

# Glangwili General Hospital Fire Precautions Works: Phase 1 Final Internal Audit Report

February 2023

Hywel Dda University Health Board



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### Acknowledgement

NHS Wales Audit and Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

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# Executive Summary

## Purpose

The audit was undertaken to review the delivery and management arrangements in place to progress the Glangwili General Hospital (GGH) Fire Precautions: Phase 1; and the performance, against its key delivery objectives i.e., time, cost, and quality.

## Overall Audit Opinion and Overview

Phase 1 contributes to addressing the fire safety notices at GGH in a timescale agreed with the Mid & West Wales Fire Rescue Services (MWWFRS).

Allied with the need to demonstrate immediate action to MWWFRS, the project progressed with several uncertainties. WG recognised this and provided additional contingency sums over and above the UHB contingency provided within the WG approvals. Given these uncertainties, with NWSSP: Specialist Estates Services advice, an alternative contract was adopted (option E: cost reimbursement).

**Time:** The original completion date has slipped from March 2023 to November 2023, primarily attributed to the requirement for increased firestopping to that envisaged and additional work post surveys (note: contingency sums were set aside by WG for unforeseen costs such as these). MWWFRS are fully aware of the programme and met with the UHB in December 2022 where the overall programmes of all fire schemes were discussed. MWWFRS are due to inspect the site in February/March 2023 to confirm that the deadline for the fire notice can be extended accordingly.

**Cost:** A sensitivity analysis has been undertaken to demonstrate the best and worst-case outturn costs. The results range from an underspend of £2.36m to a £0.39m overspend. Key to demonstrating the ongoing affordability and adequacy of remaining contingencies is the production of the SCP mini final accounts. An updated mini final account is due in late January 2023 that would give more certainty on the current assumptions on the outturn cost position. However, at the time of reporting, this exercise had not been concluded.

**Quality:** The University Health Board (UHB) has experienced performance issues with the Supply Chain Partner’s (SCP) design team, specifically the timely and appropriate redesign of notified issues. The UHB has been proactive in raising issues across the fire projects, however, they should continue to monitor performance and escalate accordingly.

Other key matters arising at the project include:

## Report Classification

Reasonable



Some matters require management attention in control design or compliance.

**Low to moderate impact** on residual risk exposure until resolved.

## Assurance summary <sup>1</sup>

Assurance objectives	Assurance
1 Project Performance	Reasonable
2 Governance	Substantial
3 Contracts	Reasonable
4 Monitoring and Reporting	Substantial
5 Cost Verification	Reasonable
6 Change Management	Reasonable
7 Performance Management	Reasonable
8 Payments	Substantial
9 Stakeholder Engagement	Substantial

<sup>1</sup> The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion

- Noting that significant elements of the SCP costs are based on timesheets, recommendations have been made to confirm that the qualifications/ experience of key staff accord with framework rates applied.
- Contract changes need to be aligned with the approved scheme of delegation for the project.

Noting the complex nature of the works, their statutory nature o, the form of contract adopted and that scenario cost reporting, **reasonable** assurance has been determined.

Matters Arising		Assurance Objective	Control Design or Operation	Recommendation Priority
2.1	The UHB should liaise with Specialist Estates Services to agree a framework approach to ensuring the SCP completes contractual documentation in a timely manner.	3	Operation	Medium
2.2	The Supply Chain Partners call off contract guarantee should be signed by all parties.	3	Operation	Medium
4.1	Enhanced checks are required of the application for payments submitted by the Supply Chain Partner.	5	Operation	Medium
4.2	Any contractual changes should be agreed and appropriately documented.	5	Operation	Medium
4.3	Value for money of shared resources needs to be demonstrated.	5	Operation	Medium
5.1	Delegated limits should be reviewed to provide an upper financial limit for Project Manager approvals. Where external resource is used to support items such as room clearances; these instances should be recorded/ approved by the UHB.	6	Control	Medium
6.1	Further efforts are required to ensure design resolutions are undertaken in a timely manner; and an effective audit trail of evidence needs to be maintained that supports the performance issues raised with the contractor.	7	Operation	Medium

Future Assurance Matters		Assurance Objective	Control Design or Operation	Recommendation Priority
2.1	The UHB should liaise with Specialist Estates Services to agree a framework approach to ensuring the SCP completes contractual documentation in a timely manner.	3	Operation	Medium

