

Glangwili Hospital Women & Children's Development

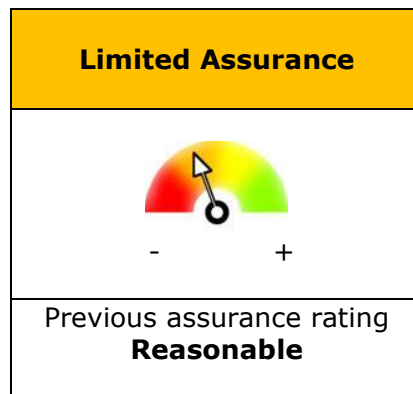
Final Report

2020/21

Hywel Dda University Health Board

NHS Wales Shared Services Partnership

Audit and Assurance Services



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Review reference:	SSU HDU 2021 03
Report status:	Final
Fieldwork completion:	4 th March 2021
Draft report issued:	16 th March 2021
Management responses:	22 nd April 2021
Proposed Final report issued:	26 th April
Final report issued:	28 th April
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Audit and Assurance Services conform to all Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Chartered Institute of Internal Auditors.

ACKNOWLEDGEMENT

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

Please note:

This audit report has been prepared for internal use only. Audit & Assurance Services reports are prepared, in accordance with the Service Strategy and Terms of Reference, approved by the Audit Committee.

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1. Introduction and Background

The audit was undertaken to evaluate the processes and procedures established to support the management and control of the Women and Children's project (Phase 2) at Glangwili Hospital.

The Full Business Case was approved by Welsh Government in April 2018 in the sum of £25.277m. In October 2018, a further £0.81m additional funding was provided to enhance cladding, providing total funding of £26.087m.

Figure 1.

	£	£
Total WG funding	26,087,000	
Discretionary Capital (DCP) Funding*	804,521	
Covid funding received	24,323	
Total approved funding	<u>26,915,844</u>	
Plus: Assumed Covid funding	3,293,600	
Total funding (including assumed)	<u>30,209,444</u>	
Forecast Total Project Cost		30,492,659
Forecast overspend per cost report (1.1%)*		<u>(283,215)</u>
		<u>30,209,444</u>

* Note: the requirement for additional DCP funding was identified at the time of Business Case approval and approved by the Capital, Estates and Information Management & Technology Sub Committee in 2018.

The original programme envisaged a 110-week contract programme, with completion anticipated on the 13th November 2020. The current forecast is an overall delay of 77.4 weeks against the original programme (40.4 weeks having been agreed extensions of time and 37 weeks currently considered as culpable delay):

Figure 2.

Phase	Anticipated Completion Dates	Extensions of time granted Weeks	Culpable delay	Total Delay Weeks
1 Labour ward	30/01/2020	14.4	8.9	23.3
2 Neo natal	30/04/2021	11.8	27.6	39.4
3 Theatres 1 & 2	19/01/2022	7	2.3	9.3
4 Changing rooms	25/05/2022	7.2	-1.8	5.4
Overall contract	31/05/2022	40.4*	37	77.4

* Including 22 weeks Covid related delay agreed in principle.

2. Scope and Objectives

The review was undertaken to determine the adequacy of, and operational compliance with, the systems and procedures of the UHB, taking account of relevant NHS and other supporting regulatory and procedural requirements, as appropriate.

The audit evaluated the systems and controls in place within the UHB, with a view to delivering assurance to the Audit Committee that risks material to the objectives of the areas covered were appropriately managed.

Accordingly, the scope and remit of the audit was directed to the following areas:

- **Monitoring & Reporting:**
Assurance that funding, costs, and issues have been reasonably monitored, controlled, and reported.
- **Performance Management:**
Appropriate arrangements were in place to performance manage the internal team, external advisers and the main contractor – identifying appropriate corrective action.
- **Covid Impact:**
To determine any impact of Covid on project time/ cost, ensuring that contractual documentation has been amended accordingly. To confirm that appropriate approvals have been obtained to support any key decisions made.
- **Change Management:**
To review the control and reporting of any project changes, including the potential time and cost impact.
- **Stakeholder Engagement/ Communication:**
That key stakeholders have been identified, and that an appropriate communication strategy has ensured that they are regularly updated/ consulted.
- **Previously Agreed Audit Recommendations:**
To determine the status of agreed recommendations relating to the previously audited areas including Governance, Contracts and Risk Management (as per the audit report published in June 2020).
- **Other** - Any other issues identified at the project affecting project delivery.

Noting the impact of Covid-19, the delivery of this audit included an increased element of remote working.

3. Associated Risks

We sought to confirm the mitigation and management of potential negative impacts to time, cost and quality of the delivered project.


OPINION AND KEY FINDINGS

4. Overall Assurance Opinion

The review was undertaken to determine the adequacy of, and operational compliance with, the systems and procedures of the UHB and the performance of the project against its key delivery objectives i.e. time, cost and quality.

Whilst recommendations have been made to improve systems of control and/ or compliance, generally this was positively assessed (see **Section 5 - Assurance summary**).

However, the project has suffered from poor delivery performance, notably time delays (as detailed below). Noting that the project is significantly outside its key delivery parameters, as reflected in the UHB's own 'Red' assessment of project risk/ performance, an overall **Limited Assurance** has been determined.

RATING	INDICATOR	DEFINITION
Limited Assurance		The Board can take limited assurance that the project achieved its key delivery objectives and that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with moderate impact on residual risk exposure until resolved.

The overall level of assurance that can be assigned to an audit is dependent on the severity of the findings as applied against the specific audit objectives and should therefore be considered in that context.

4.1 Systems of Control

While a range of compliance and control issues have been identified for the UHB to address, these were not key factors in the overall assurance assessment (see **Section 5 – Assurance Summary**). Key recommendations relate to:

- The appropriate completion of the WG Dashboard (the formal project progress reporting mechanism to WG) to provide sufficient and current information on project progress (see **recommendation 1**);
- The need to agree the approach to instructing Covid related costs (see **recommendations 8,9 & 10**); and
- Assessment of delays (see previously agreed **recommendation 8 Appendix C**).

4.2 Project Objectives

The audit also sought to assess project performance against the key parameters of time, cost & quality.

Time:

As outlined within **Figure 2** (page 4), the project was operating significantly outside of the original time parameters:

- Circa 18 weeks delay was awarded for undiscovered, unforeseen or additional work (£1.088m managed from client contingencies).
- 22 weeks delay had been agreed in principle as associated with compliance with Covid regulations (the UHB will target Welsh Government Covid related funding for associated costs).
- 37 weeks delay was being reported as culpable delay attributed to the Supply Chain Partner (management estimated this to equate to between £1m and £2m – all of which will be borne by the Supply Chain Partner [SCP]).

Cost:

As outlined within **Figure 1** (Page 4), at the time of the audit, the Cost Adviser was reporting that the project was anticipated to be delivered £283k (1.1%) over the revised overall budget.

