



# Section F: Annual Governance Statement

## Introduction and Context

The Clinical Commissioning Group was licensed from April 1st 2013 under provisions enacted in the Health & Social Care Act 2012, which amended the National Health Service Act 2006.

The Clinical Commissioning Group operated in shadow form prior to April 1st 2013, to allow for the completion of the licensing process and the establishment of function, systems and processes prior to the Clinical Commissioning Group taking on its full powers.

As at April 1st 2013, the Clinical Commissioning Group was licensed without conditions.

At March 31st 2014 the Clinical Commissioning Group comprised 49 GP Practices and is coterminous with the boundaries of the Metropolitan Borough of Dudley which covers the five localities of Brierley Hill, Stourbridge, Dudley North, Halesowen and Sedgley.

The registered population is very diverse and currently numbers about 313,000. There are areas of high deprivation and cultural diversity in parts of the borough whilst other areas are among the most affluent in England.

The Clinical Commissioning Group has consulted widely and has developed a number of strategic aims including:

- To address health inequalities and improve life expectancy
- To ensure that local services deliver the best possible outcome for the whole population
- To improve the quality and safety of local services
- To improve system effectiveness

## Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Clinical Commissioning Group's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. I also acknowledge my responsibilities as set out in my Clinical Commissioning Group Accountable Officer Appointment Letter.

I am responsible for ensuring that the Clinical Commissioning Group is administered prudently and economically and that resources are applied efficiently and effectively, safeguarding financial propriety and regularity.

## Compliance with the UK Corporate Governance Code

The Clinical Commissioning Group is not required to comply with the UK Corporate Governance Code. However, I have reported on the corporate governance arrangements by drawing upon best practice including those aspects of the Code I consider to be relevant to the CCG.

The Clinical Commissioning Group has conducted a comprehensive assessment of its performance against the principles of the Code which has been approved by the Governing Body at its meeting on May 8th 2014. The development areas identified below will be addressed within 2014/15:

- formal induction arrangements to be introduced for new members
- evaluation of development needs for Governing Body members
- introduce formal annual evaluation of the Governing Body, its Committees and individual Governing Body members



## The Clinical Commissioning Group Governance Framework

The National Health Service Act 2006 (as amended), at paragraph 14L(2)(b) states:

*The main function of the governing body is to ensure that the group has made appropriate arrangements for ensuring that it complies with such generally accepted principles of good governance as are relevant to it.*

### Clinical Commissioning Group Constitution

The Dudley Clinical Commissioning Group Constitution confirms that the group will, at all times, observe such generally accepted principles of good governance in the way it conducts its business by virtue of reference to The Good Governance Standard for Public Services, the 'Nolan Principles', the seven key principles of the NHS Constitution, the Equality Act 2010 and Standards for Members of NHS Boards and Clinical Commissioning Group Governing Bodies in England.

Specifically, the group will demonstrate accountability to its members, local people, stakeholders and NHS England in several ways including the publication of key documents, appointment of independent lay members and non-GP clinicians, holding meetings of its Governing Body in public and complying with local authority health overview and scrutiny requirements.

The Scheme of Reservation and Delegation sets out those responsibilities retained by the Membership and those delegated to the Clinical Commissioning Group Governing Body. The Clinical Commissioning Group remains accountable for all its functions, including those it has delegated.

### Information about the Membership Body and Governing Body

Dudley Clinical Commissioning Group is a clinically led membership organisation comprising 49 general practices - the members. The members of the Clinical Commissioning Group are responsible for determining the governance arrangements for the organisation which are set out in the CCG's Constitution. The membership has responsibility for ensuring the Governing Body acts in such a manner that the organisation delivers its statutory responsibilities and achieves its strategic objectives.

The roles and responsibilities of the Governing Body are set out in the Clinical Commissioning Group Constitution. The Governing Body will meet at least six times per year. The membership of the Governing Body throughout 2013/14 is set out in the table overleaf.