*\*Future assurance matters are for management action at future projects. Noting current action cannot be undertaken at this project the Audit & risk Assurance Committee is requested to exclude from the audit tracker and the matter arising included in this report for management information. These have however been taken into account when determining the assurance rating at this report.*

## 1. Introduction

- 1.1 The review was actioned in accordance with the Integrated Audit Plan agreed within the approved business case for the Glangwili General Hospital (GGH) Fire Precaution Works: Phase 1.
- 1.2 The scope of works for the project is to complete fire precautions upgrade and improvement works to comply with Mid & West Wales Fire & Rescue Services (MWWF&RS) Enforcement Notices and Letters of Fire Safety Matters. A phased strategy for completing the work has been agreed with MWWF&RS and Welsh Government (WG) funding secured for the same in the sum of £16,449,503 (incl. VAT). Similar multi-phased work is being planned/ progressed across all the University Health Board's (UHB) major acute sites.
- 1.3 At the time of the current audit, the project was midway through the construction phase with completion/handover anticipated in December 2023.
- 1.4 The audit also sought to confirm the mitigation and management of negative impacts to key project objectives, time, cost, and quality of the delivered project.

## 2. Detailed Audit Findings

- 2.1 **Project Performance:** Summary of the achievement of the project's key delivery objectives (time, cost, and quality) for the period. At a project audit, levels of assurance are determined on whether the project achieves its original key delivery objectives and that governance, risk management and internal control within the areas under review are suitably designed and applied effectively.

### Background

- 2.2 In April 2020, the UHB received fire safety notices requiring urgent action to address fire safety issues at GGH.
- 2.3 The UHB approached Supply Chain Partners (SCP) from the NHS: Building for Wales framework to appoint a preferred partner to deliver the works. Given the level of uncertainty on the works required and gaps in the existing survey information, the framework contractors elected not to bid for the works – primarily as the risk was unfairly weighted towards the SCP.
- 2.4 Following dialogue with NWSSP: Specialist Estates Services, several contractual options were considered to address the SCP concerns. The utilisation of the NEC Option E: cost reimbursement contract was determined the most appropriate contract methodology, noting the nature of the works and the associated contractual risks i.e., effectively a cost-plus contract allowing the contractor to recharge the costs of any works undertaken with the addition of a pre-tendered profit and overhead allowance. This form of contract offered far greater assurance to the contractor on financial risks, but the compliance fire risk around standards would remain with the contractor. Despite this, only one bidder confirmed interest in the project which highlighted the lack of market appetite for a project of this complexity.

- 2.5 A Business Justification Case (BJC) was produced in July 2021 and approved by WG in November 2021, with the capital cost estimate of £16,449,503 including VAT. This included both the quantified risk contingency allocated to the UHB and an additional quantified risk contingency to be allocated by WG (reflecting the level of uncertainty associated with the project) – see **figure 2** below.
- 2.6 At this first audit of the GGH Fire Precautions – Phase 1, when assessing progress against the original delivery objectives, the following was evidenced:

### Time

- 2.7 The Project Manager’s report (November 2022) indicated that the works were forecast to be delayed by circa nine months in accordance with the agreed contract construction programme.

**Figure 1: Programme dates**

Milestone Event	Planned Dated	Currently Accepted Programme
Construction Start Date	4 April 2022	12 April 2022
Anticipated Completion Date	24 April 2023	4 December 2023

- 2.8 The adjusted programme incorporates multiple elements which were not known at the time that the first accepted programme was developed. This includes the requirement to fire stop on both sides of the walls, open masonry joints and additional scope for zones which have been surveyed (approx. 50% of the entire hospital).