Whilst noting the above, UHB approval has been provided to set aside additional discretionary funding to cover the £1.088m (£804,521 + £283,215) additional cost currently being reported.

Quality

It is acknowledged that the key issues identified within the Royal College of Paediatrics and Child Health's report (September 2015) were largely addressed through Phase I of the project. However, the 77 week delay inevitably has an impact on other elements raised at the report in relation to general condition and provision of overnight accommodation.

Management actively sought to manage performance throughout e.g.:

- Performance issues have been raised via contractual Early Warning Notices at weekly Risk Reduction and Change Control meetings;
- The UHB sought independent professional advice on the quality of design information and delay assessments, with further legal advice sought on the latter;
- Key Performance Indicator returns to NWSSP: Specialist Estates Services (in their capacity as national construction framework managers) highlighted performance issues to date; and
- The Director of Estates, Facilities & Capital Management met monthly with the SCP UK construction lead to discuss performance – the SCP

advising (at the time of the current review), that additional resource would be committed to the project.

Recognising UHB efforts to date, a key recommendation is to obtain national framework support (from NWSSP:SES) in dealing with the SCP performance going forward - in the likely event that the SCP will be operating at a loss, and without payment for a significant period towards the end of the current contract period (see **recommendation 7**).

At an appropriate time, if significant delay is attributed to SCP performance, legal advice should be sought in respect of any potential recourse (recognising that the delay damages provided at the contract would not cover true costs incurred – see **Appendix C** [10]).

5. Assurance Summary

The summary of assurance given against the individual objectives is described in the table below:

Assurance Summary					
1	Monitoring & Reporting			✓	
2	Performance Management			✓	
3	Covid Impact			✓	
4	Change management			✓	
5	Stakeholder Engagement / Communication				✓
6	Previously agreed audit recommendations			✓	

* The above ratings are not necessarily given equal weighting when generating the audit opinion.

Design of Systems/Controls

The findings from the review have highlighted **no** issues that were classified as weaknesses in the system control/design.

Operation of System/Controls

The findings from the review have highlighted **thirteen** issues that were classified as weaknesses in the operation of the designed system/control.

6. Summary of Audit Findings

The key findings are reported within the Management Action Plan (**Appendix A**).



Monitoring and Reporting

To affirm that funding, costs and issues have been reasonably monitored, controlled, and reported.

Welsh Government Reporting:

Welsh Government (WG) monitoring of All-Wales Capital projects is facilitated via Dashboard returns and Capital Review Meetings – both of which are shared with Capital, Estates, Information Management & Technology (CEIM&T) sub-committee.

A review of the latest Dashboard (January 2021) identified that the report did not recognise the significant delays anticipated, and contained significantly outdated Project Manager and Cost Adviser reports. The overall risk rating was also more positive than that being reported within the UHB. The WG Dashboard should be updated to reflect the current status of the project as reflected at internal reporting (**recommendation 1**).

It is recognised that projects are regularly reviewed at Welsh Government Capital Review Meetings. Additionally, due to concerns identified at the project, WG had requested that a representative from NWSSP: SES (NHS Wales Shared Services: Specialist Estates Services) attend the Project Group. This individual would receive all Project Group reports (e.g. Project Manager / Cost Adviser reports).

Committee Reporting:

The key reporting observed:

- The People, Planning, and Performance Assurance Committee (PPPAC) were regularly provided with a brief narrative *Capital Project Highlight Reports – Project Updates*. The narrative outlined that the project was currently a 'red risk' and Covid related delays are assumed to be funded by WG.

Additionally, the Senior Responsible Officer (SRO) was requested to attend both the August 2020 and October 2020 meetings to provide an update on delays (anticipated delay at that point extending to February 2022). We understand that a further full update has been requested by PPPAC (**Recommendation 2**).

- The Finance Committee received regular updates on the funding position of the project – including any impact on the discretionary capital programme and assumed WG funding of Covid related issues.
- The CEIM&T sub-committee regularly received the full monthly project 'Highlight Report' which included summary details of cost, progress and risk. This sub-committee also received a *WG Dashboard Report* for all projects, however, an administrative error had meant that key time and cost information had been missing for this project since July 2020 (**Recommendation 3**). This has been subsequently rectified.

Project Reporting:

The Project Group received '*Highlight Reports*' along with detailed cost reports from the UHB's Project Manager and Cost Adviser. Project Dashboards were considered at the project's Finance Group.

Due to the use of discretionary funding and anticipated Covid funding (additional to WG funding awarded), Dashboard and project cost reports varied significantly. A reconciliation was subsequently provided, and management has agreed to include the reconciliation within all future Dashboard returns in accordance with WG requirements. (**Recommendation 4**). There was similar need for the Project Group to receive sufficient information on SCP cash flow projections and project out-turn forecasts (**Recommendation 5**).

Noting the additional compensating arrangements to inform Welsh Government (as outlined above), **reasonable assurance** is presently provided in respect of monitoring and reporting.

Performance Management



To provide assurance that appropriate performance management arrangements are in place to manage the internal team, external advisers and the main contractor – identifying appropriate corrective action.

As outlined within **Figures 1 & 2**, the project was operating significantly outside of the original time and cost parameters due to:

- SCP delay (including Design Team related issues);
- unforeseen issues; and
- Covid issues (see separate section below).

Management advised that a lessons learnt exercise in respect of Phases 1 & 2 is targeted for the end of July 2021. It is recommended that this is reported to CEIM&T to ensure that appropriate actions are determined and that there is cross benefit for other capital projects (**Recommendation 6**).

To date, management have utilised a number of tools to manage SCP performance:

- The NHS Building for Wales framework (operated by NWSSP:SES) provides Key Performance Indicators to manage performance, and these were completed to highlight issues in relation to quality of design and general information.

In addition to the above, NWSSP:SES advice/ input has been sought when discussing performance issues with the SCP, reviewing the quality of design information and in the assessment of delays to date.

The actions of the UHB are noted, however it has been recommended that the issue of SCP performance requires further promotion at

Framework level – noting the SCP's current and future involvement at other major framework projects (**Recommendation 7**).

- Early Warning Notices (the contractual method of raising concerns on time and costs) were also raised specifically in relation to the design team, and design information. Issues around the quality of information had also been regularly raised at Risk Reduction and Change Control meetings.
- The Director of Estates, Facilities & Capital Management raised both performance and resource concerns with a Board member of the SCP, having failed to get a satisfactory response from the Regional/ Framework Director. The SCP has now committed to providing additional resource to the project.
- It was noted that due to the form of contract adopted, any SCP losses at this project due to inefficiency will be fully borne by the SCP – currently estimated to be in the region of £1m - £2m. This provides a unique challenge, in that the SCP may be required to complete works towards the end of the contract without further payments. The UHB will need to determine how performance will be managed during this period (**Recommendation 7**).

