

Hywel Dda University Health Board

A Regional Collaboration for Health (ARCH)

Final Internal Audit Report

July 2019

NHS Wales Shared Services Partnership

Audit and Assurance Services



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Assurance Opinion and Action Plan Risk Rating

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

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1. Introduction and Background

This assignment originates from the agreed 2019/20 internal audit plan. It is anticipated that ARCH will deliver a holistic regional model for health built on the principles of collaboration across Hywel Dda UHB, Swansea Bay UHB (formerly Abertawe Bro Morgannwg UHB) and Swansea University.

It will include significant investment proposals such as the Health and Wellness village schemes.

Significant investment is anticipated on healthcare capital builds, and other health infrastructure across the entire ARCH region (funded from a number of sources i.e. innovative financing, NHS capital funding and European structural funding).

Initial funding has been provided by Welsh Government for the ARCH Programme. The approval letter stated the following under schedule 1:

"The Minister for Health and Social Services has agreed to make available £1.200m of capital funding to Abertawe Bro Morgannwg University Health Board between 2015-16 and 2017-18 for the Establishment of a Regional Collaboration for Health (ARCH) programme.

The funding will facilitate staff appointments and the provision of external advice including legal, financial and technical support for the development of the Programme Business Case (PBC). The funding is to cover the period up to and including the initial approval of the PBC by the Welsh Government and is provided on the basis that partner organisations ABM and Hywel Dda University Health Boards and Swansea University – will provide at least match funding and will manage the risk of any further funding (over the £1.200m) required for the development of the Programme Business Case. It should be noted that any underspend against the £1.2m funding will be retained by the Welsh Government.

The funding will include costs covering the appraisal period associated with the case."

The ARCH Programme Board submitted the Portfolio Delivery Plan to the University Health Board for approval in January 2017.

2. Scope and Objectives

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

The objective of the audit was to evaluate the systems and controls in place within the Health Board and review information made available through partnership arrangements with a view to delivering reasonable assurance to the Audit & Risk Assurance Committee (ARAC) that risks material to the objectives of the areas of coverage are appropriately managed.

The scope of this audit review was limited to the programme/project governance arrangements, recognising the Quality Assurance and Programme Design Review undertaken by Deloitte (September/October 2016), and the subsequent Gateway review, assurance will be obtained that appropriate actions have been taken, or are effectively programmed, to implement the recommendations arising from the reviews.

A report of the progress made against these recommendations was undertaken by Audit & Assurance Services on behalf of Abertawe Bro Morgannwg University Health Board (now known as Swansea Bay UHB) in April 2019.

Any other issues identified at the programme adversely affecting project delivery was considered by the auditors and raised as appropriate.

3. Associated Risks

The approach to audit assignments is risk based, where the risks are identified with the lead manager. Controls would then be identified to manage those risks and the assignment scope designed to provide assurances on those issues.

The risks considered during this review are as follows:

- i. Governance arrangements are weak, putting the objectives of the project at risk;
- ii. The programme assurance framework does not meet the minimum requirements defined by the Welsh Government;
- iii. Poor procurement practices result in poor value for money and potentially put the interests of the University Health Board at risk;
- iv. The interests of the University Health Board are inadequately protected under the contract;

- v. Amounts are certified over and above the work completed putting the interests of the University Health Board at risk; and
- vi. The programme is allowed to progress outside of time, cost and quality parameters, impacting the ability to achieve the original objectives.

The outcome of this review can be linked or contribute towards the Board Assurance Framework and Health and Care Standards.


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 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.

Therefore, the level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with ARCH 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.

Concluding fieldwork, we can confirm clear systems and controls in place to review ARCH information received into the organisation and progressed through to the Board.

A mirrored review was undertaken in April 2019 by Audit & Assurance Services on behalf of Abertawe Bro Morgannwg University (ABMU) Health Board (now known as Swansea Bay UHB). In addition to the governance arrangements within ABMU Health Board in regard of ARCH, testing was also undertaken on the governance aspects of the ARCH Programme Board and Delivery Leadership Group.

The ABMU Health Board report noted two findings that directly impact on the Health Board as a partner within the ARCH Programme:

- There was a lack of an independent assurance mechanism for the Programme amongst all ARCH partners, which was also highlighted as part of one of the original Gateway Review recommendations;
- Minor issues were identified within the content of the terms of reference for the Programme Board.

Hywel Dda University Health Board is a key partner in the ARCH Programme. The findings and recommendations highlighted in this report and in the ABMU Health Board internal audit report should be noted and addressed by Management.

5. Assurance Summary

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

Assurance Summary					
Audit Objectives					
1	Systems and controls are in place within the Health Board to review ARCH information made available through partnership arrangements			✓	

** 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 are classified as weaknesses in the system control/design for ARCH.

Operation of System/Controls

The findings from the review have highlighted no issues that are classified as weaknesses in the operation of the designed system/control for ARCH.

Management Comments

The Health Board Director of Planning, Performance & Commissioning has responded to this report as follows:

"I have reviewed the Hywel Dda UHB Internal Audit report on ARCH Portfolio Governance. I am satisfied that the report reflects the current position of ARCH Governance, including the considerable work undertaken during 2017 and 2018 by the ARCH Programme Board and the ARCH Delivery and Leadership Group (DLG), led by myself, to address the recommendations made by both the Deloitte review and the Welsh Government and OGC Gateway review.

I welcome the additional recommendations made by Internal Audit. These recommendations will be reviewed through the ARCH Portfolio mechanisms and an action plan will be formulated during the summer of 2019."

6. Summary of Audit Findings

OBJECTIVE 1: Systems and controls are in place within the Health Board to review ARCH information made available through partnership arrangements

A review was undertaken to establish the Health Board's governance arrangements in regard of A Regional Collaboration for Health (ARCH) programme. The following was noted:

- The Board approved the ARCH Portfolio Development Plan (PDP) in January 2017.
- Evidence of Strategic Outline and Business Cases, such as the South West Wales Non-Surgical Cancer Strategy, were submitted to the Board for approval.
- Regular reporting of the ARCH programme from statutory committees such as the Business Planning & Performance Assurance Committee (BPPAC) and Joint Regional Planning & Delivery Committee (JRPDC) to the Board were evident.
- ARCH portfolio update reports were regularly submitted to BPPAC meetings during 2018/19.
- The BPPAC Work Programme 2019/20 has listed ARCH as a standing item, whilst progress reports in regard of other projects, such as the Llanelli Wellness & Life Science Village, were also regularly submitted.


Concluding our review, we noted clear lines of reporting in regard of ARCH information from progress update papers received from the ARCH Programme Board into the Health Board via designated statutory committees BPPAC and JRPDC, and finally through to the Board.


However, two recommendations were made in the ABMU Health Board Internal Audit report that impacts on the Health Board, and other Programme partners.


- 1. There are some matters in ARCH Programme Board terms of reference that should be clarified further:**
 - **Clarity in respect of delegation of authority**
 - **Reference to an ARCH Memorandum of Understanding**
 - **Adjustment of incomplete text.**
- 2. The ARCH Programme Board should establish arrangements to provide independent assurance in respect of governance, risk management and control within the portfolio.**


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** 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.

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