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, subject to Primary Care Framework which is awaiting finalisation, and two reviews being carried forward (Integrated Commissioning and Quality of Care Homes)</p> <p>Review coverage has been across governance and leadership, financial performance and financial sustainability, quality, workforce and information and technology.</p> <p>We have raised <b>9</b> recommendations as part of the reviews undertaken during 2019/20. All recommendations raised by MIAA have been accepted by management. MIAA has continued to undertake follow up reviews during the course of 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.

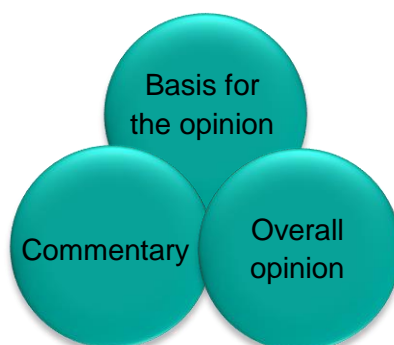
The organisation's Assurance Framework should bring together all of the evidence required to support the AGS requirements.

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:





### 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 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 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.	
<b>Substantial Assurance</b> , 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 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 inclusive, and is underpinned by the work conducted through the risk based internal audit plan.

## Assurance Framework

Opinion	
<b>Structure</b>	The organisation's AF is structured to meet the NHS requirements
<b>Engagement</b>	There could be greater visibility of the use of the AF by the Governing Body
<b>Quality &amp; Alignment</b>	The AF reflects 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	System Design		Operating Effectiveness	
	RAG Rating	Level	RAG rating	Level
1. Governance Arrangements	●	PC	●	PC
2. Declarations of interests and gifts and hospitality	●	PC	●	FC
3. Register of interests, gifts and hospitality and procurement decisions	●	PC	●	PC
4. Decision making processes and contract monitoring	●	FC	●	FC
5. Reporting concerns and identifying and managing breaches / non compliance	●	FC	●	FC

### Key

● Fully Compliant (FC)    ● Partially Compliant (PC)    ● Non Complaint (NC)

Overall there has been an improvement level of compliance with NHS guidance compared to previous years.

## Primary Medical Care Commissioning and Contracting Arrangements: Contract Oversight & Management Functions

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 2019/20 **Primary Medical Care Commissioning and Contracting** review focused upon **Contract Oversight & Management Functions** and provided **Substantial Assurance** (*assurance rating provided as per the NHSE guidance*). This report however is awaiting finalisation.

### Risk Based Reviews Issued

We issued:

1 <b>high</b> assurance opinions:	<ul style="list-style-type: none"> <li>Financial Systems Reporting</li> </ul>
3 <b>substantial</b> assurance opinions:	<ul style="list-style-type: none"> <li>Committee Effectiveness</li> <li>Complaints Management</li> <li>Data Security &amp; Protection Toolkit</li> </ul>
0 <b>moderate</b> assurance opinions:	None
0 <b>limited</b> assurance opinions:	None
0 <b>no</b> assurance opinions:	None

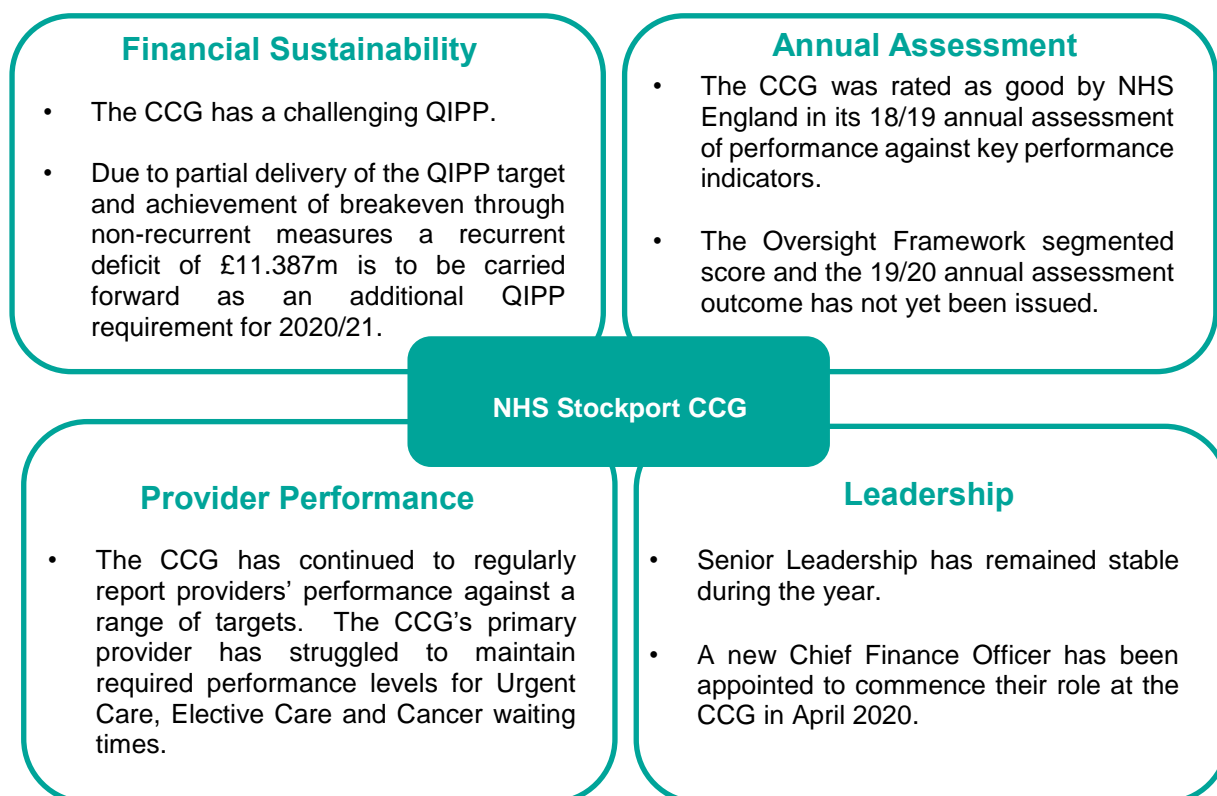
We raised **no high risk recommendations** in respect of the above assignments.