It was observed at the prior audit that, due to a misunderstanding of framework requirements when setting the contract, adequate delay damages were not specified at the contract (**Appendix C [10]**).

However, recognising the efforts of management to utilise the framework conditions, contractual clauses and expert advice, a **reasonable assurance** has been determined in respect of performance management.

Covid Impact



To determine any impact of Covid on project time/ cost, ensuring that contractual documentation has been amended accordingly, and that appropriate approvals have been obtained to any key decisions made.

At the beginning of the pandemic, Welsh Government agreed to consider additional funding requests arising from the introduction of Covid related legislation. To assist this process, Specialist Estates Services (SES) issued formal advisory notes on behalf of Welsh Government, advising that Covid related issues may legitimately result in Compensation Events. These are contractual uplifts of the Target Price and / or change in the delivery program, to reflect changes such as:

- site restrictions relating to social distancing (e.g. additional access for one-way systems, and reduced workforce numbers in confined areas);
- enforced absence; and
- disruption in the supply chain.

A key caveat was that any funding applications would only be considered once existing funds had been exhausted, and subject to scrutiny by NWSSP:SES for legitimacy.

Initial budget estimates for these costs had been provided at £3.318m. By the conclusion of the audit fieldwork this had reduced to £2.385m. These costs were reported separately at the Welsh Government Dashboard where it was stated that *"It is assumed that all Covid related additional costs will be funded separately by Welsh Government"*. PPPAC and CEIM&T have been similarly advised.

It has been recommended that this specific risk should be highlighted, and regularly reported, to CEIM&T and PPPAC. In mitigation, we acknowledge the proactive engagement with NWSSP: SES on the approach to costing CEs, and the Cost Adviser's ongoing scrutiny / challenge of submitted sums. (**Recommendation 11**).

The UHB's Cost Adviser confirmed that Covid related Compensation Events would be issued, based on current assumptions, for the duration of the contract. It is acknowledged that forecasting of future costs can result in over / under estimation of costs. To avoid incurring excessive costs, it has been recommended that:

- Management will obtain NWSSP:SES advice (and legal advice, as required) on issuing and agreeing Covid related costs (**Recommendation 8**);
- Key assumptions will be clearly stated on the face of the Compensation Events, as recovery can only be made in the event of a change in the stated assumptions (**Recommendation 9**); and
- In accordance with the directive from the National Framework Manager, signed agreement will be obtained from the SCP, confirming that the normal time periods and procedures set out in the NEC form of contract need not apply to Covid related Early Warning Notices/Compensation Events. However, while the SCP had been notified of this via a Project Manager Instruction, their signed agreement was not evidenced (**Recommendation 10**).

In the absence of further guidance, management has agreed to seek further clarification from NWSSP:SES on their approach to Covid related delays/costs, accordingly **reasonable assurance** is presently determined.

Change Management



To review the control and reporting of any project changes, including the potential time and cost impact.

Change control was seen to be appropriately advised at project reports, and Compensation Events appropriately signed/authorised. The non-Covid related Compensation Events to date totalled £1.524m (1.5% of the original target cost), to be funded from client contingency/ discretionary capital funding.

Appropriate Cost Adviser scrutiny and challenge was evidenced at the audit sample. However, delays in the agreement of a number of the higher value / more complex Compensation Events was evidenced (beyond the normal contractual time frames). Additional to these (excepting 22 weeks delay which was agreed in principle) 98% of Covid events with cost implications remained un-agreed at the time of audit (see *Covid Impact* section). It was apparent that there were issues with the SCP providing inadequate information in support of claims, resulting in delays in reaching agreement. Delay in agreement by the UHB has largely reflected a desire to minimise the potential for later dispute.

In compliance with the contract, Project Manager assessments have been imposed at some Compensation Events where disputed sums have become minimal. However, failure to comply with contractual timeframes may put the UHB in a weakened position in the event of future arbitration. Where agreement of particularly complex Compensation Events cannot be reached within contractual time periods, it should be documented that both parties have agreed to disregard enforcement of time clauses, with associated monitoring and authorisation by the Project Group (**Recommendation 12**).

Actions to minimise the potential for contractual dispute by the UHB are recognised.

Noting management actions to control the project changes, a **reasonable assurance** has been determined in relation to this area at the present time.

Stakeholder engagement / communication



To provide assurance that key stakeholders have been identified and that an appropriate communication strategy has ensured they are regularly updated/consulted.

The prior audit noted extensive engagement with stakeholders as to initial requirements.

At the current (delivery) phase of the project, a wide range of stakeholders were seen to be actively engaged including:

- leads from neighbouring departments;
- Health and Safety and Infection Prevention;
- Transport;
- the Welsh Ambulance Service Trust (WAST); and
- the wider public.

Two weekly "Look ahead" updates to relevant parties were provided via a dedicated "Teams" channel, providing update on the planned fit out.

Communication with internal service users was also evident via commissioning meetings. These included IT, clinical and equipping leads, and also provided update on matters such as project progression; commissioning; artwork; hygiene; and fire safety.

The quality of information on time and cost is separately assessed at the monitoring and reporting section

Accordingly, a **substantial assurance** has been determined in respect of stakeholder engagement.

Previously agreed management actions



To assess the status of previously agreed management actions.

An audit of the project was undertaken in June 2020 providing "reasonable" assurance, while noting that "the determination and assessment of delays to date should be seen as a priority to affirm the impact on programme/cost". Within the overall "reasonable" assurance, a "limited" assurance was provided in relation to change management, giving rise to **recommendations 4 - 10 (Appendix C)**.

In total, the prior report made 11 recommendations and the current position can be summarised as:

Priority	H	M	L	Total
Total recommendations	1	10	-	11
Actioned	0	6	-	6
Partially addressed	1	2	-	3
Future	0	1	-	1
Outstanding	0	1	-	1

The full status of the agreed actions is detailed at **Appendix C**, the key issues not fully addressed are summarised as:

- Two recommendations (including the "high" priority item), related to the need to compile a report to analyse and report delays to date, and the "medium" priority recommendation to make similar enhancements to ongoing Project Group reporting. These have been noted as partially addressed, recognising that a comprehensive report will be produced at the end of the current phase to cover all delays accepted / rejected to date (**Appendix C Recommendations 6 & 8** respectively).
- Reporting risk against residual contingency (**Appendix C Recommendation 11**) was partially addressed (requiring greater assurance / rigour in the review of the risk register to provide full assurance of action).

- **Appendix C Recommendation 4** – costs relating to two outstanding project changes remain to be agreed.

Noting the above, **reasonable assurance** has been determined in relation to previously agreed actions.

7. Summary of Recommendations

The audit findings, recommendations are detailed in **Appendix A** together with the management action plan and implementation timetable.

