Follow-up: TriTech Institute Governance Review

Final Internal Audit Report

September 2022

Hywel Dda University Health Board

GIG CYMRU NHS WALES
Partneriaeth Cydwasanaethau
Gwasanaethau Archwilio a Sicrwydd
Shared Services Partnership
Audit and Assurance Services

Contents

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Acknowledgement

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Executive Summary

Purpose

This review has sought to establish progress made by management to implement agreed actions arising from the previous internal audit [report HDUHB-2122-40 refers], which concluded limited assurance over the governance arrangements in place within the TriTech Institute.

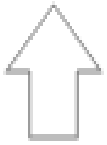
Overview of findings

Significant progress has been made by management to address the previous report findings including the development and submission of a TriTech business case. This is summarised in the Progress Summary table.

Action has been undertaken by management to address the findings, resulting in all matters arising being addressed and now closed.

We have concluded **Substantial** assurance overall.

Follow-up Report Classification

		Trend
Substantial 	**Follow up:** All recommendations implemented and operating as expected.	

Progress Summary

	Previous Matters Arising	Previous Priority Rating	Direction of Travel	Current Priority Rating
1	Submission and Approval of a Business Plan	High		Closed
2	Financial Governance	High		Closed
3	Risk Register	Medium		Closed
4	Head of TriTech Job Description	Medium		Closed
5	Segregation of Working Arrangements	Medium		Closed
6	Bidding Process Operating Procedure	Medium		Closed

1. Introduction

1.1 This audit sought to establish the progress made by management in implementing agreed actions to address the issues identified in the original review (report HDUHB-2122-40 refers).

1.2 The potential risks considered in the original review were:

- inappropriate governance and management arrangements;
- innovation activities undertaken and expenditure committed outside scheme of delegation and standing orders;
- joint working with partners and third parties not managed and controlled; and
- risks not identified and managed.

2. Findings

2.1 The table below provides an overview of progress in implementing the previous internal audit recommendations:

Original Priority Rating	Number of Recommendations	Implemented / Obsolete (Closed - No Further Action Required)	Action Ongoing (Further Action Required)	Not implemented (Further Action Required)
High	4	4	-	-
Medium	4	4	-	-
Total	**8**	**8**	**-**	**-**

2.2 Full details of recommendations requiring further action are provided in the **Management Action Plan** in **Appendix A**.

Appendix A: Management Action Plan

Matter Arising 1: Submission and Approval of a Business Case		
Original Recommendation		Original Priority
1.1 A formal business plan is currently being developed for TriTech. Management should ensure the business plan is submitted to the Health Board for scrutiny and include, but not limited to, the following in order to provide the Health Board the information on this collaborative initiative: • the scope, objectives and mission statement of TriTech; • detailed financial breakdown including the establishment of budgets and resources; • an exit strategy setting out the risk appetite and tolerances; • required quality and safety standards are explicitly outlined; and • key performance indicators.		**High**
Management Response	Target Date	Responsible Officer
The original case, presented as an SBAR, contained detailed activity and financial assumptions and has been instrumental to the set up phase and first year of TriTech's activities. A detailed five-year business plan, informed by the set up phase, is now being developed, with a first draft to be completed by the end of April 2022 and a final draft in place by May 2022. The business plan will contain: • The scope, objectives and mission statement of TriTech; • Governance; • Service assessment; • Market research, analysis, and strategy; • Competitor analysis; • Staffing plan; • Costs and pricing strategy; • Activity plan, with targets;	31st May 2022	Head of Clinical Engineering & TriTech Institute

• Financial forecast; • An exit strategy setting out the risk appetite and tolerances; and • Quality and safety standards with key performance indicators.		
Current findings		**Residual Risk**
The TriTech Institute has developed a business plan that was submitted to the Executive Team in June 2022, the Research & Innovation Sub-Committee and the People, Organisational Development & Culture Committee in August 2022 where it was approved. The business plan is due to be submitted to the Health Board meeting in September 2022. The business plan addresses key elements identified in the previous Internal Audit report. **Conclusion:** *Implemented – No Further Action Required.*		Potential risks of: • inappropriate governance and management arrangements; • innovation activities undertaken and expenditure committed outside of scheme of delegation and standing orders; and • risks not identified and managed
Original Recommendation		Original Priority
1.2 Management should establish and document the relationship structure in place between TriTech and other collaborative departments and groups to ensure responsibilities for items such as risk management, quality and safety, and managerial and professional arrangements have been identified and agreed by all parties.		**High**
Management Response	Target Date	Responsible Officer
The business plan will contain a governance section, so that the robust arrangements that have been put in place are clearly documented for future review. For assurance, it should be noted that several of the suggestions were already in place at the time of the audit:	31st May 2022	Head of Clinical Engineering & TriTech Institute