Name	Title	In office		Membership Category
		From	To	
Dr David Hegarty	Chairman	April 13	March 14	Voting
Dr Stephen Cartwright	Clinical Executive, Partnerships & Integration	Nov 13	March 14	Voting
Dr Steve Mann	Clinical Executive, Acute & Community Commissioning	April 13	March 14	Voting
Dr Liz Pope	Clinical Executive, Quality & Safety	April 13	Nov 13	Voting
Dr Jas Rathore	Clinical Executive, Finance & Performance	April 13	March 14	Voting
Dr Jonathan Darby	GP Board Member (Halesowen & Quarry Bank)	April 13	March 14	Voting
Dr Kevin Dawes	GP Board Member (Sedgley, Coseley & Gornal)	April 13	March 14	Voting
Dr Ruth Edwards	GP Board Member (Kingswinford, Amblecote & Brierley Hill)	April 13	March 14	Voting
Dr PD Gupta	GP Board Member (Dudley & Netherton)	April 13	March 14	Voting
Dr Richard Johnson	GP Board Member (Halesowen & Quarry Bank)	April 13	March 14	Voting
Dr Mona Mahfouz	GP Board Member (Dudley & Netherton)	April 13	March 14	Voting
Dr Chris Handy	Lay Member, Quality & Safety	Aug 13	March 14	Voting
Dr Mary Heber	Secondary Care Clinician	May 13	March 14	Voting
Mrs Julie Jasper	Lay Member, Patient & Public Involvement	April 13	March 14	Voting
Mr Steve Wellings	Lay Member, Governance	April 13	March 14	Voting
Mr Paul Maubach	Chief Accountable Officer	April 13	March 14	Voting
Mr Matthew Hartland	Chief Finance Officer	April 13	March 14	Voting
Miss Rebecca Bartholomew	Chief Quality & Nursing Officer	April 13	March 14	Voting
Mr John Polychronakis	Chief Executive Dudley MBC	April 13	March 14	Voting
Ms Valerie Little	Director of Public Health	April 13	March 14	Non-voting
Dr Tim Horsburgh	LMC Representative	April 13	March 14	Non-voting
Ms Jayne Emery	Healthwatch	May 13	March 14	Non-voting

An analysis of attendance throughout the year shows that on average Clinical Commissioning Group Governing Body members attended 78% of the time. A record of attendance by individuals is included in the Important Information Section I of the annual report. The Governing Body has undertaken a self-assessment of its performance and effectiveness structured around the principles of the UK Corporate Governance Code. The Governing Body are confident there is demonstrable evidence to support a declaration of compliance with the Code bar three areas for development which have been identified earlier in this report.

### Committees of the Governing Body

The Clinical Commissioning Group corporate governance architecture is set out in the Clinical Commissioning Group Constitution and the Governing Body has established the following committees:

- Audit
- Remuneration
- Finance & Performance
- Quality & Safety
- Clinical Development
- Primary Care Development
- Communications & Engagement



All Committees are chaired by a member of the Governing Body, usually a Clinical Executive or, in the case of the Audit and Remuneration Committees, a lay member. The Committees' purpose (based on the Constitution) and membership (based on their Terms of Reference) are summarised in the tables following:

<b>Audit Committee</b>	
Chair	Mrs Julie Jasper
Vice Chair	Mr Steve Wellings
Members	Dr Chris Handy; Dr Mary Heber
Purpose	Provides the Governing Body with an independent and objective view of the groups systems of internal control
<b>Remuneration</b>	
Chair	Mr Steve Wellings
Vice Chair	Mrs Julie Jasper
Members	Dr Mary Heber; Dr Chris Handy
Purpose	Makes recommendations to the Governing Body on determinations about remuneration, fees and other allowances for employees and for people who provide service to the group
<b>Finance and Performance</b>	
Chair	Dr Jas Rathore
Vice Chair	Mr Steve Wellings
Members	Mrs Julie Jasper; Mr Matthew Hartland; Dr Steve Mann
Purpose	Reviews financial performance and associated planning issues for the group and monitors performance against service delivery indicators and targets
<b>Quality and Safety</b>	
Chair	Dr Liz Pope (to November 2013)
Vice Chair	Dr Chris Handy (acting Chair December 13 - March 14)
Members	Dr Ruth Edwards; Mrs Julie Jasper; Dr Mary Heber; Ms Rebecca Bartholomew; Dr David Hegarty (interim December 13 - March 14)
Purpose	Reviews and recommends all issues pertinent to quality and safety for the group and to provide assurance to the Governing Body that the commissioned services are of high quality
<b>Clinical Development</b>	
Chair	Dr Steve Mann
Vice Chair	Dr Mary Heber
Members	Mr Steve Wellings; Mr Matthew Hartland; Dr Steve Cartwright
Purpose	Review proposed commissioning plans and make appropriate recommendations to the Governing Body
<b>Primary Care Development</b>	
Chair	Dr Jas Rathore
Vice Chair	Mr Steve Wellings
Members	Mr Matthew Hartland; Dr David Hegarty; Dr Mary Heber; Dr Tim Horsburgh; Dr Richard Johnson; Dr Kevin Dawes
Purpose	Make appropriate recommendations to the Governing Body regarding the strategic framework for primary care development within the groups area
<b>Communications and Engagement</b>	
Chair	Dr David Hegarty
Vice Chair	Mrs Julie Jasper
Members	Dr Chris Handy; Mr Paul Maubach; Dr Steve Cartwright
Purpose	Make appropriate recommendations to the Governing Body regarding the communication and engagement strategy of the group and its delivery



