

8.2

Internal Audit Plan 2020/21

Presenter: James Johns

SBAR IA Plan 2020/2021 ARAC April 2020

Internal Audit Plan Strategy & Charter 2020-21

**PWYLLGOR ARCHWILIO A SICRWYDD RISG
AUDIT AND RISK ASSURANCE COMMITTEE**

DYDDIAD Y CYFARFOD: DATE OF MEETING:	21 April 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Audit & Assurance Services – Internal Audit Plan, Strategy & Charter 2020/21
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Head of Internal Audit
SWYDDOG ADRODD: REPORTING OFFICER:	Head of Internal Audit

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Ar Gyfer Penderfyniad/For Decision

**ADRODDIAD SCAA
SBAR REPORT**

Sefyllfa / Situation

Following an extensive planning process and in accordance with the Public Sector Audit Standards, the Internal Audit Plan has been prepared which sets out our risk based plan of work for the year 2020/21, with the plan structured across the eight assurance domains. In addition planning document contains the Strategy and Charter for the coming year.

Since the plan was initially prepared circumstances have changed with the current situation of the pandemic and as a consequence whilst the plan has been prepared for a twelve month period it is now acknowledged that Internal Audit work in 20/21 in not likely to commence to any significant degree within the first two quarters of the audit year.

Audit & Assurance Services is committed to ensuring its service focuses on priority risk areas, business critical systems, and the provision of assurance to the Health Board. As in any given year, our Plan will be kept under review and may be subject to change to ensure it remains fit for purpose. We are particularly mindful of the level of uncertainty that currently exists with regards to the pandemic. It is anticipated that the plan for the remaining part of the year will require review and a refocus as to what work will be required to be deliver in the remainder of that period, as organisational requirements and risks will have changed during the year.

It is however a requirement that we present the plan that we had prepared for 20/21 to the Health Board and the Audit & Risk Assurance Committee in line with the statutory requirements.

The Director of Audit & Assurance has outlined our initial planning approach to the Board Secretary Group.

Cefndir / Background

The NHS Wales Shared Services Partnership (NWSSP) Audit and Assurance Service provides an Internal Audit service to the Hywel Dda University Health Board.

It is a requirement of the Public Sector Internal Audit Standards an Internal Audit Plan, Strategy and Charter is prepared on an annual basis and presented to the Audit Committee for approval

The work undertaken by Internal Audit will accordance with its plan of work, which is prepared following a detailed planning process and subject to Audit Committee approval. The plan sets out the programme of work for the year ahead, covering a broad range of organisational risks. The full document also describes how we deliver that work in accordance with professional standards. The plan has been prepared following consultation with Executive Directors, Board Secretary and Chair of the Audit & Risk Assurance Committee

Asesiad / Assessment

The report provides the Committee with a level of assurance that an appropriate Internal Audit Plan, Strategy and Charter have been prepared for the year in order that there is a level of audit work undertaken, covering a broad range of risks in order the an annual opinion can be delivered.

For 201/21 it is acknowledge that the plan will be subject to change as a result of the current pandemic situation.

Argymhelliad / Recommendation

The Audit & Risk Assurance Committee is asked to:

- Approve the Internal Audit Strategy, Plan and Charter for 2020/21, subject to the acknowledgment that change will be required to the plan and delivery of required audit work when that resumes in the second half on the audit year.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

<p>Committee ToR Reference Cyfeirnod Cylch Gorchwyl y Pwyllgor</p>	<p>5.16 The Committee shall ensure that there is an effective internal audit and capital/PFI function established by management that meets mandatory Internal Audit Standards for NHS Wales and provides appropriate independent assurance to the Committee, Chief Executive and Board. 5.17 This will be achieved by: 5.17.1 review and approval of the Internal Audit Strategy, Charter, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation; 5.17.2 consideration of the major findings of internal audit work (and management's response), and ensure co-ordination between the Internal and External Auditors to optimise audit resources;</p>
<p>Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol:</p>	<p>Not applicable</p>

Datix Risk Register Reference and Score:	
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	All Health & Care Standards Apply
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Statement	Not Applicable

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Internal Audit plan. Evidence gathered as part of the delivery of audit assignments.
Rhestr Termau: Glossary of Terms:	Contained within the body of the report.
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Archwilio a Sicrwydd Risg: Parties / Committees consulted prior to Audit and Risk Assurance Committee:	Executive Directors and Senior managers relevant to the individual audits. Board Secretary.

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Not applicable
Ansawdd / Gofal Claf: Quality / Patient Care:	Not applicable
Gweithlu: Workforce:	Not applicable
Risg: Risk:	Not applicable
Cyfreithiol: Legal:	Not applicable
Enw Da: Reputational:	Not applicable
Gyfrinachedd: Privacy:	Not applicable
Cydraddoldeb: Equality:	Not applicable

Hywel Dda University Health Board

Internal Audit Plan 20/21

April 2020

**NHS Wales Shared Services Partnership
Audit and Assurance Services**

Contents

		Page No
1.	Introduction	2
2.	Developing the Internal Audit Plan	3
2.1	Link to the Public Sector Internal Audit Standards	3
2.2	Risk based internal audit planning approach	3
2.3	Link to the Health Board's systems of assurance	6
2.4	Audit planning meetings	6
3.	Audit risk assessment	7
4.	Planned internal audit coverage	7
4.1	Internal Audit Plan 2020/21	7
4.2	Keeping the plan under review	8
5.	Resource needs assessment	9
6.	Action required	9

Appendix A	Internal Audit Plan 2020/21
Appendix B	Key Performance Indicators
Appendix C	Internal Audit Charter 2020/21

1. Introduction

This document sets out the Internal Audit Plan for 2020/21 ('the Plan') detailing the audits to be undertaken and an analysis of the corresponding resources. It also contains the Internal Audit Charter which defines the over-arching purpose, authority and responsibility of Internal Audit and the Key Performance Indicators for the service.

As a reminder, the Accountable Officer (the Health Board's Chief Executive) is required to certify in the Annual Governance Statement that they have reviewed the effectiveness of the organisation's governance arrangements, including the internal control systems, and provide confirmation that these arrangements have been effective, with any qualifications as necessary including required developments and improvement to address any issues identified.

The purpose of Internal Audit is to provide the Accountable Officer and the Board, through the Audit & Risk Assurance Committee, with an independent and objective annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and control. The opinion should be used to inform the Annual Governance Statement.

Additionally, the findings and recommendations from internal audit reviews may be used by Health Board management to improve governance, risk management, and control within their operational areas.

The Public Sector Internal Audit Standards require that "The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered in accordance with the internal audit charter and how it links to the organisational objectives and priorities."

Accordingly this document sets out the risk based approach and the Plan for 2020/21. The Plan will be delivered in accordance with the Internal Audit Charter. All internal audit activity will be provided by Audit & Assurance Services, a division of NHS Wales Shared Services Partnership.

2. Developing the Internal Audit Plan

2.1 Link to the Public Sector Internal Audit Standards

The Plan has been developed in accordance with Public Sector Internal Audit Standard 2010 – Planning, to enable the Head of Internal Audit to meet the following key objectives:

- the need to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals;
- provision to the Accountable Officer of an overall independent and objective annual opinion on the organisation's governance, risk management, and control, which will in turn support the preparation of the Annual Governance Statement;
- audits of the organisation's governance, risk management, and control arrangements which afford suitable priority to the organisation's objectives and risks;
- improvement of the organisation's governance, risk management, and control arrangements by providing line management with recommendations arising from audit work;
- quantification of the audit resources required to deliver the Internal Audit Plan;
- effective co-operation with external auditors and other review bodies functioning in the organisation; and
- the provision of both assurance (opinion based) and consulting engagements by Internal Audit.