### 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 CCG 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*

**Managing Director, MIAA**  
**March 2020**

## 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, subject to Primary Care Framework which is awaiting finalisation, and two reviews being carried forward (Integrated Commissioning and Quality of Care Homes).

Of the reviews completed in the year, assurance ratings were given in 5 cases. Assurance rating were not applicable for one review, 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	Substantial	N/A	N/A	1	N/A	1
3	Committee effectiveness	Substantial	N/A	N/A	1	n/a	1
4	Complaints Management	Substantial	N/A	N/A	2	3	5
5	Data Security & Protection Assurance Toolkit	Substantial	N/A	N/A	N/A	N/A	N/A
6	Financial Systems & Reporting	High	N/A	N/A	1	1	2
7	Primary Care Framework Contract Oversight & Management Functions	Substantial	Awaiting finalisation of recommendations				
	<b>TOTAL</b>		<b>0</b>	<b>0</b>	<b>5</b>	<b>4</b>	<b>9</b>

All recommendations raised were accepted by management.

We will continue to follow up progress against all recommendations as part of the 2020/21 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 Senior Management Team, regular review of Governing Body papers and work to develop the Assurance Framework.

Involvement with the organisation in respect of advice and guidance relating to Governing Body reporting, corporate governance documentation and assurance mapping.

Involvement and relationship with the organisation (e.g. attendance and contribution to finance meetings, Risk Management Committee etc.).

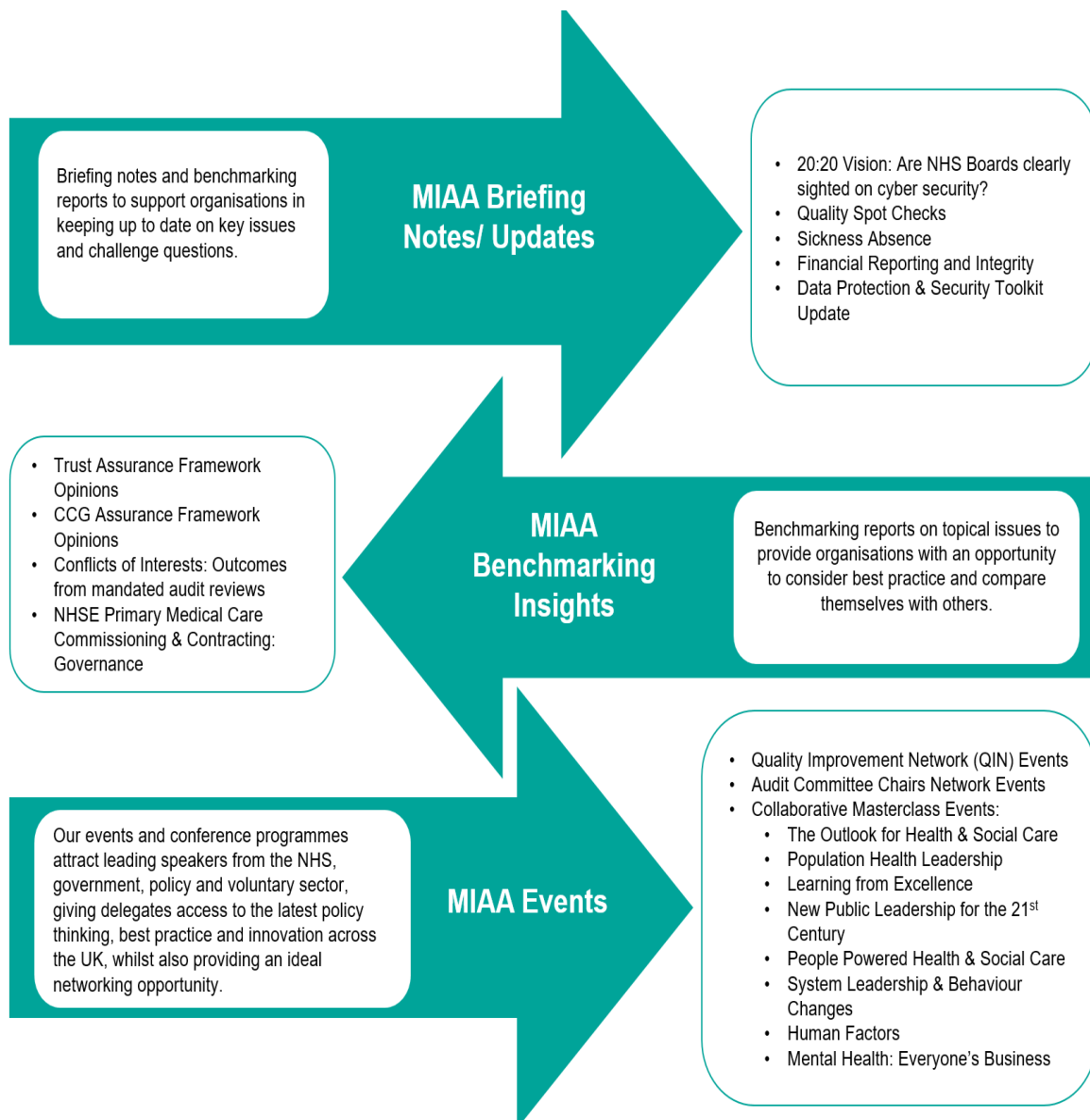
Ongoing discussion with lead Officers, Managers and Non-Executive Directors throughout the year.