• There is a risk register which is incorporated in Hywel Dda University Health Board's risk management system and associated arrangements. Individual risk registers also exist for specific projects; • Quality and safety is of paramount importance to the initiative, with a clear governance route into the Research and Innovation Sub-Committee, which can then escalate the quality and safety arrangements as appropriate. Projects are only supported by TriTech when a sponsoring department has signed off that it is content with a project and this will often be done through their operational quality and safety arrangements. • Managerial and professional accountability arrangements have been agreed by the Medical Director, Chief Operating Officer, and Director of Therapies & Health Science. Evidence of this has been provided to the internal audit team.		
Current findings		**Residual Risk**
The approved *TriTech Institute Business Plan* set out the: 1. reporting structure from the senior management team through to the Health Board; 2. management structure, including managerial and professional lines of accountability, and 3. organisational structure documenting the members of the management group, senior and operational teams. The managerial and professional accountability arrangements have been agreed by the Medical Director, Chief Operating Officer, and Director of Therapies & Health Science. The business plan also states that risk management arrangements will be maintained by the TriTech Institute and reviewed at the TriTech Management Group and considered by the Research & Innovation Sub-Committee. **Conclusion:** *Implemented – No Further Action Required.*		Potential risks of: • inappropriate governance and management arrangements; • innovation activities undertaken and expenditure committed outside of scheme of delegation and standing orders; and • risks not identified and managed

Matter Arising 2: Financial Governance		
Original Recommendation		Original Priority
2.1 Management should review the financial requirements for the TriTech Institute to ensure expenditure and income generation targets are appropriate and align with the business plan currently being developed.		**High**
Management Response	Target Date	Responsible Officer
Management agree that the financial assumptions originally proposed in the business case SBAR produced in 2020 have changed. Whereas the original business case projected the majority of income would be secured through grant and advisory work, the reality has seen a much greater demand for real world evaluations commissioned directly by commercial organisations. These income lines are reflected in the finance tracker, which has been established with finance business partners and provides a more accurate and real time overview of the position. Additional pay costs were evident from the appointment of a temporary 'Deputy Head of TriTech' post but these costs have been built into the finance tracker in order to provide a balanced and accurate position on pay and non-pay costs. It should be noted that, due to being fixed term, they do not reflect a change in the agreed establishment. The finance tracker is updated and presented to the Tritech management group in the monthly meetings by the finance business partner and the tracker is also included within the TriTech updates to R&I sub-committee for assurance. As detailed in Matter 4 below, the Head of Tritech job description has been developed and has been through the A4C matching panel. Funding has been secured and this will be reflected within the finance tracker pay costs going forwards. The Finance business partners are actively involved with the preparation of the business plan to ensure all assumptions are robust and sensitivity checked.	31st May 2022	Senior Finance Business Partner

Current findings	Residual Risk
The *TriTech Institute Business Plan* sets out a total forecast return and summary of income streams over the next five years. The document includes a financial plan and projections with narrative provided for budgets and forecasts, and financial strategy, including the actual budgetary position for 2021-22 with subsequent forecasts made for the next four years based on a project growth rate of 10% to 15%, with the potential for significant growth if larger contracts are secured. **Conclusion:** *Implemented – No Further Action Required.*	Potential risks of: • inappropriate governance and management arrangements; • innovation activities undertaken and expenditure committed outside of scheme of delegation and standing orders; and • risks not identified and managed
Original Recommendation	Original Priority
2.2 Management should ensure that the financial performance of individual projects are recorded and reported to the TriTech Management Group in order to ensure expenditure is in line with allocated grants.	**High**

Management Response	Target Date	Responsible Officer
The finance team already track the financial performance of individual projects on the finance tracker. The Tritech Finance Business partners will look to introduce a more detailed individual project breakdown as part of the Financial performance reporting presented to the Tritech Management Group.	31st May 2022	Head of Clinical Engineering & TriTech Institute

Current findings	Residual Risk
Individual projects have been allocated their own cost and subjective codes in order to accurately assign income and expenditure. A review of the Month 3 2022/23 finance tracker confirmed that individual projects have been established detailing the pay, non-pay and income figures. Both realised and forecasted income and expenditure have been recorded within the tracker, whilst project updates and progression is reported at the TriTech Management Group. **Conclusion:** *Implemented – No Further Action Required.*	Potential risks of: • inappropriate governance and management arrangements; • innovation activities undertaken and expenditure committed outside of scheme of delegation and standing orders; and • risks not identified and managed

Matter Arising 3: Risk Register		
Original Recommendation		Original Priority
Management should review risks recorded on the current register to ensure the detail provided addressed the title requirements set out in the register.		**Medium**
Management Response	Target Date	Responsible Officer
This management action applies to Risk 1144 '*There is a risk the TriTech Service is unable to gain Corporate and Health Board support to deliver on its research & innovation objectives*'. This risk has now been archived / closed as we have gained corporate support, finances have been agreed and the internal audit report has concluded and thus provides assurance in this regard.	24th March 2022	Head of Clinical Engineering & TriTech Institute
Current findings		**Residual Risk**
A review of the latest risk register submitted to the Research and Innovation Sub-Committee in August 2022 noted that the detail of the recorded risks addressed the title requirements set out in the register. **Conclusion:** *Implemented – No Further Action Required.*		Potential risk of: • risks not identified and managed.