2.2 Risk based internal audit planning approach

Our risk based planning approach recognises the need for the prioritisation of audit coverage to provide assurance on the management of key areas of risk, and our approach addresses this by considering the:

- organisation's risk assessment and maturity;
- coverage of the audit domains;
- previous years' internal audit activities; and
- audit resources required to provide a balanced and comprehensive view.

Our planning also takes into account the NHS Wales Planning Framework and is also mindful of significant national changes that are taking place. In addition, the Plan aims to reflect the significant local changes occurring as identified through the Integrated Medium Term

Plan (IMTP) and/or Annual Plan and other changes within the organisation, assurance needs, identified concerns from our discussions with management, and emerging risks.

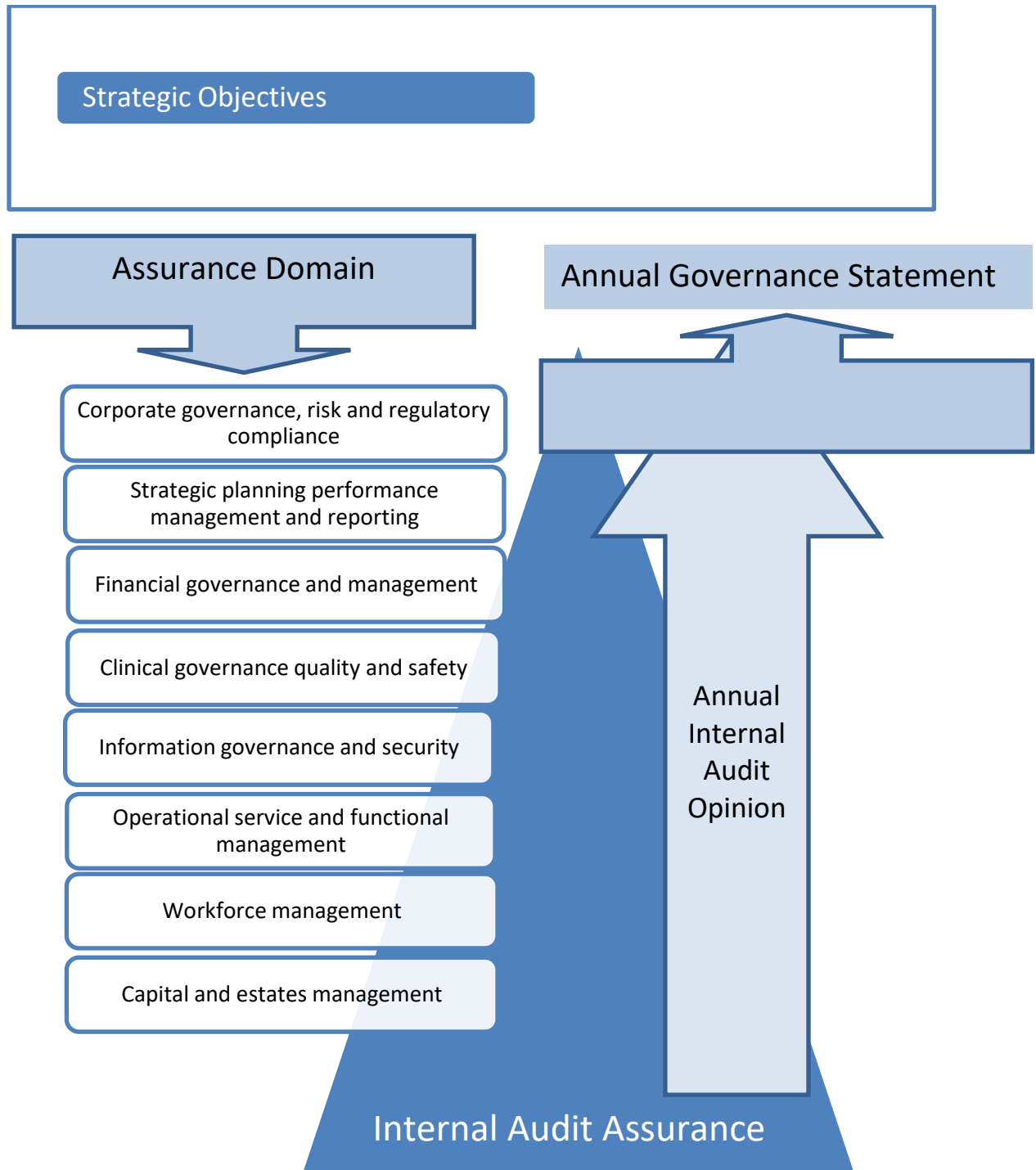
We will ensure that the Plan remains fit for purpose by reacting to any emerging issues throughout the year. Any necessary updates will be reported to the Audit & Risk Assurance Committee in line with the Internal Audit Charter.

While some areas of governance, risk management and control require annual review, and some work is mandated by Welsh Government, our risk based planning approach recognises that it is not possible to audit every area of an organisation's activities every year. Therefore, our approach identifies auditable areas (the audit universe), categorised into eight assurance domains. The risk associated with each domain is assessed and this determines the appropriate frequency for review. As part of this approach we also develop and maintain a 3-year audit strategy to identify when audit areas will be audited.

The eight audit domains are shown in figure 1 which also shows how the cumulative internal audit coverage of them contributes to the Annual Internal Audit Opinion which in turn feeds into the Annual Governance Statement and the achievement of the key objectives for the organisation.

The mapping of the Plan to the eight assurance domains is designed to give balance to the overall annual audit opinion which supports the Annual Governance Statement.

Figure 1 Internal Audit assurance on the domains



2.3 Link to the Health Board's systems of assurance

The risk based internal audit planning approach integrates with the Health Board's systems of assurance; thus we have considered the following:

- a review of the Board's vision, values and forward priorities as outlined in the Annual Plan and/or three year Integrated Medium Term Plan (IMTP);
- an assessment of the Health Board's governance and assurance arrangements and the contents of the Corporate Risk Register;
- risks identified in papers to the Board and its Committees
- key strategic risks identified within the corporate risk register and assurance processes;
- discussions with Executive Directors regarding risks and assurance needs in areas of corporate responsibility;
- cumulative internal audit knowledge of governance, risk management, and control arrangements (including a consideration of past internal audit opinions);
- new developments and service changes;
- legislative requirements to which the organisation is required to comply;
- other assurance processes including planned audit coverage of systems and processes now provided through NHS Wales Shared Services Partnership (NWSSP) and, where appropriate, WHSSC, EASC and NWIS;
- work undertaken by other assurance bodies including the Health Board's Local Counter-Fraud Services (LCFS) and the Post-Payment Verification Team (PPV);
- work undertaken by other review bodies including Wales Audit Office (WAO) and Health Inspection Wales (HIW); and
- coverage necessary to provide reasonable assurance to the Accountable Officer in support of the Annual Governance Statement.