### Cost

- 2.9 The project funding is currently stated as:

**Figure 2: Project Funding**

Current Funding Position	(£M)
Works Costs	8.875
Fees	1.002
Non-Works	0.316
UHB Contingency	0.906
WG Contingency	2.759
VAT (including reclaim)	2.592
<b>Overall</b>	<b>16.450</b>

2.10 The following table summarises the current financial position with a sensitivity analysis requested by NWSSP-SES of best and worst-case total outturn costs produced by the UHBs Cost Adviser:

**Figure 3: Project Forecast Outturn Cost**

Current Financial Summary Position	Estimated Outturn Costs (incl. VAT)	Variance From WG Funding (incl. VAT)
Current Welsh Government funding allocation	£16.45M	N/A
Forecast Outturn Cost including agreed CEs to date	£13.15M	-£3.30M
Forecast Outturn Cost including agreed CEs to date and pending CEs /risks	£15.47M	-£0.98M
Sensitivity analysis - best case	£14.09M	-£2.36M
Sensitivity analysis - worst case	£16.84M	+£0.39M

The above highlights the unpredictability of the project outturn cost for a scheme of this type i.e., ranging from £2.36m underspend to £0.39m overspend. However, as items such as the value of VAT reclaim are agreed, the range of potential outturn position will reduce.

### Quality

2.11 Design team performance issues (specifically the timely redesign and implementation of notified issues) continue to be an issue, these have been identified and raised through the Project Manager's reports to the Project Group. The Project Manager is tracking this and has held separate meetings to discuss design specific actions, however these issues continue to cause operational issues e.g. areas not completed awaiting completion of drawings.

**Governance:** Adequate governance arrangements were applied at the project, including e.g., integration with existing UHB structures, accountability to WG.

2.12 The project operated within a defined governance structure and detailed within the Project Execution Plan (PEP).

2.13 Given the technical compliance nature of the works, the Project Director role was appropriately assigned to the Director of Estates, Facilities & Capital Management. Roles and responsibilities were operating as expected, with clear visibility from the Project Director and internal/ external Project Managers.

2.14 The project was monitored and controlled via the Project Group as defined within the Project Group Terms of Reference (TORs). The TOR were broadly sufficient but require review to ensure items such as appropriate membership is maintained (see **MA1**).

2.15 The Project Group was supported by the Project Team, with this forum meeting formally monthly through the construction programme. Noting the Option E – cost reimbursement contract operating at this project; the scope of the project can change rapidly e.g., through additional unforeseen works. Accordingly, to effectively manage the same, the UHB has established bi-weekly Project Team



meetings. This has enabled construction/programming issues to be highlighted in a timely manner.

- 2.16 Regular attendance at these forums by key members including the Project Director, Finance representatives and the external advisers was observed.
- 2.17 All WG construction and infrastructure contracts valued at £2m or more which are delivered directly on behalf of WG Departments are required to have a Project Bank Account (PBA). The PBA for this project has been agreed and the UHB are looking to process the first payments shortly.
- 2.18 Recognising the above, **substantial assurance** has been determined in relation to the governance arrangements in place at the project.

**Contracts:** Adviser and contractor contracts have been completed in a timely manner.

- 2.19 The form of contract that is generally applied at major NHS Wales projects (as set out within the requirements for the NHS Wales national frameworks) is the NEC Option C (Target Contract with Activity Schedule, including pain/gain share mechanism). However, as indicated previously, recognising the nature of the works and market risk appetite, the NEC Option E: cost reimbursement contract has been applied at this project i.e., the contractor is reimbursed the actual costs they incur in carrying out the works, plus an additional fee.
- 2.20 At the time of audit fieldwork (November/December 2022) all contracts were in place with the SCP, Project Manager, Cost Adviser and Supervisor. However, delays in signing the contracts have been highlighted (see **MA2**) despite the UHB chasing the SCP for signatures, however, further liaison with NWSSP: Specialist Estates Service could help highlight this issue to the SCP.
- 2.21 Recognising the above, **reasonable assurance** has been determined in relation to the contractual arrangements in place at the project – lessons should be learnt which may be applied at future phases of this project and/or future projects with the appointed contractor.

**Monitoring and Reporting:** Assurance that time, cost, and quality factors are adequately monitored/ reported and escalated as required.

- 2.22 Project Monitoring was undertaken via the informal bi-weekly and formal monthly Project Team and monthly Project Group meetings.
- 2.23 The Project Manager's report is produced and submitted monthly to the Project Group this report includes:
- Time and cost position, including balance on contingency.
  - Commercial report supplied by the UHBs Cost Adviser.
  - Project risk register etc.
- 2.24 Internal UHB reporting was via the Project Group to the Capital Sub-Committee via highlight reports. There was also regular reporting to the Health and Safety Committee on the progression of the Fire Precautions works across the UHB, including the GGH Phase 1 works.



