

**Hywel Dda University Health Board**

**Environmental Sustainability Report**

**Final Internal Audit Report**

**August 2019**

**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.

### **Disclaimer notice - 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 & Risk Committee.

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## 1. Introduction and Background

The review of the Environmental Sustainability Report was completed in line with the Internal Audit Plan 2019/20. The review sought to provide Hywel Dda University Health Board with assurance regarding the process for the production and approval of the Environmental Sustainability Report. The relevant lead Executive for the assignment is the Deputy Chief Executive/ Director of Operations.

The Government Financial Reporting Manual (the 'FReM') requires that entities falling within the scope of reporting under the Greening Government commitments, and which are not exempted by the *de minimis* limit, or other exemptions under Greening Government (or other successor policy), shall produce a sustainability report to be included within the Management Commentary in accordance with HM Treasury issued Sustainability Reporting in the Public Sector guidance.

Wales is unique in the UK in having sustainable development as its central organising principle. Sustainable reporting is an essential part of organisational governance in the public sector in Wales and the Welsh Government's aim is to enable integrated reporting.

From 2012/13 public bodies in Wales that report under the FReM and meet the FReM *de minimis* are required to produce a FReM sustainability report. The format within the IFRS NHS Wales 2018-19 Manual for Accounts provides a recommended structure for NHS Wales bodies' sustainability reports, including minimum requirements.

## 2. Scope and Objectives

The overall objective of the review was to assess the adequacy of management arrangements for the production of the Sustainability Report within the Annual Report:

- The form and content of the report complies with the requirements of guidance published by the Welsh Government; and
- The information published within the report provides an accurate and representative picture of the quality of services it provides and the improvements it has committed to undertake.

The audit has focused upon the 2018/19 report, which was published within the Annual Report. The scope of the audit review was limited to the following aspects:

- The Health Board has appropriate arrangements for the preparation, approval and publication of the report including ensuring compliance with relevant guidance; and
- Testing a sample of selected indicators to ensure the underpinning data is robust and reliable, conforms to specified data quality standards and prescribed definitions, and is subject to appropriate scrutiny and review.

This review also drew on the findings of any relevant audit assignments undertaken within the reporting year to prevent any duplication.

### **3. Associated Risks**

The potential risks considered during this review were as follows:

- i. Reputational risk from non-compliance with Welsh Government guidance and breach of key public disclosure reporting requirement and lack of transparency;
- ii. Reputational risk that published information does not present a fair and balanced picture to stakeholders of the performance in the year; and
- iii. Data quality risk that published information is either incomplete or inaccurate due to information governance controls overall or system control over reported information for individual data elements.


## 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.

The level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with the adequacy of management arrangements in the production of the Environmental Sustainability Report is **Reasonable** assurance.

RATING	INDICATOR	DEFINITION
<b>Reasonable Assurance</b>		The Board can take <b>reasonable assurance</b> 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 <b>low to moderate impact on residual risk</b> exposure until resolved.

The Environmental Sustainability Report produced by the Health Board for 2018/19, as part of the Annual Report, complied with the reporting structure and format set out in the NHS Wales Manual for Accounts (MfA). We can also confirm that there is a clear chain of delegation and established procedures in place for the preparation of the Sustainability Report.





However, we identified a number of medium priority findings that require addressing, including:

- Lack of target dates for Health Board initiatives and strategies.
- Strategies and initiatives involving water meters to improve monitoring performance were identified in the Sustainability Report 2017/18. However, no progress update was provided in this year's report.

- The explanation narrative for the estimation approach for Greenhouse Gas Emissions appears incomplete, whilst the official business travel and business miles includes estimated figures that have not been identified within the report.
- A number of documented procedures for the preparation of the Sustainability Report appeared incomplete or were still in draft format.
- Some figures recorded in the report could not be reconciled to invoices due to data entry errors and use of an incorrect conversion formula in the supporting spreadsheets.

## 5. Assurance Summary

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

Audit Objective		Assurance Summary*			
					
1	The form and content of the report complies with the requirements of guidance published by the Welsh Government			✓	
2	The information published within the report provides an accurate and representative picture of the quality of services it provides and the improvements it has committed to undertake			✓	

\* 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 **one** issue that is classified as a weakness in the system control/design for the production of the Environmental Sustainability Report. This is identified in the Management Action Plan as (D).