2.4 Audit planning meetings

In developing the Plan, in addition to consideration of the above, the Head of Internal Audit has met with Health Board Executives and Independent Members to discuss current areas of risk and related assurance needs. Meetings have been held with the following key personnel during the planning process:

- Board Secretary;
- Chief Executive
- Director of Operations

- Director of Nursing, Quality & Patient Experience;
- Director of Planning, Performance and Commissioning.
- Director of Finance
- Director of Workforce and OD
- Medical Director (Assistant Director)
- Director of Primary Care, Community & Long Term Care (Assistant Director Primary Care)
- Director of Therapies and Health Sciences
- Director of Partnerships & Corporate Services
- Strategic Programme Director
- Chair of Audit & Risk Assurance Committee (ARAC)

The draft Plan was then shared with the Board Secretary, Director of Finance and Chair of ARAC to ensure that internal audit resource was best targeted to key areas of risk.

3. Audit risk assessment

The prioritisation of audit coverage across the audit universe is based on the organisation's assessment of risk and assurance requirements as defined in the Board Assurance Framework.

The maturity of these risk and assurance systems allows us to consider both inherent risk (impact and likelihood) and mitigation (adequacy and effectiveness of internal control). Our assessment also takes into account corporate risk, materiality or significance, system complexity, previous audit findings, potential for fraud and sensitivity.

4. Planned internal audit coverage

4.1 Internal Audit Plan 2020/21

The Plan is set out in Appendix A and identifies the audit assignment, lead executive officer, outline scope, and proposed timing.

Where appropriate the Plan makes cross reference to key strategic risks identified within the corporate risk register and related systems of assurance together with the proposed audit response within the outline scope.

The scope objectives and audit resource requirements and timing will be refined in each area when developing the audit scope in discussion

with the responsible executive director(s) and operational management.

The scheduling takes account of the optimum timing for the performance of specific assignments in discussion with management and WAO requirements if appropriate.

The Audit & Risk Assurance Committee will be kept apprised of performance in delivery of the Plan, and any required changes, through routine progress reports to each Audit & Risk Assurance Committee meeting.

Audit coverage in terms of capital audit and estates assurance will be delivered by our Specialist Services Unit. Given the specialist nature of this work and the assurance link with the all-Wales capital programme we will need to refine with management the scope and coverage on specific schemes. The Plan will then be updated accordingly to integrate this tailored coverage.

4.2 Keeping the plan under review

Our risk assessment and resulting Plan is limited to matters emerging from the planning processes indicated above. We will review and update the risk assessment and rolling 3-year audit plan annually giving definition to the upcoming operational year and extending the strategic view outward.

Audit & Assurance Services is committed to ensuring its service focuses on priority risk areas, business critical systems, and the provision of assurance to management across the medium term and in the operational year ahead. As in any given year, our Plan will be kept under review and may be subject to change to ensure it remains fit for purpose. We are particularly mindful of the level of uncertainty that currently exists with regards to the Covid-19 pandemic. At this stage, it is not clear how the pandemic will affect the delivery of the Plan over the coming year. To this end the need for flexibility, and a revisit of the focus and timing of the proposed work will be necessary, during the year.

Consistent with previous years and in accordance with best professional practice an unallocated contingency provision has been retained in the Plan to enable internal audit to respond to emerging risks and priorities identified by the Executive Management Team and endorsed by the Audit & Risk Assurance Committee. Any changes to the Plan will be based upon consideration of risk and need and will be presented to the Audit & Risk Assurance Committee for approval.

Regular liaison with the Wales Audit Office as your External Auditor will take place to coordinate planned coverage and ensure optimum benefit is derived from the total audit resource.

5. Resource needs assessment

The Plan sets out audit coverage to provide balanced assurance reports to the Chief Executive as Accountable Officer in accordance with the Public Sector Internal Audit Standards.

This assessment is based upon an estimate of the audit resource required to review the design and operation of controls in review areas for the purpose of sizing the overall resource needs for the Plan. Provision has also been made for other essential audit work including planning, management, reporting and follow-up.

The top-slice funding passed to NWSSP, together with the separate recharge for capital audit assurance work undertaken by our Specialist Services Unit (SSU) (of 144 days) is sufficient to meet these audit resource needs.

The Public Sector Internal Audit Standards enable internal audit to provide consulting services to management. The commissioning of these additional services by the Trust is discretionary and therefore not included in the Plan. Accordingly, any requirements to service management consulting requests would be additional to the Plan and will need to be negotiated separately.

6. Action required

The Audit Risk & Assurance Committee is invited to consider the Internal Audit Plan for 2020/21 and:

- Approve the Internal Audit Plan for 2020/21 including the SSU audit work requirements;
- Approve the Internal Audit Charter; and
- Note the associated internal audit resource requirements and key performance indicators.

James Johns

Head of Internal Audit (Hywel Dda University Health Board)
Audit & Assurance Services
NHS Wales Shared Services Partnership
April 2020

Planned output		Risk Ref	Outline Scope	Executive Lead	Outline timing
Corporate governance, risk and regulatory compliance					
Governance, leadership and Accountability module. Annual Governance Statement Governance & Risk Overview		Mandated	Review of Governance, Leadership and Accountability module, the AGS and ongoing over view of the risk and governance arrangements.	Board Secretary	Q1-4
Health and Care Standards		Mandated	Review the UHB arrangements for utilisation and embedding of standards in to operational practice.	Director of Nursing, Quality & Patient Experience	Q3/4
Welsh Risk Pool Claims		Mandated	Review compliance with Welsh Risk Pool Standard requirements for claims reimbursement.	Director of Nursing, Quality & Patient Experience	Q3/4
Corporate Compliance			Review arrangements at a corporate level to manage and monitoring regulatory and legislative requirements.	Board Secretary	Q2
Strategic Planning, Performance					
Patient Access		633/636	Review compliance with the Patient Access policy and associated procedures.	Director of Operations	Q2
Health & Care Strategy			Review Governance and Monitoring arrangements.	D of PPC	Q3

Planned output		Risk Ref	Outline Scope	Executive Lead	Outline timing
Research and Development Follow up		Follow up	Follow up of 2019/20 audit	Medical Director	Q3
Partnership governance			Review arrangements around the ICF and RPBs.	Director of Partnerships & Corporate Services	Q2
Outpatients		44	Review arrangements for the management of follow up appointments.	Director of Operations	Q4
Delayed transfers		810	Review a selection of controls in place to manage key risk areas associated with delayed transfers.	Director of Operations	Q4
Performance reporting			Review the arrangements for performance reporting including data quality controls a review of a sample of performance information back to source data.	D of PPC	Q2
Financial Governance and management					
Core Financial Systems / Financial Saving Plans -		646/630	Review a selection of controls in place to manage key risk areas across the range of the main financial systems / financial savings plans	Director of Finance	Q3
Commissioning		Follow up	Follow up	Director of Finance	Q2

Planned output		Risk Ref	Outline Scope	Executive Lead	Outline timing
Clinical governance quality & safety					
Annual Quality Statement		mandated	To provide an opinion on the statement as to compliance with guidance and quality of reported information.	Director of Nursing, Quality & Patient Experience	
Clinical Audit			To review the management of clinical audit, and its use to provide assurance on the quality and improvement of clinical services.	Director of Nursing, Quality & Patient Experience	Q2
Additional Learning Needs & Educational Tribunal Act		733	To review arrangements in place to manage and monitoring the requirements.	Director of Therapies	Q3/4
Infection Prevention & Control			To review arrangements in place to manage the risks with Infection Prevention and Control.	Director of Nursing, Quality & Patient Experience	Q3
Patient Experience			Reviews arrangements across the UHB including the Patient Experience Charter.	Director of Nursing, Quality & Patient Experience	Q3
Falls			Review arrangements across the UHB for the management of falls.	Director of Nursing, Quality & Patient Experience	Q3/4