Matter Arising 4: Head of TriTech Job Description		
Original Recommendation		Original Priority
Management should ensure the position of the Head of TriTech is formalised and a job description is developed, approved and promptly issued.		**Medium**
Management Response	Target Date	Responsible Officer
The job description has been developed and has been through the A4C matching panel. Funding has been secured and recruitment will begin in April 22. Pending successful recruitment, we envisage the new Head of Tritech to be appointed and in post by the end of August 22. The Medical Director, Chief Operating Officer, and Director of Therapies & Health Science have agreed a clear plan to ensure appropriate governance and managerial arrangements are in place for the intervening period.	31st August 2022	Director of Research, Innovation & University Partnerships
Current findings		**Residual Risk**
An approved job description for the role of Head of TriTech and Innovation was produced and advertised by the Health Board, with a successful candidate appointed to this role. **Conclusion:** *Implemented – No Further Action Required.*		Potential risk of: • inappropriate governance and management arrangements.

Matter Arising 5: Segregation of Working Arrangements		
Original Recommendation		Original Priority
Management should review arrangements within the Clinical Engineering Departments to ensure: • clear segregation of duties for individuals undertaking work on behalf of TriTech; and • any work undertaken on behalf of TriTech is accurately captured.		**Medium**
Management Response	Target Date	Responsible Officer
The original business case SBAR was reviewed and agreed by the Deputy Director of Operations and the Director of Research and Innovation to ensure the segregation of duties during the set up period. Learning from the set up period, a further plan was put in place within Clinical Engineering to ensure the Head of Clinical Engineering has dedicated time to spend on TriTech until the new 'Head of TriTech' is appointed. The Deputy Director of Operations keeps this plan under review to ensure the Clinical Engineering Department continues to support TriTech, while not compromising the daily duties of the department. Capturing this is a routine management task. Following the appointment of the new 'Head of TriTech', any contribution from the Clinical Engineering department will be considered on a project-by-project basis.	24th March 2022	Deputy Director of Operations & Head of Clinical Engineering & TriTech Institute
Current findings		**Residual Risk**
The appointment of the Head of Clinical Engineering into the Head of TriTech role, due to commence in September 2022, has resulted in a segregation between the previously shared role that was in place. The reporting arrangements in the five-year *TriTech Institute Business Plan* notes that managerial responsibility for the role of Head of TriTech lies with the Director of Research, Innovation & University Partnerships, whilst the professional accountability continues to be assigned to the Director of Therapies & Health Sciences. **Conclusion:** *Implemented – No Further Action Required.*		Potential risk of: • inappropriate governance and management arrangements.

Matter Arising 6: Bidding Process Operating Procedure		
Original Recommendation		Original Priority
Management should develop a standard operating procedure to document the grants bidding process for TriTech.		**Medium**
Management Response	Target Date	Responsible Officer
A new standard operating procedure to document the grants bidding process for TriTech is in development and will be complete by end of May 2022.	31st May 2022	Deputy Head of TriTech Institute
Current findings		**Residual Risk**
A *Funding Bid Process Standard Operating Procedure* (RDSOP-24) has been produced that provides guidance to researchers working in Hywel Dda that wish to apply for study grant funding. The SOP was submitted and approved at the TriTech Management Group (TMG) in April 2022 and Research Quality Management Group (RQMG) in May 2022. **Conclusion:** *Implemented – No Further Action Required.*		Potential risk of: • joint working with partners and third parties not managed and controlled.

Appendix B: Assurance opinion and action plan risk rating

Audit Assurance Ratings

We define the following levels of assurance that governance, risk management and internal control within the area under review are suitable designed and applied effectively:

 **Substantial assurance**	Few matters require attention and are compliance or advisory in nature. **Low impact** on residual risk exposure. **Follow up:** All recommendations implemented and operating as expected
 **Reasonable assurance**	Some matters require management attention in control design or compliance. **Low to moderate impact** on residual risk exposure until resolved. **Follow up:** All high priority recommendations implemented and progress on the medium and low priority recommendations.
 **Limited assurance**	More significant matters require management attention. **Moderate impact** on residual risk exposure until resolved. **Follow up:** No high priority recommendations implemented but progress on most of the medium and low priority recommendations.
 **No assurance**	Action is required to address the whole control framework in this area. **High impact** on residual risk exposure until resolved. **Follow up:** No action taken to implement recommendations

Prioritisation of Recommendations

We categorise our recommendations according to their level of priority as follows:

Priority level	Explanation	Management action
High	Poor system design OR widespread non-compliance. Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in system design OR limited non-compliance. Some risk to achievement of a system objective.	Within one month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. Generally issues of good practice for management consideration.	Within three months*

* Unless a more appropriate timescale is identified/agreed at the assignment.

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