A summary of these recommendations by priority is outlined below:

Priority	H	M	L	Total
Number of recommendations	1	12	-	13
Actioned since fieldwork	-	(1)	-	(1)
Prior actions outstanding¹	1	3	-	4
Recommendations to be actioned	2	14	-	16

¹ Excluding one item for future projects, but including those partially actioned

Monitoring and Reporting

Finding 1: Welsh Government Reporting	Risks
<p>The NHS Wales Infrastructure Investment Guidance (2018) details:</p> <p><i>To inform the Welsh Government of progress on NHS infrastructure investment projects, all schemes receiving funding are required to report on a monthly basis using the revised project progress status report templates issued in association with this guidance.</i></p> <p>The project progress status report is more commonly referred to as the Welsh Government Dashboard return. It is used to inform discussion at the All-Wales Capital Programme meetings.</p> <p>The following was observed from a review of the latest Dashboard (January 2021):</p> <ul style="list-style-type: none"> • Project delivery and finance was observed as rated 'Amber' – internal reporting currently has the project classed as 'Red'. It was suggested by management that the Amber rating reflected the in-month position i.e. there was no additional in-month slippage. Guidance attached to the Dashboards suggests that 'Red' would reflect that the "original completion date will be missed". • Scheme management (section 11) did not recognise the significant delays anticipated – with a completion date of 07/05/21. Management advised that this was the section completion date. 	<p>Welsh Government is not suitably informed on project progress utilising the recognised reporting channel.</p>

<ul style="list-style-type: none"> • Project Issues and Red Flags are currently reported by incrementally adding issues, however this may be improved with a summary of the cumulative impact (e.g. a statement on total delays); • Dashboards submitted to Welsh Government contained significantly outdated Project Manager and Cost Adviser reports (from April 2019 and July 2020 respectively); and • While the project reports reconciled to overall Dashboard costs, significant interpretation was required to understand the cost position, and there was need for additional narrative to interpret figures. <p>Whilst noting the above, it is recognised that projects are regularly reviewed at Welsh Government Capital Review Meetings. Additionally, noting the concerns arising at the project, Welsh Government had requested that a representative from NWSSP: SES attend the Project Group on their behalf. Accordingly, the Welsh Government representative would receive the current Project Manager / Cost Adviser reports.</p>	
<p>Recommendation 1</p>	<p>Priority level</p>
<p>The WG Dashboard will be completed appropriately to provide sufficient and current information on project progress. (O)</p>	<p>Medium</p>
<p>Management Response 1</p>	<p>Responsible Officer/ Deadline</p>
<p>Agreed.</p>	<p>Project Director May 2021</p>

Findings 2 & 3: Committee reporting	Risks
<p>The People, Planning, and Performance Assurance Committee (PPPAC) and Capital, Estates, Information Management & Technology (CEIM&T) sub-committee <i>"provide assurance to the Board that risks are being managed effectively and report any areas of significant concern."</i></p> <p>PPPAC were regularly provided with a brief narrative of project progress via <i>Capital Project Highlight Reports – Project Updates</i>. The narrative outlined delay issues and that Covid related delays are assumed to be funded by WG.</p> <p>The Senior Responsible Officer (SRO) was also requested to attend both the August 2020 and October 2020 meetings to provide a more detailed update on project delays (anticipated delay at that point extending to February 2022).</p> <p>While commentary on overall delays was subsequently reported to PPPAC, an analysis of delays, detailing delay requests accepted and rejected by project phase, was not identified to the project group or associated committees.</p> <p>A full update has been requested from the SRO for the next PPPAC meeting.</p> <p>In the period July 2020 onwards, it was also observed that the CEIM&T committee did not receive a full copy of the WG Dashboard report. This has been attributed to an administration error.</p> <p>Regular full reporting should be provided to relevant committees e.g. full "Highlight" report, and / or Dashboard report.</p>	<p>Management are not appropriately informed of risk.</p>
Recommendations 2 & 3	Priority level

<p>2. PPPAC will receive regular SRO briefings for this project until performance matters are resolved/ concluded. (O)</p>	<p>Medium</p>
<p>3. Management will ensure that the full Dashboard report is included at the CEIM&T papers for this project. (O)</p>	<p>Medium</p>
<p>Management Responses 2 & 3</p>	<p>Responsible Officer/ Deadline</p>
<p>2. Agreed. A full briefing has been prepared for the upcoming PPPAC meeting.</p>	<p>Project Director May 2021</p>
<p>3. Actioned since audit fieldwork</p>	<p>Project Director May 2021</p>

Findings 4 & 5: Forecast out-turn	Risk
<p>NHS Wales Infrastructure Investment Guidance (2018) requires:</p> <p><i>"Project reports are required to be submitted ... each month to the respective Capital Development Manager and the Deputy Head of Capital, Estates and Facilities. It is important for organisations to ensure that these reconcile to the schedules included within the monthly Financial Monitoring Returns. If there are reasons for this not to be the case (such as timing of receipt of more up to date reports), these need to be raised and agreed with the Deputy Head of Capital, Estates & Facilities"</i>.</p> <p>Whilst the cost position was regularly reported/ scrutinised at Project Group, the latest Dashboard and project report summary did not easily reconcile. A full reconciliation was provided to audit upon request. The presentation of information provided at the WG Dashboard was complicated by the use of discretionary funds and additional funding being targeted for Covid related costs (additional to agreed WG funding). In accordance with the requirements set out above, management has committed to include this reconciliation at future Dashboard returns.</p> <p>Additionally, given the SCP is anticipated to be in "pain" (i.e. a position of SCP over-spend against their agreed contract), it is recommended that internal reporting should also include the SCP outturn cost and cashflow position, to better understand the timing and extent of the SCP's "pain" at this contract.</p>	<p>Costs are not appropriately controlled.</p>
Recommendations 4 & 5	Priority level

<p>4. Management should provide reconciliation to project cost reporting in respect of Supply Chain Partner funding and costs at the Welsh Government Dashboard return. (O)</p>	<p>Medium</p>
<p>5. Management should report projected SCP cash flows with reconciliation to the position forecast out-turn at project reports, and associated commentary. (O)</p>	<p>Medium</p>
<p>Management Responses 4 & 5</p>	<p>Responsible Officer/ Deadline</p>
<p>4. Agreed</p>	<p>Project Director May 2021</p>
<p>5. Agreed</p>	<p>Project Director May 2021</p>