Planned output		Risk Ref	Outline Scope	Executive Lead	Outline timing
Information Governance and Security					
IM&T Control & Risk Assessment		451/627	To review and assess the control environment for the management of IM&T within the organisation	Director of Planning	Q2
Infrastructure		451/627	Review IT Infrastructure across the UHB	Director of Planning	Q3
Departmental IT system		451/627	Review controls in place to manage the system, including security, data, contingency planning and operations.	Director of Operations	Q2/3
IT Service Management		451/627	Review arrangement against ITIL standards.	Director of Planning	Q2
Operational service and functional management					
Directorate Review - PPH			Review governance arrangements and the management of a sample of key risks and systems.	Director of Operations	Q1/2
Directorate Review - County			Review governance arrangements and the management of a sample of key risks and systems.	Director of Operations	Q1/2
Directorate Review - W&C			Review governance arrangements and the management of a sample of key risks and systems.	Director of Operations	Q2
Follow up Bronglais Directorate Review			Follow up of 19/20 audit report and agreed actions.	Director of Operations	Q1

Planned output		Risk Ref	Outline Scope	Executive Lead	Outline timing
Directorate Review Therapies			Review governance arrangements and the management of a sample of key risks and systems.	Director of Therapies	Q1/2
Records Management Follow up		245	Review will include follow up and review action plan developed to improve arrangements.	Director of Operations	Q3
Primary Care			Review governance arrangements and the management of a sample of key risks and systems	Director of Operations	Q4
Workforce management					
Consultants Job Planning		Follow up	Follow up 19/20 audit - Review the adequacy of the systems in place for the development and review of consultants job plans	Medical Director	Q2
Medical Staffing		91/750	Review arrangements to manage key risk areas in relation to medical staffing	Medical Director	Q3
Workforce Planning		91/750	Review arrangements to manage key risk areas in relation to workforce planning	Workforce & OD Director	Q4
Bank & Agency			Review arrangements to manage key risk areas in relation to Bank & Agency.	Workforce & OD Director	Q4

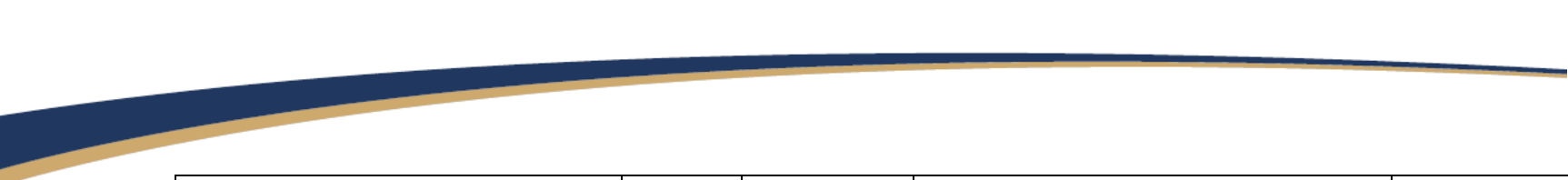
Planned output		Risk Ref	Outline Scope	Executive Lead	Outline timing
Organisational Values			Review arrangements for implementation, awareness, and monitoring.	Workforce & OD Director	
Capital and Estates					
Environmental Sustainability Reporting		mandated	To provide an opinion on the statement's compliance with guidance and quality of reported information.	Director of Operations	
Follow up (Capital and Estates)		624	To ensure appropriate management action/ closure is demonstrated for agreed audit recommendations incorporated on the UHBs Teammate Tracker system.	Director of Planning, Performance and Commissioning	Q1-4
Withybush Palliative Care, Oncology and Haematology Inpatient Facility (wards 9 &10 - £3.458m).			A non-opinion piece of work will be undertaken to identify lessons learnt at the project - noting that certain costs were only identified late in the project.	Director of Planning, Performance and Commissioning	Q1
Women & Children's Phase 2 (624	The completion date has moved to the 10 th June 2021 due to the delay in the completion of Phase 1. The review will focus on the management of the construction phase of the project.	Director of Planning, Performance and Commissioning	Q4
Cross Hands (£26m at OBC)			Work is due to progress on the Full Business Case, the Outline Business Case having been submitted to WG		Q3

			<p>in Oct 2019. Efforts are currently focussed on satisfactory responses to the Welsh Government scrutiny questions which would allow the OBC to be resubmitted and approved.</p> <p>The audit review for 2020/21 will focus on the arrangements to conclude the FBC and associated affirmation of costs (including the target costs).</p> <p>An Integrated Audit Plan will be developed for inclusion within the FBC submission.</p>		
<p>Major Strategic Investment Programmes:</p> <ul style="list-style-type: none"> • A Healthier Mid & West Wales Programme Business Case • Business Continuity (Major Infrastructure) Programme Business Case • Transforming Mental Health 			<p>The programmes will be tracked during 2020/21, risk assessed and scope agree with management to reflect the progress at each.</p> <p>Integrated Audit Plans will also be developed for inclusion within the respective business cases.</p>	Director of Planning, Performance and Commissioning	Q3
Capital Systems		624	<p>A review of the systems, policies and procedures in place to manage those projects not specifically identified within the audit plan. The scope and sample will be risk assessed and agreed with management prior to undertaking the work.</p>	Director of Planning, Performance and Commissioning	Q2

Backlog Maintenance		624	The overall objective is to ensure that the University Health Board has appropriate systems in place to prioritise and manage its maintenance programme according to risk and aligned with the University Health Board's priorities.	Director Operations	of	Q2
Fire Safety		813	Work will be undertaken to ensure appropriate action has been demonstrated by the UHB to address Fire Enforcement Notices issued by the Mid and West Wales Fire and Rescue Service at UHB properties i.e. Withybush Hospital, St Caradogs, Bro Cerwen and St Brynach Day Hospital (and others as appropriate). Full details of coverage will be agreed at the formal risk assessment/audit brief.	Director Operations	of	Q4

Audit Management and Reporting

Audit planning, reporting and management	N/A	N/A	Ongoing work.			
Follow up of previous audit reports	N/A	N/A	Follow up of previous audits as required.			
Audit & Risk Assurance Committee report preparation and attendance	N/A	N/A	Preparation of reports and attendance at Audit & Risk Assurance Committee, and other meetings as required.			



Audit Contingency	N/A	N/A			
Head of Internal Audit Annual Report and Opinion	N/A	N/A			

The KPIs reported monthly for Internal Audit are

KPI	SLA required	Target 2019/20
Audit plan 2018/19 agreed/in draft by 30 June	✓	100%
Audit opinion 2017/18 delivered by 31 May	✓	100%
Report turnaround fieldwork to draft reporting [10 days]	✓	80%
Report turnaround management response to draft report [15 days]	✓	80%
Report turnaround draft response to final reporting [10 days]	✓	80%



GIG
CYMRU
NHS
WALES

Partneriaeth
Cydwasaethau
Gwasanaethau Archwilio a Sicrwydd

Shared Services
Partnership
Audit and Assurance Services



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Hywel Dda
University Health Board

Hywel Dda University Health Board

INTERNAL AUDIT CHARTER

March 2019

Contents

Section	Page
1. Introduction	3
2. Purpose and Responsibility	3
3. Independence and Objectivity	4
4. Authority and Accountability	5
5. Relationships	6
6. Standards and Ethics	7
7. Scope	8
8. Approach	9
9. Reporting	11
10. Access and Confidentiality	13
11. Irregularities, Fraud & Corruption	13
12. Quality Assurance	14
13. Resolving Concerns	14
14. Review of the Internal Audit Charter	14
Appendix A – Audit Reporting Process	15
Appendix B – Audit Assurance Ratings	16

1 Introduction

- 1.1 This Charter is produced and updated regularly to comply with the Public Sector Internal Audit Standards. The Charter is complementary to the relevant provisions included in the organisation's own Standing Orders and Standing Financial Instructions.
- 1.2 The terms 'board' and 'senior management' are required to be defined under the Standards and therefore have the following meaning in this Charter:
- Board means the Board of Hywel Dda University Health Board with responsibility to direct and oversee the activities and management of the organisation. The Board has delegated authority to the Audit & Risk Assurance Committee in terms of providing a reporting interface with internal audit activity; and
 - Senior Management means the Chief Executive as being the designated Accountable Officer for Hywel Dda University Health Board. The Chief Executive has made arrangements within this Charter for an operational interface with internal audit activity through the Board Secretary.