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- 2.25 The UHB also reports to WG on project progress e.g. via CRM meetings, bi-monthly dashboard reporting etc. The WG dashboards include a breakdown of the project's overall financial position. Noting the same, the dashboards could better explain the financial position of the project, noting the option E type contract; thereby enhancing transparency and ensuring consistency of reporting (see **MA3**).
- 2.26 Recognising the above, **substantial assurance** has been determined in relation to the monitoring and reporting mechanisms in place at the project.

**Cost Management:** Assurance that appropriate cost management arrangements were in place to manage the cost reimbursable contract. Including the valuation/ certification process and the management of risk/ changes.

- 2.27 As mentioned previously, the NEC Option E: cost reimbursement contract adopted means the contractor is reimbursed the actual costs they incur in carrying out the works, plus an additional fee.
- 2.28 Key to managing costs at such a project is the ongoing scrutiny of cost claims and robust performance management. The September 2022 application for payment in the sum of £387,646 was tested at the current audit. Given the labour-intensive nature of the works, a significant element was based on the SCP and its adviser's timesheet submissions. Generally, supporting information was appropriate and adequately checked. Four issues were identified requiring management attention including the adequacy of identity checks and an amendment to the schedule of cost components; however, these amounts were not anticipated to be significant (see **MA4**).
- 2.29 The November 2022 commercial report provided a sensitivity analysis on the financial summary of the project. A key indicator to inform project affordability will be the agreement of the 'interim final account' covering the initial phases of the work. An initial report was provided in October 2022, but only provided a breakdown of the BJC costs for the SCP with no forecast outturn position. An updated mini final account report was provided to the January 2023 Project Group; however, a full analysis and scrutiny of the mini final account was ongoing at the time of fieldwork.
- 2.30 The project's cashflow position was monitored on an ongoing basis and incorporated within the monthly Project Manager's reports submitted to the Project Group. A finance group met prior to the project team and scrutinised the project cash-flow (and forecasts) in greater detail and provided a summary update to the Project Group.
- 2.31 Whilst recognising that the cost management of the project is particularly complicated, a **reasonable assurance** has been determined in relation to the cost management mechanisms operating at the project.

**Change Management:** appropriate internal and contractual change control mechanisms were applied at the project

- 2.32 The uncertainty at the time of letting the contract and the assumption that there will be a significant amount of variation as issues are discovered and existing

assumptions are confirmed is recognised (and reflected in the form of contract applied (NEC Option E).

- 2.33 Noting the form of contract utilised, the Director of Finance had agreed a unique set of delegated limits covering the fire projects at GGH and WGH. These arrangements allow the externally appointed Project Manager to instruct works of any value that fall within the original scope of the works and associated project objectives (i.e., work required to lift the fire notices). Other works would require formal UHB sign off.
- 2.34 At the time of the review, none of the contract changes awarded to date required formal sign-off by the UHB.
- 2.35 One project change that required additional control was the requirement to provide attendant labour to facilitate room clearance (£77,764). While a further change relating to asbestos (£147,710.78) fell within the scope as defined within the WG approval letter; given the value, good practice would require UHB approval - to demonstrate sound cost control. It is recognised that in both instances The UHB would have approved the work to avoid SCP delay and associated costs.
- 2.36 Given the above, we have recommended that delegated limits are reviewed to provide further clarity on the instances highlighted and to provide an upper financial limit whereby UHB approval is required (see **MA5**). We have also recommended the enhanced reporting of changes to the Project Group (see **MA5**).
- 2.37 Change management was being administered in accordance with the contract and sufficient information was provided to support agreed costs. Whilst specific delegated limits had been defined for this project, it has been recommended that further clarity is required on the application of the limits to address the concerns above. Given concerns relate to only two instances identified within the sample, a **reasonable assurance** can be determined.

**Performance management:** Appropriate arrangements were in place to performance manage the internal team, external advisers, and the main contractor – identifying appropriate corrective action to address performance.