Performance Management

Finding 6: Lessons learnt	Risk
<p>Welsh Health Circular (WHC) 043 (2018) – NHS Wales Infrastructure Investment Guidance, requires Health Boards to undertake a post project evaluation of design and construction.</p> <p>Both Early Warning and Risk Reduction meetings have been utilised at the project to advise on site issues. This is the key forum to discuss issues that could have potential time and cost implications, and agree any associated mitigating actions.</p> <p>Recurring issues raised have included inaccurate reporting of site progress, excessive and unjustified claims, and lack of supporting information. Twenty-nine program revisions have been accepted to date, most to recognise delays already incurred. Both time and costs have been actively challenged e.g. in September 2020 increasing overlap of non-critical activities to hold to the Phase 2 delivery date were challenged. The delivery of this phase was subsequently substantially delayed. Management advised that the SCP subsequently appointed a new program manager. As a result, that the program was accepted as unrealistic, and a revision issued.</p> <p>Noting the multi-phase nature of the project, management have advised their intention to formally review lessons arising from Phases 1 and 2, in July 2021. However, noting the project's complexities, and the range of issues to date, wider discussion and feedback may be of additional benefit e.g. to better inform the Capital, Estates, Information Management & Technology (CEIM&T) group relating to issues and funding at complex refurbishment schemes, and potential impacts on the wider discretionary program.</p>	<p>Causality of issues adversely affecting time, cost and quality are not recognised as the project progresses.</p>

Recommendation 6	Priority level
<p><i>Future Action</i></p> <p>Management should conclude the intended lessons learnt exercise, reporting the conclusions and resulting action to the CEIM&T. (O)</p>	<p>Medium</p>
Management Response 6	Responsible Officer/ Deadline
<p>Agreed. We will need to review the date of this to match with any additional project slippage.</p>	<p>Project Director</p> <p>July 2021</p>

Finding 7: Performance Management	Risk
<p>As noted at Appendix C [10], the project has not specified either sectional or end date delay damages.</p> <p>As per commentary at Figure 2 the project is currently forecast to deliver some 37 weeks beyond the extended contract deadline.</p> <p>In the latter (delayed) project stages, at the point the contract price is reached, payments will cease.</p> <p>In this period, the SCP remains contracted to complete the build, with the only incentive for timely delivery being to minimise additional on-site overheads from further delay (currently in the region of £35k per week). It is recognised that in context, that this is more significant than any delay damages (which management have advised may be of the order of £7k a month). However, noting ongoing delay additions to date, the project remains at risk of further delay.</p> <p>Management has agreed to seek additional support from NWSSP:SES and the Building for Wales Framework in respect of performance management at this project.</p>	<p>SCP performance is not appropriately managed.</p>
Recommendation 7	Priority level
<p>Management will seek NWSSP:SES Framework support in dealing with the SCP performance – particularly for the anticipated period where the SCP will be operating without payment. (O)</p>	<p>Medium</p>
Management Response 7	Responsible Officer/ Deadline

Agreed

Project Director
To request of NWSSP:SES

July 2021

Covid Impact

Findings 8, 9 & 10: Covid Compensation Events	Risk
<p>The NWSSP:SES national framework manager confirmed in March 2020 that Covid related Compensation Events would not be subject to <i>"the normal time periods and procedures"</i>. In particular it was requested that:</p> <p><i>"All Project Managers and Cost Advisers to secure a signed agreement between the SCP and Health Board that the normal time periods and procedures set out in the NEC form of contract will not apply to this Early Warning Notice/Compensation Event and that an assessment will be made and agreed at the end of the epidemic or at the end of the contract."</i></p> <p>Further guidance on the practical application of the above was not detailed at the NWSSP:SES guidance.</p> <p>While the SCP had been notified of the proposed changes via a Project Manager Instruction, to fully comply with the above, a signed agreement is required.</p> <p>As of January 2021, 10 of 17 Covid related Compensation Events had yet to be agreed (being £3.265m of an estimated budget of £3.318m – those with significant time or cost being outstanding, being 98% of the total). The Project Manager has provisionally agreed additional time allowable at 22 weeks, however the associated cost remains to be agreed. At the time of reporting, this had been reduced to £2.385m through Cost Adviser scrutiny and challenge.</p> <p>The 22 weeks assessment included both historic and forecast elements (hence risk inclusion). The Cost Adviser stated the intention to review and agree these Compensation Events at the current time, and issue later adjustments for any over-forecast elements.</p>	<p>Undue project time and cost is incurred.</p>

<p>It was advised that NEC Clause 60.1 (17) would be utilised, which permits correction of any assumption made in assessing a Compensation Event (CE). Presently, the provisional CE116 stated only an assumption that the law would not change. However, over-stated cost provisions could not be corrected by this means.</p> <p>The potential of over-estimation was a particular problem which the SES directive recognised. It is noted, that accordingly, some other significant NHS Wales projects utilised this instruction to defer assessment of Covid related Compensation Events until out-turn costs were realised (to avoid over-estimation of cost and obviate such difficulties). It has been informally advised that significant savings have thereby been obtained.</p> <p>Management has agreed to obtain NWSSP:SES advice (and legal advice as required) on issuing and agreeing Covid related costs.</p>	
<p>Recommendations 8, 9 & 10</p>	<p>Priority level</p>
<p>8. Management will obtain NWSSP:SES advice (and legal advice as required) on issuing and agreeing Covid related costs. (O)</p>	<p>Medium</p>
<p>9. Management will confirm that assumptions are appropriately detailed at Covid related Compensation Events. (O)</p>	<p>Medium</p>
<p>10. Signed agreement should be obtained from the Supply Chain Partner with regard any variation in contractual terms. (O)</p>	<p>Low</p>
<p>Management Responses 8, 9 & 10</p>	<p>Responsible Officer/ Deadline</p>

8. Agreed	Project Director May 2021
9. Agreed	Project Director May 2021
10. Agreed	Project Director May 2021

Finding 11: Covid Funding risk	Risks
<p>NWSSP: Specialist Estates Services have published a Covid funding procedural note on behalf of Welsh Government i.e. <i>"Potential Financial Consequences Resulting from COVID on Existing DFL Contracts and Future DFL Contracts"</i>.</p> <p>The procedural note states that:</p> <p><i>"The Welsh Government will consider both the COVID19 financial consequences case and NWSSP-SES recommendations before deciding whether the application for funding should be supported. Welsh Government Officials will make one application to the Health Minister for additional funding at the end of the project."</i></p> <p>Management have stated at their Dashboard return to Welsh Government and internal committee reporting that it is assumed that all Covid related additional costs will be funded separately by Welsh Government.</p> <p>It has been acknowledged within the corporate risk register that funding to date does not cover the potential cost of the UHB response to the social distancing legislation. The control is to report regularly to WG (and committee/ Board) for scrutiny.</p> <p>Welsh Government has stipulated funding will not be released without NWSSP: Specialist Estates Services scrutiny/ approval and the exhaustion of all existing project funding.</p> <p>Given the financial position of the project, specific risk management/mitigation arrangements are required (recognising the work has to be instructed at risk pending future funding approval).</p>	<p>Funding risk is not recognised.</p>