2 Purpose and responsibility

- 2.1 Internal audit is an independent, objective assurance and advisory function designed to add value and improve the operations of Hywel Dda University Health Board. Internal audit helps the organisation accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. Its mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
- 2.2 Internal Audit is responsible for providing an independent and objective assurance opinion to the Accountable Officer, the Board and the Audit & Risk Assurance Committee on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control¹. In addition, internal audit's findings and recommendations are beneficial to management in securing improvement in the audited areas.

¹ *Audit work designed to deliver an audit opinion on the risk management, control, and governance arrangements is referred to in this Internal Audit Charter as Assurance Work because management use the audit opinion to derive assurance about the effectiveness of their controls*

2.3 The organisation's risk management, internal control and governance arrangements comprise:

- the policies, procedures and operations established by the organisation to ensure the achievement of objectives;
- the appropriate assessment and management of risk, and the related system of assurance;
- the arrangements to monitor performance and secure value for money in the use of resources;
- the reliability of internal and external reporting and accountability processes and the safeguarding of assets;
- compliance with applicable laws and regulations; and
- compliance with the behavioural and ethical standards set out for the organisation.

2.4 Internal audit also provides an independent and objective advisory service specifically to help management improve the organisations risk management, control and governance arrangements. The service applies the professional skills of internal audit through a systematic and disciplined evaluation of the policies, procedures and operations that management have put in place to ensure the achievement of the organisations objectives, and through recommendations for improvement. Such advisory work contributes to the opinion which internal audit provides on risk management control and governance.

3 Independence and Objectivity

3.1 Independence as described in the Public Sector Internal Audit Standards as the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Head of Internal Audit will have direct and unrestricted access to the Board and Senior Management, in particular the Chair of the Audit & Risk Assurance Committee and Accountable Officer.

3.2 Organisational independence is effectively achieved when the auditor reports functionally to the Audit & Risk Assurance Committee on behalf of the Board. Such functional reporting includes the Audit & Risk Assurance Committee:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit budget and resource plan;
- receiving outcomes of all internal audit work together with the assurance rating; and
- reporting on internal audit activity's performance relative to its plan.

- 3.3 Whilst maintaining effective liaison and communication with the organisation, as provided in this Charter, all internal audit activities shall remain free of untoward influence by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective attitude necessary in rendering reports.
- 3.4 Internal Auditors shall have no executive or direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited
- 3.5 This Charter makes appropriate arrangements to secure the objectivity and independence of internal audit as required under the standards. In addition, the shared service model of provision in NHS Wales through NWSSP provides further organisational independence.
- 3.6 In terms of avoiding conflicts of interest in relation to non-audit activities, Audit & Assurance has produced a Consulting Protocol that includes all of the steps to be undertaken to ensure compliance with the relevant Public Sector Internal Audit Standards that apply to non-audit activities.

4 Authority and Accountability

- 4.1 Internal Audit derives its authority from the Board, the Accountable Officer and Audit & Risk Assurance Committee. These authorities are established in Standing Orders and Standing Financial Instructions adopted by the Board.
- 4.2 The Minister for Health has determined that internal audit will be provided to all health organisations by the NHS Wales Shared Services Partnership (NWSSP). The service provision will be in accordance with the Service Level Agreement agreed by the Shared Services Partnership Committee and in which the organisation has permanent membership.
- 4.3 The Director of Audit & Assurance leads the NWSSP Audit and Assurance Services and after due consultation will assign a named Head of Internal Audit to the organisation. For line management (e.g. individual performance) and professional quality purposes (e.g. compliance with the Public Sector Internal Audit Standards), the Head of Internal Audit reports to the Director of Audit & Assurance.
- 4.4 The Head of Internal Audit reports on a functional basis to the Accountable Officer and to the Audit & Risk Assurance Committee on behalf of the Board. Accordingly the Head of Internal Audit has a direct right of access to the Accountable Officer, the Chair of the Audit & Risk Assurance Committee and the Chair of the organisation if deemed necessary.

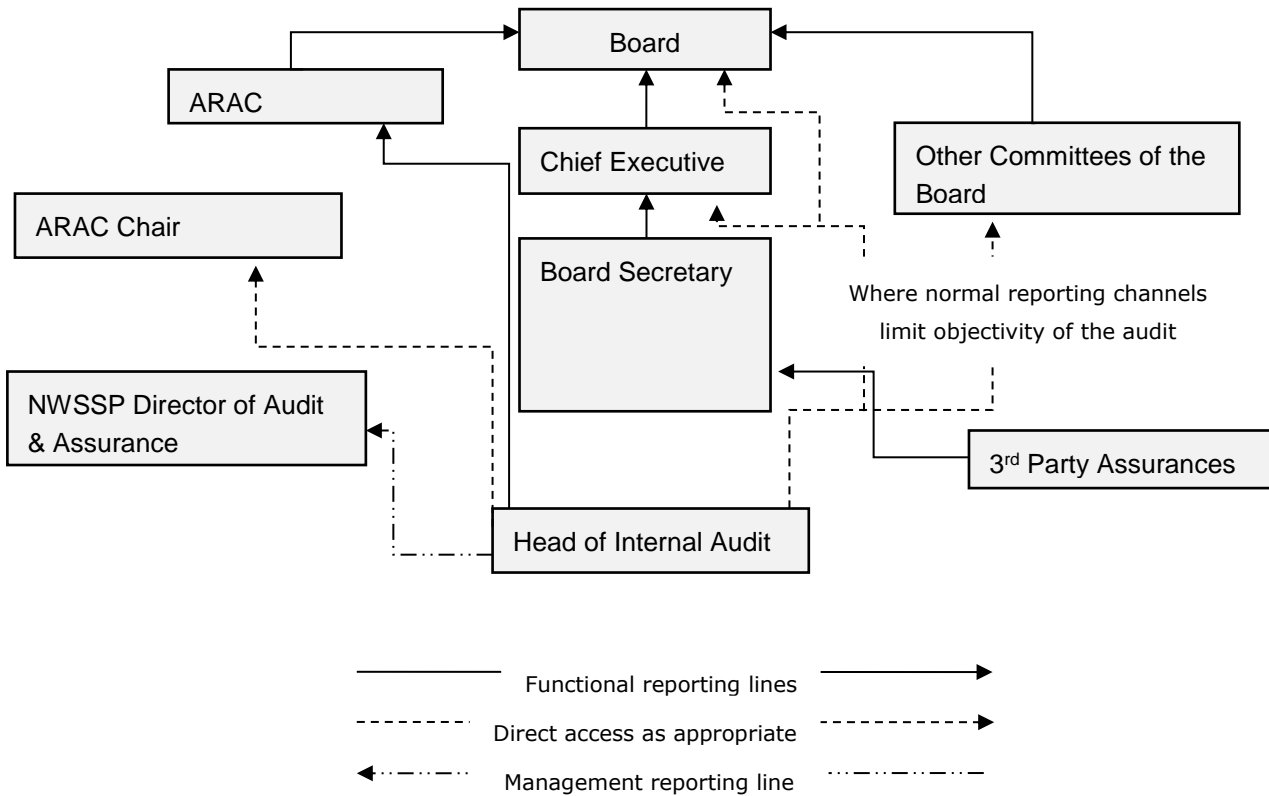
- 4.5 The Audit & Risk Assurance Committee approves all Internal Audit plans and may review any aspect of its work. The Audit & Risk Assurance Committee also has regular private meetings with the Head of Internal Audit.
- 4.6 In order to facilitate its assessment of governance within the organisation, Internal Audit is granted access to attend any committee or sub-committee of the Board charged with aspects of governance e.g. Quality, Safety & Experience Assurance Committee, and the Information Governance Sub-Committee.