## The Clinical Commissioning Group Risk Management Framework

Dudley Clinical Commissioning Group defines risk as 'the possibility that an event will occur and adversely affect the achievement of objectives'. The Risk Management Policy describes the key elements of the risk management strategy and sets out its goals as to:

- Take a proactive approach, anticipating and influencing events before they happen
- Facilitate better informed decision making
- Improve contingency planning

The Clinical Commissioning Group risk appetite is expressed as a boundary above which the level of risk will not be accepted and further actions must be taken. However the risk appetite is not necessarily static and the Governing Body reserve the right to vary the amount of risk it is willing to tolerate on an individual basis.

Risk is embedded into the culture of the Clinical Commissioning Group by the particular role delegated to committees of the Governing Body. Each committee considers and advises the governing body on the management of risks specific to their area of responsibility. The aligned Officer to that committee is responsible for the production of a report summarising any significant changes to the Groups risk register in relation to the risks assigned to that Committee for each meeting together with associated action plans.

Allied to this process is a proactive approach to incident reporting. All Clinical Commissioning Group staff are encouraged to report incidents using an incident form which facilitates the recording of consistent detail into the Clinical Commissioning Group database for review, investigation and analysis. The Clinical Commissioning Group reports all patient safety incidents to the National Reporting and Learning System and staff must comply with the requirements of the Serious Incident Policy.

## The Clinical Commissioning Group Internal Control Framework

A system of internal control is the set of processes and procedures in place in the Clinical Commissioning Group to ensure it delivers its policies, aims and objectives. It is designed to identify and prioritise the risks, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control allows risk to be managed to a reasonable level rather than eliminating all risk; it can therefore only provide reasonable and not absolute assurance of effectiveness.

Risks are scored using a consistent methodology of likelihood of the risk occurring and the impact should the risk materialise using a five point scale. The score for both are multiplied to provide an overall risk assessment and each risk is assessed twice. Firstly the inherent risk - which is the exposure arising from a particular risk in the absence of management actions - and secondly, a residual risk- which is the exposure arising from a particular risk after the successful application of management actions.

Individual Committees take responsibility for risks and provide assurance to the Audit Committee and Governing Body on the effectiveness of the process. The Audit Committee reviews all risks at each meeting and holds committee clinical and management leads to account as part of their oversight of the system of internal control. All risks are collated and presented to the committees and Governing Body in a combined Board Assurance Framework and risk register format. Risks with a residual score of 10 – 15 require constant active monitoring and measures to be put in place which reduce exposure. Risks with a residual score of 16 and above require immediate corrective action. The Governing Body receives and considers an update at each meeting for risks with an initial or residual score of 16 and above. These risks can only be closed by the Governing Body.



## Information Governance

The NHS Information Governance Framework sets the processes and procedures by which the NHS handles information about patients and employees, in particular personal identifiable information. The NHS Information Governance Framework is supported by an information governance toolkit and the annual submission process provides assurances to the Clinical Commissioning Group, other organisations and to individuals that personal information is dealt with legally, securely, efficiently and effectively.