<p>Covid related costs were originally forecast at £3.318m, but were reduced through Cost Adviser scrutiny and challenge to £2.385m by the close of the audit.</p>	
<p>Recommendation 11</p>	<p>Priority level</p>
<p>Specific Covid funding risks will be highlighted and regularly reported to relevant committees. (O)</p>	<p>Medium</p>
<p>Management Response 11</p>	<p>Responsible Officer/ Deadline</p>
<p>Agreed</p>	<p>Project Director May 2021</p>

Change management

Finding 12: Compensation Event – timely agreement	Risk
<p>A Compensation Event is an uplift of the Target Price (and / or change in the delivery program), to recognise additional works being added to the contract. The NEC contract provides default contractual mechanisms for prompt agreement of Compensation Events (CE's), to avoid later dispute and increasing cost uncertainty as the contract progresses i.e. the contractor (SCP) must submit a quotation within three weeks of request, and the project manager must respond within two weeks. No response, can result in default assessment or agreement, unless otherwise agreed or un-enforced between the parties.</p> <p>Management advised that the SCP has variously responded with inadequate information, or inflated time and costs. Accordingly, management have taken time to substantially agree costs, to minimise risks of future dispute. In some cases, this has meant the Project Manager making a contractual determination, at a price close to, but not agreeing to the SCP quotation e.g. as evidenced in the case where the SCP claimed ingress of water to the works from adjoining UHB property. The SCP claimed 13 weeks delay, finally awarded at 4 weeks. Such was the difference in this case, that the UHB took independent legal advice.</p> <p>However, an accumulation of unresolved matters can result in time and cost uncertainty at the project, and risk of dispute in the latter stages.</p> <p>13 non-Covid Compensation Events were variously tested (in the sum of £1.057m, being 67% of the total value and 10% of total issued). All were appropriately authorised, and some were further queried only as to their nature (e.g. as per finding 13). Of those currently outstanding, the delays in</p>	<p>Contractor dispute.</p> <p>Ongoing cost uncertainty.</p> <p>Late cost escalation.</p>

agreement to date were as follows (from the date that the Compensation Event Notification (CEN) was raised by the Project Manager):

Ref.	Description	Value	Delay in agreement between the parties
CEN 046	Water Ingress (4 weeks delay)	£185,000	13 months
CEN 114	Fire Alarm review	£145,000	5 months
CEN 084	Late possession of Phase 2b (3 weeks & 1 day delay)	£ 0	9 months
CEN 101	Design work for quote for folding partition	£ 5,611	7 months

Also see **findings 8 - 10** in relation to the status of Covid related delays and costs.

However, non-compliance with contractual timeframes may put the UHB in a weakened position, with the potential to incur resolution costs and penalties in the event that matters are subject to formal dispute.

Delay in agreeing key / recent Compensation Events was well profiled at the monthly project report. However, approval from both parties to extend contractual time frames should be formally documented.

Recommendation 12

Priority level


In exceptional circumstances, extensions of normal contractual time frames for agreeing Compensation Events should be approved by the Project Group, and formally agreed between the parties. (O)	Medium
Management Response 12	Responsible Officer/ Deadline
Agreed	Project Director May 2021

Finding 13: Design changes / Forecasting	Risks
<p>Finance Group minutes of 8th December 2020 stated:</p> <p><i>"A request has been received from the Labour Ward to make changes in accommodation:</i></p> <ul style="list-style-type: none"> • <i>move Labour Ward staff room to waiting area;</i> • <i>convert staff room into office;</i> • <i>move partner's waiting area;</i> • <i>create office for MLU; and</i> • <i>remove wash hand basins from en-suites.</i> <p><i>The total cost of the work is £70,500 plus VAT based on an estimate of costs, top-up funding will be required to progress the changes. It is thought the work will be delivered by a local contractor rather than through the main contract. This will be referred to the Project Team for their approval".</i></p> <p>Utilisation of a separate contractor was due to the nature of works (e.g. kitchen fit-out), being more economically allocated to a specialist contractor at the conclusion of main building works (obviating extended main site overheads). It is understood that these works will be financed within project funding. However, at the time of reporting, the above sum had yet to be formally approved or instructed by project management. Accordingly, it had yet to be added to project cost reporting.</p>	<p>Project costs and required funding are not appropriately recorded and reported.</p>
Recommendation 13	Priority level

The proposed work in respect of the Labour Ward staff room will be implemented and reported in compliance with local procedures and Welsh Government approval letter conditions (13/01/2017). (O)	Medium
Management Response 13	Responsible Officer/ Deadline
Agreed	Project Director May 2021

Appendix B - Project Cost Adviser Report – January 2020

1 PROJECT DASHBOARD

This Financial Report covers the period from 22nd December 2020 to 28th January 2021					
Project Wide Cost Summary					Project
BUDGET					
	INITIAL PROJECT FUNDING				£25,277,000
	ADDITIONAL FUNDING APPROVALS				£810,000
	TOP-UP FUNDING FROM DISCRETIONARY CAPITAL PROGRAMME 2019/20				£341,000
	ADDITIONAL ITEMS FUNDED VIA DISCRETIONARY PROGRAMME				£40,000
	TOP-UP FUNDING FROM DISCRETIONARY CAPITAL PROGRAMME 2020/21				£400,000
	TRANSFER FUNDING FROM DISCRETIONARY CAPITAL PROGRAMME 2020/21				£23,521
	APPROVED WELSH GOVERNMENT FUNDING FOR COVID-19 RELATED EXPENDITURE TO DATE				£24,323
	CURRENT APPROVED PROJECT FUNDING				£26,915,844
	ASSUMED FURTHER WELSH GOVERNMENT FUNDING FOR COVID-19 RELATED ISSUES				£3,293,600
	TOTAL				£30,209,444
FORECAST COSTS TO BUDGET RECONCILIATION					Provisional Outturn
		Funding	Forecast Outturn	Forecast Variance	
Works Cost					
	SCP Target Price	£18,043,147	£17,519,813	(£523,334)	£17,519,813
	Approved Changes - CENs		£1,524,009	£1,524,009	£1,524,009
	Anticipated Changes (to be funded from HB Risk)		£71,472	£71,472	£71,472
	Early Warnings (to be funded from HB Risk)		£0	£0	£0
	Covid-19 Impact Tracker Issues	£3,317,923	£3,317,923	£0	£3,317,923
	Works Cost Gain Share (SCP current forecast is Nil)		£0	£0	£0
Health Board					
	Fees	£954,324	£1,084,263	£129,939	£1,084,263
	Non-Works	£850,388	£603,388	(£247,000)	£603,388
	Equipment	£1,844,273	£1,844,273	£0	£1,844,273
	Risk	£865,928	£523,180	(£342,748)	£523,180
VAT					
	Standard Rate	£4,333,461	£4,417,227	£83,766	£4,417,227
	VAT Recovery on SCP Costs	£0	(£412,890)	(£412,890)	(£412,890)
FORECAST TOTAL PROJECT COSTS		£30,209,444	£30,492,659	£283,215	£30,492,659
Current forecast of residual risk requirement in Health Board Risk Pot provision			£523,180		
Current overspend in Forecast Outturn over Budget - if remaining risk is fully expended			£283,215		