5 Relationships

- 5.1 In terms of normal business the Accountable Officer has determined that the Board Secretary will be the nominated executive lead for internal audit. Accordingly, the Head of Internal Audit will maintain functional liaison with this officer.
- 5.2 In order to maximise its contribution to the Board's overall system of assurance, Internal Audit will work closely with the organisation's Board Secretary in planning its work programme.
- 5.3 Co-operative relationships with management enhance the ability of internal audit to achieve its objectives effectively. Audit work will be planned in conjunction with management, particularly in respect of the timing of audit work.
- 5.4 Internal Audit will meet regularly with the external auditor to consult on audit plans, discuss matters of mutual interest, discuss common understanding of audit techniques, method and terminology, and to seek opportunities for co-operation in the conduct of audit work. In particular, Internal Audit will make available their working files to the external auditor for them to place reliance upon the work of Internal Audit where appropriate.
- 5.5 The Head of Internal Audit will establish a means to gain an overview of other assurance providers' approaches and output as part of the establishment of an integrated assurance framework.
- 5.6 The Head of Internal Audit will take account of key systems being operated by organisation's outside of the remit of the Accountable Officer, or through a shared or joint arrangement, e.g. the NHS Wales Shared Services Partnership, WHCCS, EASC and NWIS.
- 5.7 Internal Audit strives to add value to the organisation's processes and help improve its systems and services. To support this Internal Audit will obtain an understanding of the organisation and its activities, encourage two way communications between internal audit and operational staff, discuss the audit approach and seek feedback on work undertaken.
- 5.8 The key organisational reporting lines for Internal Audit are summarised in Figure 1. As part of this, the Audit & Risk Assurance Committee may determine that another Committee of the organisation is a more appropriate

forum to receive and action individual audit reports. However, the Audit & Risk Assurance Committee will remain the final reporting line for all reports.

Figure 1 Audit reporting lines



6 Standards, Ethics, and Performance

- 6.1 Internal Audit must comply with the Definition of Internal Auditing, the Core Principles, Public Sector Internal Audit Standards and the professional Code of Ethics, as published on the NHS Wales e-governance website.
- 6.2 Internal Audit will operate in accordance with the Service Level Agreement (updated 2019) and associated performance standards agreed with the Audit & Risk Assurance Committee and the Shared Services Partnership Committee. The Service Level Agreement includes a number of Key Performance Indicators and we will agree with each Audit & Risk Assurance Committee which of these they want reported to them and how often.

7 Scope

7.1 The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management arrangements, system of internal control, and the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. It includes but is not limited to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify measure, classify, and report such information;
- reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations, and reports on whether the organisation is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- reviewing and appraising the economy and efficiency with which resources are employed, this may include benchmarking and sharing of best practice;
- reviewing operations or programmes to ascertain whether results are consistent with the organisation's objectives and goals and whether the operations or programmes are being carried out as planned;
- reviewing specific operations at the request of the Audit & Risk Assurance Committee or management, this may include areas of concern identified in the corporate risk register;
- monitoring and evaluating the effectiveness of the organisation's risk management arrangements and the overall system of assurance;
- ensuring effective co-ordination, as appropriate, with external auditors; and
- reviewing the Governance and Accountability modular assessment and the Annual Governance Statement prepared by senior management.

7.2 Internal Audit will devote particular attention to any aspects of the risk management, internal control and governance arrangements affected by material changes to the organisation's risk environment.

7.3 If the Head of Internal Audit or the Audit & Risk Assurance Committee consider that the level of audit resources or the Charter in any way limit the scope of internal audit, or prejudice the ability of internal audit to deliver a service consistent with the definition of internal auditing, they will advise the Accountable Officer and Board accordingly.

7.4 The scope of the audit coverage will take into account and include any hosted body.

8 Approach

8.1 To ensure delivery of its scope and objectives in accordance with the Charter and Standards Internal Audit has produced an Audit Manual (called the Quality Manual). The Quality Manual includes arrangements for planning the audit work. These audit planning arrangements are organised into a hierarchy as illustrated in Figure 2.

Figure 2 Audit planning hierarchy

NHS Wales Level	NWSSP overall audit strategy	Arrangements for provision of internal audit services across NHS Wales to meet
Organisation Level	Entity strategic 3-year audit plan	Entity level medium term audit plan linked to organisational objectives
	Entity annual internal audit plan	Annual internal audit plan detailing audit engagements to be completed in year ahead leading to the overall HIA opinion
Business Unit Level	Assignment plans	Assignment plans detail the scope and objectives for each audit engagement within the annual operational plan

8.2 NWSSP Audit & Assurance Services has developed an overall audit strategy which sets out the strategic approach to the delivery of audit services to all health organisations in NHS Wales. The strategy also includes arrangements for securing assurance on the national transaction processing systems including those operated by NWSSP on behalf of NHS Wales.

8.3 The main purpose of the Strategic 3-year Audit Plan is to enable the Head of Internal Audit to plan over the medium term on how the assurance needs of the organisation will be met as required by the Public sector Internal Audit Standards and facilitate:

- the provision to the Accountable Officer and the Audit & Risk Assurance Committee of an overall opinion each year on the organisation's risk management, control and governance, to support the preparation of the Annual Governance Statement;

- audit of the organisation's risk management, control and governance through periodic audit plans in a way that affords suitable priority to the organisations objectives and risks;
- improvement of the organisation's risk management, control and governance by providing management with constructive recommendations arising from audit work;
- an assessment of audit needs in terms of those audit resources which "are appropriate, sufficient and effectively deployed to achieve the approved plan";
- effective co-operation with external auditors and other review bodies functioning in the organisation; and
- the allocation of resources between assurance and consulting work.

8.4 The Strategic 3-year Audit Plan will be largely based on the Board Assurance Framework where it is sufficiently mature, together with the organisation-wide risk assessment.

8.5 An Annual Internal Audit Plan will be prepared each year drawn from the Strategic 3-year Audit Plan and other information, and outlining the scope and timing of audit assignments to be completed during the year ahead.