### **Operation of System/Controls**

The findings from the review have highlighted **four** issues that are classified as weakness in the operation of the designed system/control in the production of the Environmental Sustainability Report. These are identified in the Management Action Plan as (O).



## 6. Summary of Audit Findings

The key findings are reported in the Management Action Plan at Appendix A.

### **OBJECTIVE 1: The form and content of the report complies with the requirements of guidance published by the Welsh Government**

A review of the Health Board's Sustainability Report 2018/19 was undertaken to ensure compliance with Welsh Government guidance. Concluding our review, we identified minor omissions from the expected report as follows:-

- A summary of performance for identified initiatives, such as the high efficiency equipment at Minaeron Resource Centre, was evident in the report. However, no reference was made to completion target dates of these initiatives.
- Previous Internal Audit reports stated that the Health Board should consider enhancing the narrative on the performance for greenhouse gas emissions, waste management and use of resources to include specific performance targets and these should be supported by inclusion in health board policies. These enhancements have not been implemented in the Sustainability Report 2018/19.
- The 2017/18 Sustainability Report noted potential initiatives involving water meters to improve monitoring performance. However, no update was provided in this year's report. In addition, there was no reference to finite resources.

The MfA states that where estimated data is used to prepare the Sustainability Report, this should be indicated in the table and a note made to explain the estimate used. Estimated data has been used to prepare some of the figures within the Greenhouse Gas Emissions disclosure. Whilst it is evident which data is estimated, the explanation narrative of the estimation approach appears incomplete within the report.

In addition, the expenditure on official business travel and number of business miles includes estimated figures for November 2018 to year-end. These estimated figures have not been noted in the Sustainability Report.

**See Findings 1, 2 & 3 at Appendix A.**

**OBJECTIVE 2: The information published within the report provides accurate and representative picture of the quality of services it provides and the improvements it has committed to undertake**

We can confirm that there are documented procedures in place for the preparation of the Sustainability Report that includes instructions on how each item of data is compiled. However, a number of procedures appeared incomplete or were still in draft format.

Testing was undertaken to verify the accuracy of data recorded in the Sustainability Report. A sample of water, gas, electricity, waste, oil and biomass figures were tested and traced back to the source document (i.e. invoices) to confirm accuracy and completeness of recording. Concluding testing, we identified some issues where the recorded figures could not be reconciled to the invoices due to data entry errors and use of an incorrect conversion formula. These errors were highlighted to staff at the time of testing.

**See Findings 4 & 5 at Appendix A.**

## 7. Summary of Recommendations

The audit findings and 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.

<b>Priority</b>	<b>H</b>	<b>M</b>	<b>L</b>	<b>Total</b>
<b>Number of recommendations</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>5</b>

<p><b>Finding 1 – Summary of Performance (O)</b></p>	<p><b>Risk</b></p>
<p>A summary of performance for identified initiatives, such as the high efficiency equipment at Minaeron Resource Centre, and specific performance areas, such as Greenhouse Gas Emissions, was evident in the report. However, no reference was made to targets or discussions in terms of performance.</p>	<p>Reputational risk from non-compliance with Welsh Government guidance and breach of key public disclosure reporting requirement and lack of transparency.</p>
<p><b>Recommendation 1</b></p>	<p><b>Priority level</b></p>
<p><b>Management should ensure narrative within the Sustainability Report includes explicit discussions of organisational targets and direction in terms of performance as outlined in the Manual for Accounts.</b></p>	<p><b>MEDIUM</b></p>
<p><b>Management Response</b></p>	<p><b>Responsible Officer/ Deadline</b></p>
<p>An Energy Strategy is currently being developed, which will identify carbon reduction targets for any projects delivered. This wasn't available in 18/19 but will be available for reporting in the 19/20 Sustainability Report.</p>	<p>Terri Shaw (Senior Environmental Officer) May 2020</p>