- 2.38 Key Performance indicators were produced every 6 months to assess the SCP, Cost Adviser and Project Manager's performance. Performance issues reported on a frequent basis within the Project Manager's report, i.e., associated with the SCP's appointed Design Team. No clear resolution of the issues was identified at the time of writing (see **MA6**). It is understood that any adverse performance issues at GGH are reduced, recognising shared practices and lessons being learned at previous fire projects.
- 2.39 Recognising the above, **reasonable assurance** has been determined in relation to the performance management mechanisms in place at the project.

**Payments** - adequate processes were in place to ensure that the contractor was correctly reimbursed in accordance with the contract.

- 2.40 A sample of payments were reviewed to confirm completeness and timeliness.

- 2.41 No issues were identified with the accuracy of supporting information. However, two of the payments (totalling £16,939 from a sample of £1,653,110) reviewed had been made marginally after the anticipated due date. However, it was established that payments were put on hold by accounts payable - as the supplier had changed their bank account details but had not been updated within the Oracle system.
- 2.42 Recognising the cause of the delay in payments and materiality, **substantial assurance** has been determined.

**Stakeholder Engagement:** Given the intrusive nature of the works proposed in a live hospital environment, an assessment was made of the arrangements in place to advise users/ key stakeholders of the impact of the programme and any programme changes/ delays.

- 2.43 The liaison officer and other members of the Project Team understand the clinical needs of the service and communicate with clinicians effectively to resolve potential bottlenecks within the construction phase.
- 2.44 Three-weekly look-ahead meetings were held weekly with the Project Manager, contractor and UHB staff in attendance, to map out future works.
- 2.45 Regular updates were provided to the weekly hospital management meeting, with attendance by the general manager, senior nurse manager service managers, demonstrating clinical engagement at a senior level. Other forums such as monthly fire locality meetings were evident.
- 2.46 Recognising the above, **substantial assurance** has been determined in relation to the stakeholder engagement mechanisms in place at the project.

## Appendix A: Management Action Plan

Matter Arising 1: Project Group Terms of Reference (Operation)		Impact
<p>Terms of Reference (TOR) were in place for the Project Group and were reviewed as part of audit fieldwork. Whilst broadly assessed as adequate, the following was noted:</p> <ul style="list-style-type: none"> <li>The TORs were last updated and agreed in May 2021 prior to the commencement of construction. The review period stipulated at least annually approval.</li> <li>The membership section of the TORs also requires review to ensure appropriate individuals are named for the stage of the project (construction phase).</li> </ul>		<p>Potential risk of:</p> <ul style="list-style-type: none"> <li>The governance framework does not operate effectively.</li> </ul>
Recommendations		Priority
1.1 The Terms of Reference should be reviewed for appropriateness and subsequently re-approved.		<b>Low</b>
Agreed Management Action	Target Date	Responsible Officer
1.1 Agreed. The Terms of Reference were circulated at the January 2023 Project Group and any changes will be ratified at the February 2023 Project Board meeting.	April 2023	Project Director

Matter Arising 2: Contract Completion (Operation)					Impact																				
<p>It is important that appropriate contract documentation is completed in a timely manner to protect the interests of the UHB. Details of the current contract position is noted below:</p> <p><u>Signed by Project Team/UHB</u></p> <table border="1"> <thead> <tr> <th>Item</th> <th>Project Manager</th> <th>Cost Advisor</th> <th>Supply Chain Partner</th> <th>Supervisor</th> </tr> </thead> <tbody> <tr> <td>Call Off Contract</td> <td>29 January 2021</td> <td>29 January 2021</td> <td>29 January 2021</td> <td>N/A</td> </tr> <tr> <td>Confirmation Notice 1</td> <td>8 June 2022</td> <td>8 June 2022</td> <td>8 June 2022</td> <td>N/A</td> </tr> <tr> <td>NEC Professional Services</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> <td>3 July 2022</td> </tr> </tbody> </table> <p>Delays have been acknowledged in signing Confirmation Notice (s) 1 for the SCP, Project Manager and Cost Adviser which occurred after construction started on site 12/04/2022.</p> <p>The call off contract guarantee for the SCP required two signatures from appropriate individuals within the construction company, however, only one signature was documented.</p> <p>We acknowledge the requirement to progress quickly to demonstrate commitment to addressing the Fire enforcement order and the protection afforded by the National Framework arrangements, however, the UHB should ensure that contracts are appropriately executed</p>					Item	Project Manager	Cost Advisor	Supply Chain Partner	Supervisor	Call Off Contract	29 January 2021	29 January 2021	29 January 2021	N/A	Confirmation Notice 1	8 June 2022	8 June 2022	8 June 2022	N/A	NEC Professional Services	N/A	N/A	N/A	3 July 2022	<p>Potential risk of:</p> <ul style="list-style-type: none"> <li>The project progresses at risk without appropriate contractual cover in place</li> </ul>
Item	Project Manager	Cost Advisor	Supply Chain Partner	Supervisor																					
Call Off Contract	29 January 2021	29 January 2021	29 January 2021	N/A																					
Confirmation Notice 1	8 June 2022	8 June 2022	8 June 2022	N/A																					
NEC Professional Services	N/A	N/A	N/A	3 July 2022																					
Recommendations					Priority																				