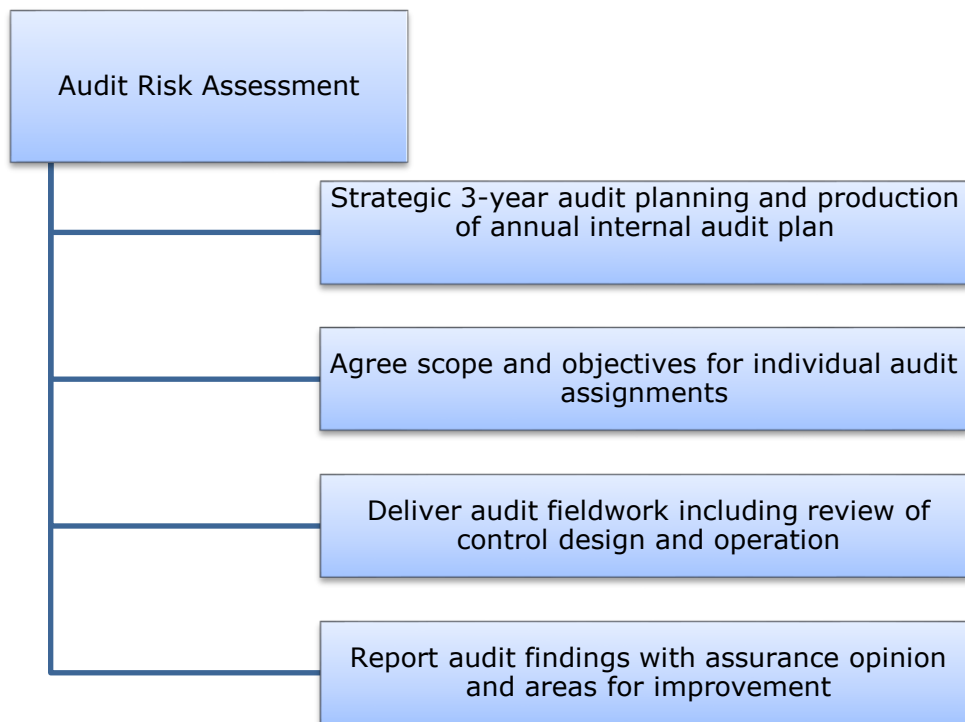
8.6 The strategic 3-year and annual internal audit plans shall be prepared to support the audit opinion to the Accountable Officer on the risk management, internal control and governance arrangements within the organisation.

8.7 The annual internal audit plan will be developed in discussion with executive management and approved by the Audit & Risk Assurance Committee on behalf of the Board.

8.8 The NWSSP Audit Strategy is expanded in the form of a Quality Manual and a Consulting Protocol which together define the audit approach applied to the provision of internal audit and consulting services.

8.9 During the planning of audit assignments, an assignment brief will be prepared for discussion with the nominated operational manager. The brief will contain the proposed scope of the review along with the relevant objectives and risks to be covered. In order to ensure the scope of the review is appropriate it will require agreement by the relevant Executive Director or their nominated lead, and will also be copied to the Board Secretary. The key stages in this risk based audit approach are illustrated in figure 3.

Figure 3 Risk based audit approach



9 Reporting

9.1 Internal Audit will report formally to the Audit & Risk Assurance Committee through the following:

- An annual report will be presented to confirm completion of the audit plan and will include the Head of Internal Audit opinion provided for the Accountable Officer that will support the Annual Governance Statement. The process for arriving at the appropriate assurance level for each Head of Internal Audit opinion was subject to a review process during 2013/14, which led to the creation of a set of criteria for forming the judgement that was adopted and used for 2013/14 opinions onwards;
- The Head of Internal Audit opinion will:
 - a) State the overall adequacy and effectiveness of the organisation's risk management, control and governance processes, with reference to compliance with the Health & Care Standards;
 - b) Disclose any qualification to that opinion, together with the reasons for the qualification;
 - c) Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;

- d) Draw attention to any issues Internal Audit judge as being particularly relevant to the preparation of the Annual Governance Statement;
 - e) Compare work actually undertaken with the work which was planned and summarise performance of the internal audit function against its performance measurement criteria; and
 - f) Provide a statement of conformity in terms of compliance with the Public Sector Internal Audit Standards and associated internal quality assurance arrangements.
-
- For each Audit & Risk Assurance Committee meeting a progress report will be presented to summarise progress against the plan. The progress report will highlight any slippage and changes in the programme. The findings arising from individual audit reviews will be reported in accordance with Audit & Risk Assurance Committee requirements; and
 - The Audit & Risk Assurance Committee will be provided with copies of individual audit reports for each assignment undertaken unless the Head of Internal Audit is advised otherwise. The reports will include an action plan on any recommendations for improvement agreed with management including target dates for completion.

9.2 The process for audit reporting is summarised below and presented in flowchart format in Appendix A:

- Following the closure of fieldwork and the resolution of any queries, Internal Audit will discuss findings with operational managers to confirm understanding and shape the reporting stage;
 - Operational management will receive draft reports which will include any proposed recommendations for improvement within 10 working days following the discussion of findings. A copy of the draft report will also be provided to the relevant Executive Director;
 - The draft report will give an assurance opinion on the area reviewed in line with the criteria at Appendix B. The draft report will also indicate priority ratings for individual report findings and recommendations;
 - Operational management will be required to respond to the draft report in consultation with the relevant Executive Director within 15 working days of issue, stating their agreement or otherwise to the content of the report, identifying actions, identifying staff with responsibility for implementation and the dates by which action will be taken;
 - Reminder correspondence will be issued to the Executive Director and the Board Secretary 5 working days prior to the set response date.
 - Where management responses are still awaited after the 15 working day deadline, or are of poor quality, the matter will be immediately escalated to the Executive Director and copied to the Board Secretary and Chair of ARAC.
-
- If non-compliance continues, the Board Secretary and the Chair of the ARAC will decide on the course of action to take. This may involve the draft report

being submitted to ARAC, with the Executive Director being called to the meeting to explain the situation and why no responses/poor responses have been received.;

- Internal Audit issues a Final report to Executive Director, within 10 working days of receipt of complete management response. Within this timescale Internal Audit will quality assess the responses, and if necessary return the responses, requiring them to be strengthened.
 - Responses to audit recommendations need to be SMART i.e
 - Specific
 - Measurable
 - Achievable
 - Relevant / Realistic
 - Timely
 - The relevant Executive Director, Board Secretary and the Chair of ARAC will be copied into any correspondence. All Final reports are copied to the Chief Executive;
 - The final report will be copied to the Accountable Officer and Board Secretary and placed on the agenda for the next available Audit & Risk Assurance Committee.
- 9.3 Internal Audit will make provision to review the implementation of agreed action within the agreed timescales. However, where there are issues of particular concern provision maybe made for a follow up review within the same financial year. Issue and clearance of follow up reports shall be as for other assignments referred to above.
- 9.4 Timescales are to be included in all initial scopes sent prior to commencing an audit.

10 Access and Confidentiality

- 10.1 Internal Audit shall have the authority to access all the organisation's information, documents, records, assets, personnel and premises that it considers necessary to fulfil its role. This shall extend to the resources of the third parties that provide services on behalf of the organisation.
- 10.2 All information obtained during the course of a review will be regarded as strictly confidential to the organisation and shall not be divulged to any third party without the prior permission of the Accountable Officer. However, open access shall be granted to the organisation's external auditors.
- 10.3 Where there is a request to share information amongst the NHS bodies in Wales, for example to promote good practice and learning, then permission will be sought from the Accountable Officer before any information is shared.