Appendix B - Project Cost Adviser Report – January 2020 (Extracts Including Adviser Comments in Red)

Cost Commentary	
1	The current level of Approved Welsh Government funding is £26.087m. Additional top-ups from DCP of £381k (2019/20) and £400k (2020/21) have been authorised from the Health Board DCP. There has been a transfer of Funding from DCP for the Pharmacy Dispenser Works of £23,521. In the last period, Welsh Government has approved funding in the sum of £24,323 for Covid-19 related expenditure, so that the current budget is now reported as £26.916m . <i>Refer to Section 2 of this Report.</i>
2	In addition to this there are a number of Covid-19 related issues which are impacting on the project cost. It is assumed that these will be funded by Welsh Government, and the budget increased accordingly. These Covid-19 related issues are being reported to NW-SSP in Weekly Tracker Reports. The current reported value is £3,293,600. <i>Refer to Section 7 of this Report</i>
3	The cost report reflects a forecast out-turn project cost of £30.493m (<i>assumes all remaining residual risks from current Health Board Risk Pot are expended, and all Covid-19 related item costs are realised</i>)
4	There is a reported overspend of £283k between the forecast project out-turn cost and current Budget allocation. This represents an increase in overspend of £7k in the period.
5	The total forecast cost of instructed changes to the Stage 4 works to date is £1,524,009 . <i>Refer to CE's under Section 4 of this Report</i>
6	The forecast value of anticipated (pipeline) and early warning items is £71k . <i>These represent budget figures subject to confirmation as CEs. Refer to sections 5 and 6 of this Report</i>
7	The forecast gain share allocation reported by the SCP is currently nil . <i>Refer to Section 8 of this Report</i>
8	The current residual risk liability to the Health Board Risk Pot is £523k (excluding Covid-19 related issues), based on Risk register v30 dated 26th October 2020. <i>Refer to Section 9 of this Report</i>
Payments	
1	The latest valuation against Stage 4 Activities is Nr 31 issued on 28th January 2021 in the gross amount of £15,942,565.07 , and net payment in the month of £402,156.06 (excluding VAT).
2	The gross amount represents 88% of the current forecast of the Stage 4 works value. <i>Retention of £34,574.08 has been within withheld this latest Payment</i>
VAT	
1	The VAT Recovery percentage has been finalised at 10.80%
2	The current forecast value of VAT applicable to the project is : £4,004,337
3	The current level of VAT recovery being applied to SCP payments is £343,613
Key Issues	
1	Funding of current reported shortfall against approved Welsh Government funding.
2	Potential delays to contract completion - Based on Programme C29, there is currently a variance of 38 weeks between forecast and contract completion dates . Note that 22.4 weeks of the extended contract date is being attributed to the impact of Covid-19 and the requirement for social distancing regulations.
3	The current Coronavirus (Covid-19) pandemic is having an impact on site activities (subcontractors stopping work, restricted access, etc.), and there have already been a number of early warnings, PM Instructions and compensation events issued in the last period in connection with this. The project team have been informed that Covid-19 related issues are to be funded outside of the project costs, but a section has been added to this Project Financial Report to mirror the Tracker Reports to Shared Services. The value of works currently instructed under this contract to allow Interserve to maintain their ability to work safely on the project is £62k (including VAT). Refer to CE nrs 74-77; 88-89; 103 and 120
4	The expenditure forecast for the financial year 2020/21 has been reviewed and updated for the Health Board reporting to WG. Nine programme updates (c20-28 inclusive) have been issued so far by Interserve within the current financial year, with programme c22 incorporating the impact of social distancing regulations imposed by WG. G&T have produced an updated forecast as at 30th November. The HB have agreed a reduced CRL with WG for the remainder of 20/21. This incorporated the SCP forecast of works cost spend within 20/21, and is contained within Section 11 of this Report. <i>Note - Interserve planned completion date of 30th May 2022 will take works cost expenditure into a further financial year 2022/23</i>

2A FUNDING MITIGATION

At FBC there was a shortfall of c£1.169m between the forecast project out-turn cost and the current WG funding allocation. The Health Board have identified an approach to deal with this shortfall from other allocation sources as follows:


- (i) Indicative VAT Recovery on SCP Costs
- (ii) Utilisation of survey costs included in the FBC to contribute to the inflationary increase
- (iii) Additional items to be provisionally funded from the risk / contingency allocation


Should the shortfall not be fully met through the mitigating actions highlighted in (i) to (iii) above, then a request to draw down funding from the Discretionary Capital Programme, in line with the paper sent to CE&IM&T Sub Committee in July 2018, will be made.


The following table reports the status of the funding mitigation realised to date:


PROPOSED FUNDING MITIGATION SOURCE	PROPOSED SAVING	SAVING ACHIEVED TO DATE
1.0 VAT Recovery	£540,000	£412,890
1.1 No reported VAT Recovery Agreement to date		
2.0 Utilisation of 5-Facet Survey Budget from Non-Works	£300,000	£300,000
2.1 Confirmed by Health Board 20th November 2018 that these works will not proceed. Sum included in Non-works to be omitted		
3.0 Review of Risk Register Items	£329,000	
3.1 No current release of Risk Register monies against the Initial Funding Shortfall Mitigation		
4.0 Discretionary Capital Programme Funding Draw-down		
4.1 Top -Up from Health Board DCP Funding 2019/20 - confirmed by Health Board 19th November 2019		£341,000
4.2 Top -Up from Health Board DCP Funding (2020/21) - confirmed by Health Board 23 July 2020		£400,000
	£1,169,000	£1,453,890


Appendix C - Status of previously agreed management actions


Women & Childrens Phase II (June 2020)				Previously providing	
Ref	Area	Previously agreed Action	Current Status	Revised Responsibility & Timescale	Priority Rating
Governance					
1	Roles and Responsibilities	The allocation of project roles at the current stage of the project should be reviewed to ensure effective control. (O)	Actioned Following review by management, the two senior roles of Project Director and Senior Responsible Officer were re-allocated to ensure active project direction and involvements.	N/A	Medium
2	Contracts	Contract documentation for the various parties should be appropriately completed in a timely manner. (O)	Actioned Contracts with all project parties have now been completed.	N/A	Medium
Cost Monitoring and Reporting					
3	VAT	The UHB will obtain formal approval from WG to utilise the VAT recovered (O).	Actioned Confirmation from Welsh Government was provided.	N/A	Medium