Effective utilisation of internal audit including in year communication and changes to the audit plan in respect of the deferment of the Quality of Care Homes Review.

Engagement with MIAA Insights benchmarking, best practice and outcome reporting.

Opportunities/ Involvement through MIAA events. Including the Learning Series, Audit Committee Members Network events, and Quality Improvement Network.

## 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 operational planning and contracting guidance which is integral to the delivery of the NHS long term plan.
- Outcomes from external governance reviews, and assessment and feedback from the NHS Oversight 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 3<sup>rd</sup> party providers upon which the Clinical Commissioning Group places reliance, and the provision of assurances from these (including Commissioning Support Unit, 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.



## 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 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.

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.
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.	1100 - Independence & Objectivity
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).
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.	1300 - Quality Assurance & Improvement
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.
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.	2100 - Nature 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.
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.	2300 - Performing the Engagement

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**



## 6.2 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 2020.

## 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.

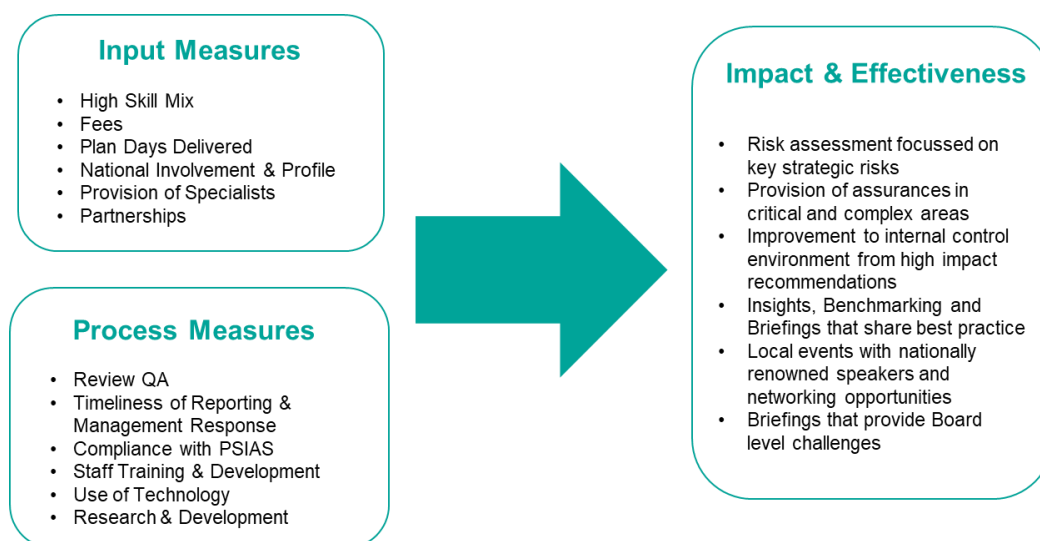


Our innovative and added value approaches have been recognised through national HFMA and Public finance awards for governance, internal audit and value and innovation.

Year	Awarding Body	Category
2019	Healthcare Financial Management Association	Value & Innovation Award
2019	Strategic Information Governance Network	Outstanding Contribution to Information Governance
2019	Chartered Institute of Internal Auditors	Public Sector Award
2019	Cheshire & Merseyside DIGIT@LL	Digit@LL Secure Award
2019	Public Finance	Internal Audit Award
2018	Healthcare Financial Management Association	Governance Award
2018	Finance Staff Development	Towards Excellence Innovation Award

#### 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.