11 Irregularities, Fraud & Corruption

- 11.1 It is the responsibility of management to maintain systems that ensure the organisation's resources are utilised in the manner and on activities intended. This includes the responsibility for the prevention and detection of fraud and other illegal acts.
- 11.2 Internal Audit shall not be relied upon to detect fraud or other irregularities. However, Internal Audit will give due regard to the possibility of fraud and other irregularities in work undertaken. Additionally, Internal Audit shall seek to identify weaknesses in control that could permit fraud or irregularity.
- 11.3 If Internal Audit discovers suspicion or evidence of fraud or irregularity, this will immediately be reported to the organisation's Local Counter Fraud Service (LCFS) in accordance with the organisation's Counter Fraud Policy & Fraud Response Plan and the agreed Internal Audit and Counter Fraud Protocol.

12 Quality Assurance

- 12.1 The work of internal audit is controlled at each level of operation to ensure that a continuously effective level of performance, compliant with the Public Sector Internal Audit Standards, is being achieved.
- 12.2 The Director of Audit & Assurance will establish a quality assurance programme designed to give assurance through internal and external review that the work of Internal Audit is compliant with the Public Sector Internal Audit Standards and to achieve its objectives. A commentary on compliance against the Standards will be provided in the Annual Audit Report to Audit & Risk Assurance Committee.
- 12.3 The Director of Audit & Assurance will monitor the performance of the internal audit provision in terms of meeting the service performance standards set out in the NWSSP Service Level Agreement. The Head of Internal Audit will periodically report service performance to the Audit & Risk Assurance Committee through the reporting mechanisms outlined in Section 9.

13 Resolving Concerns

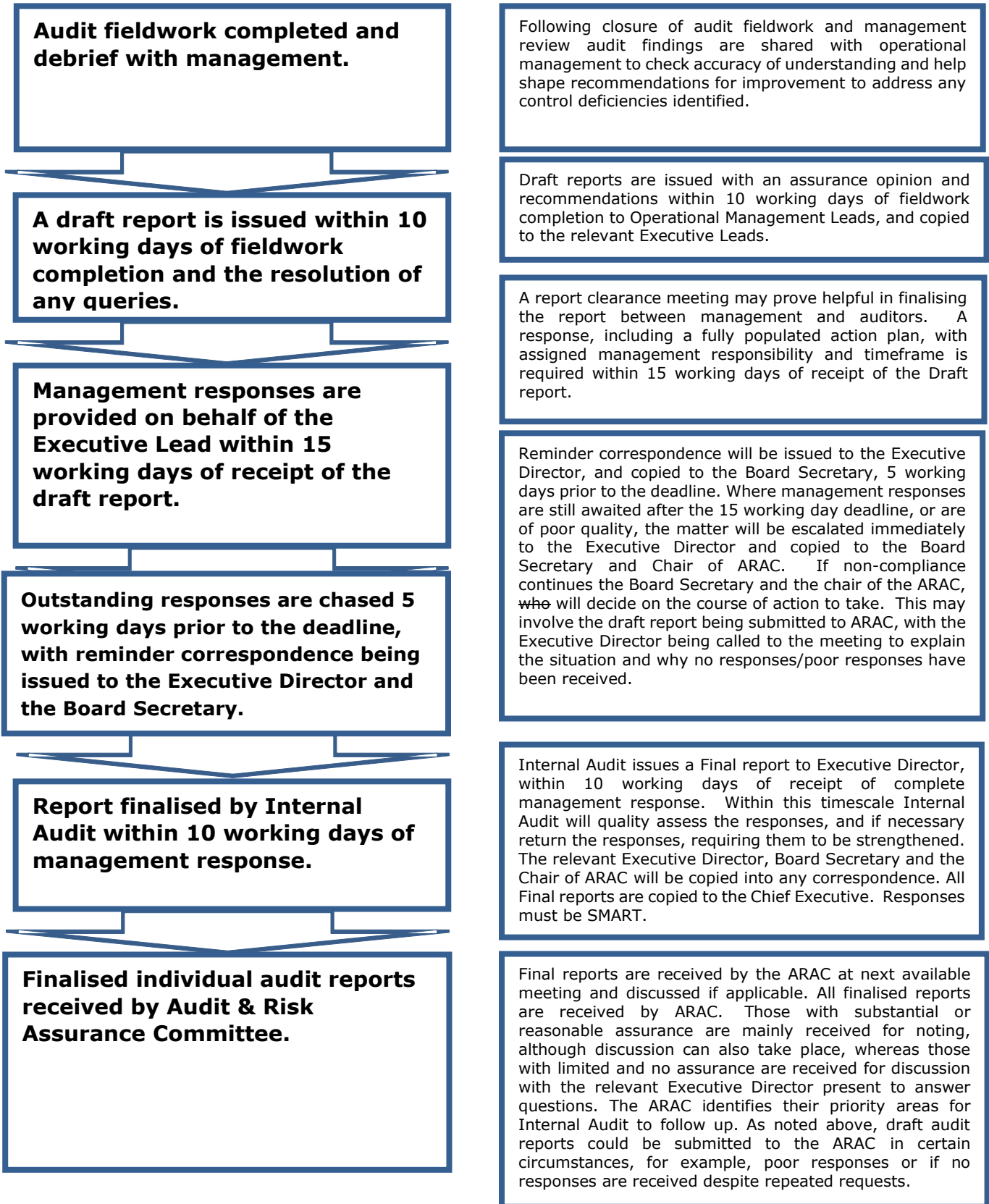
- 13.1 NWSSP Audit & Assurance was established for the collective benefit of NHS Wales and as such needs to meet the expectations of client partners. Any questions or concerns about the audit service should be raised initially with the Head of Internal Audit assigned to the organisation. In addition any matter may be escalated to the Director of Audit & Assurance. NWSSP Audit & Assurance will seek to resolve any issues and find a way forward.
- 13.2 Any formal complaints will be handled in accordance with the NWSSP complaint handling procedure. Where any concerns relate to the conduct of the Director of Audit & Assurance, the NHS organisation will have access to the Director of Shared Services.

14 Review of the Internal Audit Charter

14.1 This Internal Audit Charter shall be reviewed annually and approved by the Board, taking account of advice from the Audit & Risk Assurance Committee.

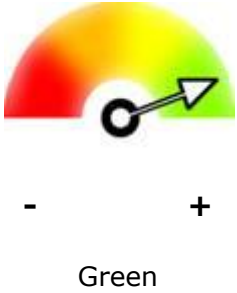
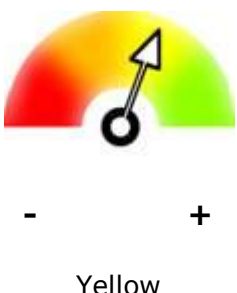
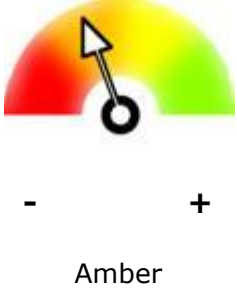
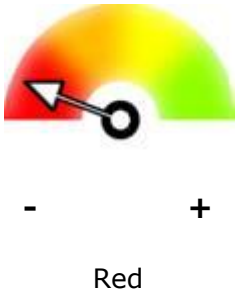
Simon Cookson
Director of Audit & Assurance - NHS Wales Shared Services Partnership
March 2019

Appendix A Audit Reporting Process



Appendix B

Audit Assurance Ratings

RATING	INDICATOR	DEFINITION
Substantial assurance		<p>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.</p>
Reasonable assurance		<p>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.</p>
Limited assurance		<p>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.</p>
No assurance		<p>The Board has no assurance 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.</p>

Office details:

Audit and Assurance Services,
St Brides,
St David's Park,
Carmarthen,
SA31 3HB

Contact details

James Johns (Head of Internal Audit) – 01267 239780