Women & Childrens Phase II (June 2020)				Previously providing	
Ref	Area	Previously agreed Action	Current Status	Revised Responsibility & Timescale	Priority Rating
Change management					
4	Project Manager Instructions	Costs will be agreed as a matter of priority for the remaining change costs. (O)	<p>Outstanding</p> <p>Of two Project Manager Instructions (PMI) awaiting contractual cost agreement at the prior audit, one, relating to the LV Switch room (formerly assessed at £100,000), is recorded at the January 2021 cost report as still being "Open" (i.e. cost awaiting resolution).</p> <p>The second, relating to a roof walkway is recorded as resolved at Compensation Event (CE) CE059b in a value of £59,890. However, the associated CE remains to be evidenced.</p>	Project Director Immediate	Medium
5	Project Manager Instructions	UHB management will review the delegated arrangements for the appointed Project Manager and confirm appropriate definition and operation. (D)	<p>Actioned</p> <p>Appropriate review of delegated arrangements was evidenced, considering specifically instances cited by the prior audit.</p>	N/A	Medium
6	Delay reporting	In accordance with the NEC contract, the external advisers should provide a detailed assessment report of the delays	<p>Partially Addressed.</p> <p>A full review of delays awarded was reported to PPPAC in August 2020 and the Project Group now receives incremental updates on the delays to date. To fully action the above, a formal report should be prepared by the advisers to include:</p>	Project Director Immediate	High

Women & Childrens Phase II (June 2020)				Previously providing	
Ref	Area	Previously agreed Action	Current Status	Revised Responsibility & Timescale	Priority Rating
		to date (to include contributing factors, programme and cost implications, acceptance/ rejection etc.). (O)	<ul style="list-style-type: none"> delays claimed; delays awarded (including detailed events, rationale and relevant contractual clause); rejected claims for delays (including rationale and relevant clauses); and delays not yet covered by claims. <p>It has been agreed that this will now be produced at the end of the current phase to cover all delays accepted/ rejected to date.</p>		
7	Delay reporting	Noting the nature of the delays, the supervisor should be asked to provide input on the assessment. (O)	<p>Actioned</p> <p>The supervisor was actively involved in Risk Reduction meetings at which program issues and site activities were reviewed, notably in respect of issued and potential Early Warning Notices, which would precede contractual project changes.</p>	N/A	Medium
8	Delay reporting	Reporting to the Project Group should be extended to include: <ul style="list-style-type: none"> mitigating factors e.g. Compensation Events; 	<p>Partially Actioned</p> <p>While there remained need for a report outlining overall project commentary on time and cost to date and forecast (recommendation 6 above), key project time impacts including issues relating to the major Compensation Events were seen to be routinely reported to the Project Group as they arose. As such, incremental delay was well reported. However, an analysis of unagreed delay, between time</p>	Project Director Immediate	Medium

Women & Childrens Phase II (June 2020)				Previously providing	
Ref	Area	Previously agreed Action	Current Status	Revised Responsibility & Timescale	Priority Rating
		<ul style="list-style-type: none"> extended programmes for individual phases; and the impact of delays from prior phases and forward impact on remaining phases. (O) 	pending review, and other delay was not identified. Management have advised that a summary of time spent on each phase compared to budget will be added to reporting.		
9	Delay reporting	<p><i>Future</i></p> <p>Clarity should be obtained from NWSSP:SES on framework expectations in respect of activity schedules. (O)</p>	<p>Actioned</p> <p>While supporting the methodology of forecasting of project activity costs against work packages, NWSSP:SES comments included:</p> <ul style="list-style-type: none"> <i>The spreadsheet only provides rolled up figures for actual expenditure; whereas forecast expenditure is broken down there would be merit in including this breakdown against actual expenditure within this document to assist..... understanding of the cost reporting".</i> <p>The comments relating to additional reporting are further considered within recommendation 6 above</p>	N/A	Medium

Women & Childrens Phase II (June 2020)				Previously providing	
Ref	Area	Previously agreed Action	Current Status	Revised Responsibility & Timescale	Priority Rating
10	Delay damages	<p><i>Future</i></p> <p>Noting that limited action can be taken at this project, management should include commercially assessed delay damages within future contracts in accordance with national framework guidance. (O)</p>	<p><i>Future</i></p> <p>Delay damages have been set at £0 at this contract in respect of all phases. While phase completion dates have been included within the contract, these similarly have £0 damages for any delay.</p> <p>The Health Board sought clarification from NWSSP-SES on the expectations in respect of delay damages for future projects.</p> <p>Management advised at the prior audit that: <i>"The value of the delay damages was set in the Call-Off Contracts supplied by NWSSP to the Health Board. The Health Boards were not asked to make their own assessment for delay damages."</i></p> <p>NWSSP:SES advised that: <i>"The Liquidated and Ascertain Damages (LAD) rate would .. be based upon a pre-estimation of loss that could arise, as calculated by the Health Board in its capacity as the Contracting Authority, for insertion into the contract clause when the contract is refreshed on issue of a Confirmation Notice at completion of FBC. Responsibility for completing Contract Data Part 1 (which would include for Delay Damages) rests with the Health Board as the Employer"</i>.</p>	<p>Director of Estates</p> <p>At future projects</p>	Medium
Risk Management					

Women & Childrens Phase II (June 2020)				Previously providing	
Ref	Area	Previously agreed Action	Current Status	Revised Responsibility & Timescale	Priority Rating
11	Residual risk v residual contingency	A reconciliation should be undertaken of identified/remaining project risks, affirming both the programme and available contingency, and reported to the Project Group through to project completion. (O)	<p>Partially actioned</p> <p>Agreed management action in response to the recommendation stated at the prior report:</p> <p><i>"The risk register will be updated regularly (at least every two months), and at key project stages, to the end of the contract".</i></p> <p>While management advised that there was general review of the level of risk register inclusions, project minutes and risk register inclusions showed that detailed update had not taken place.</p>	Project Director June 2021	Medium

Audit Assurance Ratings



Substantial assurance - The Board can take **substantial assurance** that the project achieved its key delivery objectives and that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with **low impact on residual risk** exposure.



Reasonable assurance - The Board can take **reasonable assurance** that the project achieved its key delivery objectives and that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with **low to moderate impact on residual risk** exposure until resolved.



Limited assurance - The Board can take **limited assurance** that the project achieved its key delivery objectives and that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with **moderate impact on residual risk** exposure until resolved.



No Assurance - The Board has **no assurance** that that the project achieved its key delivery objectives and that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Action is required to address the whole control framework in this area with **high impact on residual risk** exposure until resolved.

Prioritisation of Recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows.

Priority Level	Explanation	Management action
High	Poor key control design OR widespread non-compliance with key controls. PLUS Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in control design OR limited non-compliance with established controls. PLUS Some risk to achievement of a system objective.	Within One Month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. These are generally issues of good practice for management consideration.	Within Three Months*

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