

Hywel Dda University Health Board

Estates Directorate Governance Review (Follow Up)

Draft Internal Audit Report

April 2020

Private and Confidential

NHS Wales Shared Services Partnership

Audit and Assurance Services

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Audit and Assurance Services conform with all Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the 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.

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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 & Risk Committee.

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1. Introduction and Background

The assignment originates from the 2019/20 internal audit plan. The relevant lead Executive Director for the assignment was the Director of Operations, whilst the Director of Estates, Facilities and Capital Management was the relevant operational lead for the assignment.

The original internal audit review (HDHB-1920-25) considered the adequacy of the systems and controls in place for the directorate's governance arrangements, in order to provide assurance to the Audit Committee that risks material to the achievement of system objectives are managed appropriately. A report rating of limited assurance was derived from this review. This audit has looked at the progress made by management to implement agreed actions to address the key findings identified in the previous report.

2. Scope and Objectives

The overall objective of this audit was to establish progress made by management to implement actions agreed to address key issues identified during the 2019/20 review of the adequacy of the systems and controls in place for the directorate's governance arrangements, in order to provide assurance to the Audit & Risk Assurance Committee that risks material to the achievement of system objectives are managed appropriately.

The scope of this review was limited due to the restrictions imposed following the national outbreak of the coronavirus (COVID-19). The follow up review opinion provides the assurance level against the implementation of the agreed action plans only. The original workforce objective was not able to be followed up at this point. The assurance provided will relate only to progress made on the objectives covered.

3. Associated Risks

The following inherent risks were considered during this audit:

- i. Governance structures, roles and responsibilities are not clear;
- i. Risks to achievement of the managed unit or Health Board objectives are not identified, managed or reported appropriately;
- ii. Assurance against key areas of Directorate business, performance and compliance not received and acted upon;
- iii. Incidents and concerns are not recorded and addressed;
- iv. Robust arrangements for financial management not in place; and
- v. Recommendations have not been address as agreed by management.

OPINION AND KEY FINDINGS


4. Overall Assurance Opinion

We are required to provide an opinion as to the adequacy and effectiveness of the system of internal control under review. The opinion is based on the work performed as set out in the scope and objectives within this report. An overall assurance rating is provided describing the effectiveness of the system of internal control in place to manage the identified risks associated with the objectives covered in this review.

The scope of this review was limited due to the restrictions imposed following the national outbreak of the coronavirus (COVID-19). This report does not provide assurance against the full review scopes and objectives of the original audits. The follow up review opinion provides the assurance level against the implementation of the agreed action plans only. The original workforce objective was not able to be followed up at this point. The assurance provided will relate only to progress made on the objectives covered.

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

The level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with Estates Directorate Governance Review (Follow Up) is **Reasonable** assurance.

RATING	INDICATOR	DEFINITION
Reasonable Assurance		The Board can take reasonable assurance 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.

Follow up work was undertaken to confirm the progress that the Health Board has made against the agreed management responses from the original audit.

In summary, progress against the seven agreed recommendations that required implementation is as follows: Priority rating	No of management responses to be implemented	Fully actioned	Partially actioned	Not actioned	Not Reviewed
High	3	0	1	0	2
Medium	4	3	1	0	0
Low	0	0	0	0	0
Total	7	3	2	0	2





The Estates Directorate has made significant progress since the original Internal Audit review undertaken in August 2019 with improvements made to the governance arrangements of the management committee and supporting groups including the introduction of work plans aligned to the organisation's objectives and business goals. We also noted the development of directorate declaration of interest, gifts and hospitality registers and the introduction of risk workshops for employees across the acute hospital sites.

However, we noted that some further work is required in order to fully action the management responses in regard of two supporting groups terms of reference were still in draft format and the continued actions needed to be undertaken to ensure the directorate's risk register allows for the effective and robust management of risks.

Two high priority findings regarding sickness management and personal appraisal development reviews (PADRs) were unable to be tested due to the restrictions imposed following the national outbreak of the coronavirus (COVID-19).

5. Assurance Summary

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

		Assurance Summary*			
Audit Objective					
1	The Directorate has a clear organisational group structure with approved terms of reference				✓
2	The terms of reference, meetings and work plans of Directorate groups are constructed in such a way as to provide assurance on key areas of Directorate business and performance			✓	
3	A risk management process is in place that ensures risks are appropriately identified, assessed, recorded and escalated			✓	
4	Look for assurance that staff in department visited have an awareness of the requirements of the Declarations of Interest, gifts and hospitality policy. Review level and nature of declarations made				✓

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

6. Summary of Audit Findings

The key findings are reported in within the main body below.

OBJECTIVE 1: The Directorate has a clear organisational group structure with approved terms of reference

The Directorate of Facilities Team Meeting (DFTM) updated their terms of reference (TOR) following the original review to include key individuals as identified members. The TOR was approved by the DFTM on the 1st October 2019.

No matters arising.

OBJECTIVE 2: The terms of reference, meetings and work plans of Directorate groups are constructed in such a way as to provide assurance on key areas of Directorate business and performance

Formal work plans have been developed for 2019-20 and 2020-21 that incorporate key actions raised at all relevant supporting committees and support the Health Board's business goals and objectives. The work plans were approved by the DFTM on 1st October 2019.

The TOR of the DFTM has been revised and incorporates the accountabilities and formal reporting arrangements of supporting groups. Whilst we can also confirm that those supporting groups have TORs in place, two still appear to be in draft format – Corporate Admin Team Briefing and Capital Team Review Meeting.

Management action partially addressed.

OBJECTIVE 3: A risk management process is in place that ensures risks are appropriately identified, assessed, recorded and escalated

The original Internal Audit report identified a number of long-standing risks entered on the registers dating back as far as 2012 where mitigating actions had been implemented whilst awaiting approval of a capital bids, and the lack of corporate risks recorded on either directorate or service risk registers.

The directorate and Assurance & Risk Team have undertaken a number of risk workshops for employees across the acute hospital sites since February 2020 in order to aid site managers to articulate risk within their designated areas.

We noted the positive steps taken by the directorate to address the original finding, whilst acknowledging that continued actions are needed to be

undertaken to ensure the risk register allows for the effective and robust management of risks.

Management action partially addressed.

OBJECTIVE 4: Look for assurance that staff in departments visited have an awareness of the requirements of the Declaration of Interest, gifts and hospitality policy

We can confirm that declaration of interest, gifts and hospitality registers have been developed and reviewed at the most recent DFTM in January and February 2020. In addition, declaration of interests, gifts and hospitality registers have been included in the DFTM work plans for 2019/20 and 2020/21.

No matters arising.

Appendix A - Assurance Opinion and Action Plan Risk Rating

2019/20 Audit Assurance Ratings



Substantial Assurance - The Board can take **substantial assurance** 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 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 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** arrangements in place to secure governance, risk management and internal control, within those areas under review, which 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.



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