The Clinical Commissioning Group has a nominated Caldicott Guardian and Senior Information Risk Owner, both of whom have received subject-specific training to help them deliver the requirements of these roles. The Clinical Commissioning Group has appointed the Audit Committee to oversee the progress of the Information Governance Toolkit Improvement Plan. An Information Asset Register and data flow mapping exercise has been completed and the Clinical Commissioning Group has a full complement of Information Asset Owners and Information Asset Administrators.

We place high importance on ensuring there are robust information governance systems and processes in place to help protect patient and corporate information. We have established an information governance management framework and are developing information governance processes and procedures in line with the information governance toolkit. We have ensured all staff undertake annual information governance training and have implemented a staff information governance handbook to ensure staff are aware of their information governance roles and responsibilities. There are processes in place for incident reporting and investigation of serious incidents. We are developing information risk assessment and management procedures and a programme will be established to fully embed an information risk culture throughout the organisation.

## Pension Obligations

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the scheme are in accordance with the scheme rules, and that member pension scheme records are accurately updated in accordance with the timescales detailed in the regulations.

## Equality, Diversity & Human Rights Obligations

Control measures are in place to ensure that the Clinical Commissioning Group complies with the required public sector equality duty set out in the Equality Act 2010.

## Sustainable Development Obligations

The Clinical Commissioning Group is required to report its progress in delivering against sustainable development indicators.

We are developing plans in conjunction with NHS Property Services to assess risks, enhance our performance and reduce our impact, including against carbon reduction and climate change adaptation objectives. This includes establishing mechanisms to embed social and environmental sustainability across policy development, business planning and in commissioning.

We will ensure the Clinical Commissioning Group complies with its obligations under the Climate Change Act 2008, including the Adaptation Reporting power, and the Public Services (Social Value) Act 2012. We are also setting out our commitments as a socially responsible employer.

## Risk Assessment in Relation to Governance, Risk Management & Internal Control

In accordance with the Clinical Commissioning Group Risk Management Strategy, risks with a residual score of 16 and above are presented to the Clinical Commissioning Group Governing Body, open risks at March 31st 2014 that meet this threshold are set out below.

- **Failure to achieve significant QIPP targets in 2014/15 and 2015/16 puts the future financial stability of the Clinical Commissioning Group at risk**

The Clinical Commissioning Group has a history of delivering QIPP targets in the current financial year. However, the level of future years savings is significant and it is prudent to recognise the risk inherent in delivering a programme of this scale. The risk is centrally managed by the Finance & Performance Committee.

- **Failure of a main provider due to financial pressures will result in inadequate care for the local population**

Mitigating actions include robust contract management via contract review meetings, performance management and joint strategic planning. Meetings between the Clinical Commissioning Group and Provider Trust Senior Managers are taking place to consider Clinical Commissioning Group proposals on methodologies to mitigate financial risk.

- **The delivery of efficiency savings could impact the drive for quality in health care**

There has been a 'Board-2-Board' meeting between the Clinical Commissioning Group and Provider Trust and Quality Surveillance Meetings with the Local Area Team. Quality Impact Assessments on QIPP schemes have been completed and are monitored through the Clinical Commissioning Group governance architecture.

- **Failure to achieve whole of Quality Premium resulting in lost income and reputational damage**
- **Overall achievement of the Quality Premium is impacted by performance issues with the delivery of Local and National Targets by the local provider which reduces the Quality Payment that the Clinical Commissioning Group receives with the consequent financial and reputational impact**

A performance management system has been established and assurance is provided to the Clinical Development Committee, Quality & Safety Committee and Finance and Performance Committee on a routine basis.

Other major risks identified in the Board Assurance Framework relate primarily to quality and performance issues in commissioned services and are directly related to the CCG's own system of internal control.

## Review of Economy, Efficiency & Effectiveness of the Use of Resources

The Governing Body has established arrangements to ensure it achieves economy, efficiency and effectiveness from the use of its resources. The Clinical Commissioning Group manages its financial resources in accordance with an annual financial plan and has developed a medium term financial plan to provide a strategic context to decisions in respect of resource control and areas of investment and/or disinvestment. The Chief Finance Officer reports to both Finance and Performance Committee and Governing Body on the delivery of the financial plan including any remedial action necessary to correct deviation from plan.