2.1 The UHB should liaise with Specialist Estates Services to agree a framework approach to ensuring the SCP completes contractual documentation in a timely manner.		<b>Medium</b>
2.2 Ensure the call of contract guarantee for the SCP is appropriately signed.		<b>Medium</b>
<b>Agreed Management Action</b>	<b>Target Date</b>	<b>Responsible Officer</b>
2.1 Future assurance – at future contracts	N/A	N/A
2.2 Actioned since audit fieldwork.	N/A	N/A

**Matter Arising 3: Welsh Government Dashboard (Operation)** **Impact**

WG dashboard reports are submitted by the UHB on a bi-monthly basis and include a breakdown of the overall financial position. The latest Project Manager’s Report and Cost Adviser’s Report are embedded within the dashboards. December 2022 dashboard entries are noted below:

Potential risk of:

- Reporting to WG is not consistent with project reporting.

Description	Approved budget £m at BJC/FBC Approval	Forecast out-turn £m	Variance £m	Headline Comments
<b>Works cost</b>				
Main Contract	8.875	9.793	-0.918	
Secondary Contract (if applicable)			0.000	
<b>Fees</b>	1.002	1.002	0.000	
<b>Non-Works</b>	0.316	0.316	0.000	
<b>Equipment (Grps 2-4)</b>		0.011	-0.011	
<b>Contingency</b>				
SCP	0.906	0.000	0.906	
WG Contingency	2.759	2.736	0.023	
<b>VAT (Inc and Reclaim if applicable)</b>	2.592	2.592	0.000	
<b>HEALTH BOARD BUDGET SUMMARY</b>	16.450	16.450	0.000	

The forecast outturn Health Board budget summary was presented as a break-even position. however, at the associated project reports, a range of anticipated outturn costs were being reported between £13.15m and £16.84m based on sensitivity analysis.



It is acknowledged that this is one of a range of reports prepared and presented to WG and a level of assurance may be attained that the sensitivity analysis has been reported via NWSSP: SES and via the Capital Review Meetings. However, reporting should be transparent and consistent.

<b>Recommendations</b>		<b>Priority</b>
3.1 Reporting within the WG dashboard reports should be enhanced to ensure a consistent message is being shared.		<b>Low</b>
<b>Agreed Management Action</b>	<b>Target Date</b>	<b>Responsible Officer</b>
3.1 Agreed. The sensitivity analysis reported within the commercial report will be embedded within the dashboard to provide the potential forecast outcomes based on current assumptions.	May 2023	Project Director