<p><b>Finding 2 – Use of Resource (O)</b></p>	<p><b>Risk</b></p>
<p>The 2017/18 Sustainability Report noted potential initiatives involving water meters to improve monitoring performance. However, no update was provided in this year’s report. In addition, there was no reference to finite resources.</p>	<p>Reputational risk that published information does not present a fair and balanced picture to stakeholders of the performance in the year.</p>
<p><b>Recommendation 2</b></p>	<p><b>Priority level</b></p>
<p><b>Management should provide progress updates of previous year's initiatives and reference to finite resources that has material impact within the Sustainability Report.</b></p>	<p><b>MEDIUM</b></p>
<p><b>Management Response</b></p>	<p><b>Responsible Officer/ Deadline</b></p>
<p>Water meters (AMR’s) are being installed following award of a five-year contract with ADSM, targeting March 2020. Performance of water reduction measures will be reported annually thereafter.</p>	<p>Terri Shaw (Senior Environmental Officer) March 2020</p>

<p><b>Finding 3 - Estimates (O)</b></p>	<p><b>Risk</b></p>
<p>The explanation narrative of the estimation approach for Greenhouse Gas Emissions appears incomplete within the report. In addition, the expenditure on</p>	<p>Reputational risk that published information does not present a fair</p>

<p>official business travel and number of business miles includes estimated figures for November 2018 to year-end. These figures have not been noted as estimates in the Sustainability Report.</p>	<p>and balanced picture to stakeholders of the performance in the year.</p>
<p><b>Recommendation 3</b></p>	<p><b>Priority level</b></p>
<p><b>Management should ensure the explanation narrative regarding energy consumption and financial indicator estimates for Greenhouse Gas Emissions table is completed and sufficient detail to explain the use of estimates for business travel and miles is included.</b></p>	<p><b>MEDIUM</b></p>
<p><b>Management Response</b></p>	<p><b>Responsible Officer/ Deadline</b></p>
<p>A few words had been deleted in error, so the narrative explaining Greenhouse Gas Emissions did not read correctly, this will be reviewed and amended in next year's report to ensure sufficient detail is included when estimated figures have to be used.</p>	<p>Terri Shaw (Senior Environmental Officer) May 2020</p>


<p><b>Finding 4 – Documented Procedures (D)</b></p>	<p><b>Risk</b></p>
<p>A review of the documented procedures in place for the preparation of data for the Sustainability Report, a number appeared incomplete or were still in draft format.</p>	<p>Data quality risk that published information is either incomplete or inaccurate due to information governance controls overall or system control over reported information for individual data elements.</p>
<p><b>Recommendation 4</b></p>	<p><b>Priority level</b></p>
<p><b>Management should ensure the documented procedures are complete and approved for staff use.</b></p>	<p><b>MEDIUM</b></p>
<p><b>Management Response</b></p>	<p><b>Responsible Officer/ Deadline</b></p>
<p>Documented procedures will be reviewed and completed as part of the ISO 14001 accreditation.</p>	<p>Terri Shaw (Senior Environmental Officer) March 2020</p>


<p><b>Finding 5 – Data Quality (O)</b></p>	<p><b>Risk</b></p>
<p>Following testing to verify the accuracy of data recorded in the sustainability report, we identified issues where recorded figures could not be reconciled to invoices due to data entry errors and use of an incorrect conversion formula in the supporting spreadsheets. These errors were highlighted to staff at the time of testing.</p>	<p>Data quality risk that published information is either incomplete or inaccurate due to information governance controls overall or system control over reported information for individual data elements.</p>
<p><b>Recommendation 5</b></p>	<p><b>Priority level</b></p>
<p><b>Management should ensure that invoice consumption costs are accurately input into the supporting spreadsheets.</b></p>	<p><b>MEDIUM</b></p>
<p><b>Management Response</b></p>	<p><b>Responsible Officer/ Deadline</b></p>
<p>All staff carrying out data inputting will be reminded of the importance of accurately inputting data into spreadsheets. The verification process will be reviewed to minimise the chances of input errors occurring.</p>	<p>Terri Shaw (Senior Environmental Officer) March 2020</p>





## Appendix B - 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
<b>High</b>	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*
<b>Medium</b>	Minor weakness in control design OR limited non-compliance with established controls. PLUS Some risk to achievement of a system objective.	Within One Month*
<b>Low</b>	Potential to enhance system design to improve efficiency or effectiveness of controls. 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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