The Governing Body, although retaining overall responsibility for the achievement of statutory functions in relation to finance, has established a Finance and Performance Committee to enable a forensic level of scrutiny and challenge to the delivery of the financial plan together with specific programme areas and commissioned services.

The Clinical Commissioning Group Governing Body has also established an Audit Committee with a specific remit to scrutinise the efficacy of the CCG's arrangements for achieving value for money. The committee is supported in its work by both internal and external auditors who highlight areas of concern and recommendations for improvement.

### Review of the Effectiveness of Governance, Risk Management & Internal Control

As Accountable Officer I have responsibility for reviewing the effectiveness of the system of internal control within the Clinical Commissioning Group.

I am supported in this by the Governing Body as a whole and in particular, by the Lay Member for Governance who has brought specific governance related expertise and experience to the work of the Governing Body. The Lay Member for Governance has reviewed the Annual Governance Statement and is supportive of its content.

### Capacity to Handle Risk

The Governing Body has responsibility for establishing the overall strategic direction of the Group. It provides oversight of risk management by:

- Creating the environment for risk management to operate effectively
- Being periodically appraised of the corporate risk profile and examining whether management is responding appropriately
- Considering the formal annual review of the effectiveness of the system of internal control

The Clinical Commissioning Group retains responsibility for the proper performance of the risk management function. In practice, the operational response is led by the Chief Finance Officer supported by a commissioned service provided by Central Midlands Commissioning Support Unit. The commissioned service includes the provision of training packages which focus on how different groups interact with the risk environment and their responsibilities.

### Review of Effectiveness

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers and clinical leads within the Clinical Commissioning Group who have responsibility for the development and maintenance of the internal control framework. I have drawn on performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports.

The Board Assurance Framework itself provides me with evidence that the effectiveness of controls that manage risks to the Clinical Commissioning Group achieving its principles objectives have been reviewed.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Governing Body, the Audit Committee and Quality & Safety Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Dudley Clinical Commissioning Group is one of seven CCGs within the scope of the Birmingham, Black Country and Solihull Area Team of NHS England. The Area Team provides an assurance role in respect of oversight of the Clinical Commissioning Group supported by quarterly assurance reviews against a national framework of key metrics.

Following completion of the planned audit work for the financial year for the Clinical Commissioning Group, the Head of Internal Audit issued an independent and objective opinion on the adequacy and effectiveness of the Clinical Commissioning Group's system of risk management, governance and internal control. The Head of Internal Audit concluded that:

My **overall opinion** is that **significant** assurance can be given 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. However, some weakness in the design and/or inconsistent application of controls, put the achievement of particular objectives at risk.

During the year the Internal Audit issued no audit reports with a conclusion of limited assurance and only two with moderate assurance. The full version of the Head of Internal Audit Opinion is included at Appendix 1 to this Section.

### Data Quality

The Governing Body regularly review the adequacy of the data quality used to support decision making.

### Business Critical Models

I can confirm an appropriate framework and environment is in place to provide quality assurance of business critical models, in line with the recommendations in the Macpherson report and that all business critical models have been identified and that information about quality assurance processes for those models has been provided to the Analytical Oversight Committee, chaired by the Chief Analyst in the Department of Health.

This framework is informed by the role of the Audit Committee and internal audit programme to review systems of internal control to identify areas for improvement. The Clinical Commissioning Group also has a rigorous performance management framework which it uses to monitor delivery of services from its third party contractors.

The Clinical Commissioning Group is also developing its business continuity arrangements which will identify those business processes which need to be recovered as a priority in the event of business disruption.

### Data Security

The 2013/14 IG Toolkit submission was 69%. We have achieved a satisfactory level of compliance with the information governance toolkit assessment.

There have been no Serious Incidents of an Information Governance nature that have required a report to the Information Commissioner's Office.



## Discharge of Statutory Functions

During establishment, the arrangements put in place by the Clinical Commissioning Group and explained within the Corporate Governance Framework were developed with extensive expert external legal input, to ensure compliance with the all relevant legislation. That legal advice also informed the matters reserved for Membership Body and Governing Body decision and the scheme of delegation.

In light of the Harris Review, the Clinical Commissioning Group has reviewed all of the statutory duties and powers conferred on it by the National Health Service Act 2006 (as amended) and other associated legislative and regulations. As a result, I can confirm that the Clinical Commissioning Group is clear about the legislative requirements associated with each of the statutory functions for which it is responsible, including any restrictions on delegation of those functions.