Matter Arising 4: Cost Verification (operation)	Impact
<p>The Cost Adviser progressively verifies costs applied at the project by the examination of monthly payment applications submitted by the SCP affirming incremental costs incurred.</p> <p>The audit tested 88.15% of supporting information from the September 2022 application payment totalling £387,646.23.</p> <p>General compliance was noted; however, the following issues were observed:</p> <ol style="list-style-type: none"> <li>1. There was no evidence that identity checks have been undertaken on individuals to ensure the correct rates of pay have been applied i.e. curriculum vitae (CV)/payroll checks). We were informed that this will take place, but operational pressures have delayed action.</li> <li>2. The NHS building for Wales framework agreement – National Supply Chain Partner stipulates: <i>"In calculating the hourly rates please refer to Schedule of Components Items 11-14 and associated Z clauses. Items not included in the Schedule of Cost Components are treated as included in the Fee as ECC Clause 52.1"</i></li> </ol> <p>One role was identified which fell outside of the schedule of cost components (Quality Systems Manager @ £61.28 per hour); this rate is equivalent to a senior Project Manager role contained within the schedule of cost components. We have been informed that this role has been removed from the WGH fire project but the same has not yet been reflected within the payment applications and commercial report at this project (circa £2k).</p> <ol style="list-style-type: none"> <li>3. A minor amendment was suggested to the terminology within the commercial report to separate out disallowed costs and unsubstantiated costs. This differentiation would better inform the Project Group of potential outturn costs.</li> </ol> <p><i>Note these issues were similarly highlighted at the Withybush General Hospital (WGH) Fire Precautions Phase 1 review (fieldwork undertaken February/March 2022).</i></p> <p>In addition to the above, we noted that there was shared resource provided by the SCP across both WGH and GGU projects e.g., Principal Designer. To ensure value for money is achieved, an analysis of</p>	<p>Potential risk of:</p> <ul style="list-style-type: none"> <li>• Payment to the SCP over and above the amount due.</li> </ul>

the time/costs spent between both projects on an individual basis may prove beneficial. Audit noted that the Cost Adviser was undertaking this review, although no deadline for completion have been confirmed.		
Recommendations		Priority
4.1 Identity checks should be undertaken to ensure that the correct labour rates are being applied.		Medium
4.2 Additional labour rates should be removed or agreed with the UHB as a contractual amendment		Medium
4.3 A time & cost analysis of shared resource across both GGH and WGH project should be undertaken to demonstrate value for money.		Medium
4.4 Additional information should be supplied within the commercial report differentiating disallowed and unsubstantiated costs.		Low
Agreed Management Action	Target Date	Responsible Officer
4.1 Agreed - UHB will co-ordinate with the Cost Adviser to ensure recommendation is implemented.	June 2023	Project Director
4.2 Agreed UHB will co-ordinate with the Cost Adviser to ensure recommendation is implemented	June 2023	Project Director
4.3 Agreed UHB will co-ordinate with the Cost Adviser to ensure recommendation is implemented	June 2023	Project Director
4.4 Agreed UHB will co-ordinate with the Cost Adviser to ensure recommendation is implemented	June 2023	Project Director

Matter Arising 5: Change Management (Operation)	Impact
<p>The Project Manager oversees the operation and monitors the effectiveness of the change management and authorisation system. Due to the nature of an Option E contract, changes will inevitably occur, and it is imperative that robust mechanisms are implemented to provide a controlled and informed means of varying the project scope.</p> <p>A sample of changes totalling £337,688.67 was reviewed. All changes were administered in accordance with the contract and sufficient backing evidence was provided in support of the anticipated costs.</p> <p>From the total sample of changes, the UHB and its advisers had determined that none required UHB formal approval. Generally, this assessment is accepted, with the exception of the requirement for the SCP to provide attendant labour to facilitate room clearance (CE 51 - £77,764.38), which in our opinion should have been formally approved by the UHB.</p> <p>Additionally, a further change to remove asbestos within Block 2 (CEQ 36 - £147,710.78) did fall within the scope as defined within the WG approval letter. The current delegated limit is not capped, however, in our opinion, significant change such as this should have been formally approved by the UHB to demonstrate sound cost control.</p> <p>Reporting of project changes was via the monthly Project Manager’s project (commercial report annex) whereby a tracker is produced and updated regularly that highlights details of the changes.</p> <p>This tracker was reviewed, and the following observations were made:</p> <ul style="list-style-type: none"> <li>• The compensation event descriptions were vague and ambiguous e.g., a number noted as “observations from site surveys” with no further details supplied.</li> <li>• There was no section for recording compensation events that were outside the scope of the originally intended fire precautions upgrade.</li> </ul> <p>The agreed value for compensation events was based on quotations; however, under the NEC Option E contract the UHB pays the actual cost and hence the agreed (final) value may not be the actual cost.</p>	<p>Potential risk of:</p> <ul style="list-style-type: none"> <li>• Inadequate controls to manage project changes</li> </ul>

The Project Manager’s report should be updated to clarify the status of the same i.e., quotation/final agreed costs.		
<b>Recommendations</b>		<b>Priority</b>
5.1 Delegated limits should be reviewed to provide an upper financial limit for Project Manager approvals. Where external resource is used to support items such as room clearances; these instances should be recorded/ approved by the UHB.		<b>Medium</b>
5.2 The reporting of project changes should be made more specific and meaningful for the Project Group.		<b>Low</b>
<b>Agreed Management Action</b>	<b>Target Date</b>	<b>Responsible Officer</b>
5.1 Agreed – enhanced approval mechanisms will be implemented. However, the requirement for external resource will be reduced with the approval of soft FM support for the project at the January Project Group.	July 2023	Project Director
5.2 Agreed - UHB will co-ordinate with the Cost Adviser to ensure recommendation is implemented.	May 2023	Project Director

Matter Arising 6: Performance Management – Assessed Performance (Operation)					Impact																		
<p>The Project Manager’s report (November 2022) highlighted concern around the quality and timeliness of design solutions being supplied by the SCP through the Request for Information (RFI) process. The Project Manager’ was tracking these requests and held separate meetings to discuss design specific actions. We reviewed the tracker and noted the following:</p> <table border="1"> <thead> <tr> <th>Total RFIs</th> <th>Closed</th> <th>Outstanding</th> </tr> </thead> <tbody> <tr> <td>31</td> <td>11</td> <td>20</td> </tr> </tbody> </table> <p>A further breakdown of the outstanding actions action detailed below</p> <table border="1"> <thead> <tr> <th></th> <th>Architects</th> <th>Fire Designers</th> <th>UHB</th> <th>Not Assigned</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Number of outstanding RFIs</td> <td>15</td> <td>3</td> <td>1</td> <td>1</td> <td>20</td> </tr> </tbody> </table> <p>Fifteen of the outstanding RFIs had also exceeded the required resolution date, with no commentary as to why, or documenting a revised target date. The remaining 5 RFIs did not stipulate an original solution date therefore we were not able to track the timeliness of those requests.</p>					Total RFIs	Closed	Outstanding	31	11	20		Architects	Fire Designers	UHB	Not Assigned	Total	Number of outstanding RFIs	15	3	1	1	20	<p>Potential risk of:</p> <ul style="list-style-type: none"> <li>The UHB may incur increased costs because of the poor performance of appointed experts.</li> </ul>
Total RFIs	Closed	Outstanding																					
31	11	20																					
	Architects	Fire Designers	UHB	Not Assigned	Total																		
Number of outstanding RFIs	15	3	1	1	20																		
Recommendations					Priority																		
<p>6.1 Further efforts are required to ensure design resolutions are undertaken in a timely manner; and an effective audit trail of evidence needs to be maintained that supports the performance issues raised with the contractor.</p>					<p><b>Medium</b></p>																		
Agreed Management Action				Target Date	Responsible Officer																		

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6.1 Agreed – UHB will co-ordinate with the Project Manager to ensure the performance of the design team is improved.	May 2023	Project Director
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## Appendix B: Assurance opinion and action plan risk rating

### Audit Assurance Ratings

We define the following levels of assurance that the project achieves its key delivery objectives (time, cost, and quality) and that governance, risk management and internal control within the area under review are suitable designed and applied effectively:

	<b>Substantial assurance</b>	Few matters require attention and are compliance or advisory in nature. <b>Low impact</b> on residual risk exposure.
	<b>Reasonable assurance</b>	Some matters require management attention in control design or compliance. <b>Low to moderate impact</b> on residual risk exposure until resolved.
	<b>Limited assurance</b>	More significant matters require management attention. <b>Moderate impact</b> on residual risk exposure until resolved.
	<b>No assurance</b>	Action is required to address the whole control framework in this area. <b>High impact</b> on residual risk exposure until resolved.
	<b>Assurance not applicable</b>	Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are not appropriate. These reviews are still relevant to the evidence base upon which the overall opinion is formed.

### Prioritisation of Recommendations

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

Priority level	Explanation	Management action
<b>High</b>	Poor system design OR widespread non-compliance. Significant risk to achievement of a system objective OR evidence presents of material loss, error, or misstatement.	Immediate*
<b>Medium</b>	Minor weakness in system design OR limited non-compliance. Some risk to achievement of a system objective.	Within one month*
<b>Low</b>	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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