Responsibility for each duty and power has been clearly allocated to a lead Director. Directorates have confirmed that their structures provide the necessary capability and capacity to undertake all of the Clinical Commissioning Group's statutory duties.

## Conclusion

I conclude, therefore, that no significant internal control issues have been identified during the 2013/14 financial year.

**Signed by Mr Paul Maubach, Chief Accountable Officer, on behalf of NHS Dudley Clinical Commissioning Group, on June 3rd, 2014**

## Appendix 1

### HEAD OF INTERNAL AUDIT OPINION ON THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL AT NHS DUDLEY CLINICAL COMMISSIONING GROUP (CCG) FOR THE YEAR ENDED 31 MARCH 2014

#### Roles and responsibilities

The 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 achievement 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;
- 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 should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that Internal Audit have 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.



## The Head of Internal Audit Opinion

The purpose of my annual HoIA 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 in turn assist the Governing Body in the completion of its AGS.

My opinion is set out as follows:

1. Overall opinion;
2. Basis for the opinion;
3. Commentary.

My **overall opinion** is that **significant** assurance can be given 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. However, some weakness in the design and/or inconsistent application of controls, put the achievement of particular objectives at risk.

The **basis** for forming my opinion is as follows:

1. An assessment of the design and operation of the underpinning Assurance Framework and supporting processes; and
2. 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 throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.
3. Any reliance that is being placed upon third party assurances.

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

### The design and operation of the Assurance Framework and associated processes.

I have reviewed the overall arrangements the Governing Body has in place to conduct its review of the system of internal control. This has entailed reviewing the way in which the Governing Body has identified the principal risks to achieving its objectives, the identification of controls in operation to mitigate against these risks and the degree to which the organisation has received assurances that these issues are being controlled. I have approached this by examining the Assurance Framework documents that you have in place and also by giving consideration to the wider reporting to the Governing Body that would assure them on the effectiveness of the system of internal control.

In this, its first year of operation, the CCG has developed its Assurance Framework document during the course of the financial year. Over the period of its development, we have sought to confirm that the ongoing and developing framework for assurance has provided reasonable assurance to the Governing Body regarding the effectiveness of its system of internal control.

In this context, it is my view that an Assurance Framework (and associated assurance processes that have been in place during the course of the year) has been established which is designed and operating to meet the requirements of the 2013/14 AGS and provides reasonable assurance that there is an effective system of internal control to manage the principal risks identified by the organisation.

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

My opinion also takes into account the range of individual opinions arising from risk-based audit assignments that have been reported throughout the year. An internal audit plan for 2013/14 was developed to provide you with independent assurance on the adequacy and effectiveness of systems of control across a range of financial and organisational areas. To achieve this our internal audit plan was divided into two broad categories; work on the financial systems that underpin your financial processing and reporting and then broader risk focused work driven essentially by principal risk areas that you had identified in your Assurance Framework. A summary of work undertaken is included below:

- During the year we have undertaken reviews of the input and output controls within your core financial systems and given either full or significant assurance with regard to the management of risk in these areas. We have also provided full assurance in relation to in-year financial management arrangements.
- We have undertaken a number of pieces of work on areas of principal risk and reviews requested during the year. In general we have been able to conclude that these systems are robust and operate in a good control environment.
- However, we did raise concerns with regard to the effectiveness of controls over the systems in process to identify and deliver QIPP and associated savings, although this was raised within the context of the CCG achieving its overall financial targets. We also raised concerns regarding the systems in place to administer continuing health care.
- We have agreed action plans with management in relation to these two moderate assurance areas and continue to monitor the implementation of those plans.

It is my view, taking account of the respective levels of assurance provided for each audit review, an assessment of the relevant weighting of each individual assignment and the extent to which agreed actions have been implemented, that you have a generally sound system of internal control.

### Reliance on third party assurances

In arriving at my overall opinion I have sought to place reliance on third party assurances received from:

- NHS Shared Business Services through the provision of a year-end Service Audit Report
- NHS Central Midlands Commissioning Support Unit (CSU) through the provision of a year-end Service Audit Report, prepared by their internal auditors.