

Hywel Dda University Health Board

Carbon Reduction Commitment

Final Internal Audit Report

August 2019

Private and Confidential

NHS Wales Shared Services Partnership

Audit and Assurance Services



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Appendix A 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 & 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:

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1. Introduction and Background

The assignment originates from the 2019/20 internal audit plan. The subsequent report was submitted to the Chief Executive and conclusions reported to the Audit & Risk Assurance Committee. The relevant lead Executive for the assignment was the Director of Operations.

The CRC Energy Efficiency Scheme (CRC) is a UK Government initiative to reduce carbon dioxide (CO₂) emissions from large and medium-sized organisations meeting certain qualification criteria. Participation for such organisations, including Hywel Dda UHB, is mandatory.

The first phase of the scheme ran from April 2010 to the end March 2014. The second phase (in to which health boards joined) runs from 1st April 2014 to 31st March 2019.

The UK government announced in 2016 that the CRC energy efficiency scheme will be abolished following the 2018-19 compliance year. This will therefore be the final audit of the UHB's participation in the scheme.

Health Boards are required to submit their annual report by 31st July 2019. The CRC guidance states a requirement for participants to be subject to annual internal audit review to ensure compliance with guidance.

2. Scope and Objectives

The overall objective of the review was to assess compliance with CRC requirements and guidance.

The scope of the audit review was limited to the following aspects:

- A review of the 2018/19 annual report (due for submission by 31st July 2019), to assess:
 - Accuracy of reported figures/totals;
 - Correct treatment of data including actuals/estimates, inclusions/exclusions etc.; and
 - Audit trail to supporting evidence;
- A review of the final position in terms of management of allowances; and
- Sufficiency of the Evidence Pack, including document retention arrangements following closure of the scheme (required until March 2025).

3. Associated Risks

The potential risks considered in this review were as follows:

- i. CRC guidance is not being followed;
- ii. Reported data is inaccurate, which may incur financial penalties;
- iii. Failure to sufficiently budget for, or achieve value for money from, the purchase of allowances; and
- iv. Evidence pack is not appropriately maintained.


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 Carbon Reduction Commitment is **Substantial** assurance.





RATING	INDICATOR	DEFINITION
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.

We can confirm that the Health Board complied with CRC guidance in regard of 2018-19 submission. Concluding our review, we reconciled reported figures to supporting documents, accurate calculation and manual adjustments of system-generated data, and a sound purchasing strategy based on the forecast sale option.

A minor finding was identified in regard of links and information on the Environment and Transport intranet page not being up-to-date. However, with the CRC efficiency scheme being abolished following the 2018-19 compliance year, this finding is highlighted for Management information only.

5. Assurance Summary

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

Audit Objective		Assurance Summary*			
					
1	Compliance with CRC requirements and guidance				✓

* 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 the Carbon Reduction Commitment.

Operation of System/Controls

The findings from the review have highlighted no issues that are classified as weakness in the operation of the designed system/control for the Carbon Reduction Commitment.

6. Summary of Audit Findings

OBJECTIVE 1: Compliance with the Carbon Reduction Commitment requirements and guidance

A review was undertaken to ensure the Health Board complied with the Carbon Reduction Commitment (CRC) requirements and guidance for 2018/19. Concluding our review, we noted the following:


- Executive and operational responsibilities for CRC had been assigned to the Deputy Chief Executive/Director of Operations and the Environmental Team.
- Energy figures reported in the CRC Report 2018/19 reconciled to supporting documentation, including the accurate calculation and manual adjustments of system-generated CRC data.
- Compliance with CRC guidance for estimations was evident.
- The Combined Heat and Power (CHP) figures recorded in the CRC Report 2018/19 reconcile to supporting documents maintained by the Environment Team.
- The organisation's purchasing strategy based on the forecast sale option was of a sound basis. The Health Board purchased the forecasted units in April 2018 and following the publication of the 2018/19 conversion factors surplus units were sold in July 2019.
- Fuel consumption figures submitted in the Annual Report reconciled to the CRC Report 2018/19 that was part of the evidence pack, whilst all CRC supporting documents will be retained on file until 2025.


The Annual Report Summary captured the organisation's corporate responsibilities for 2018/19. We can confirm that evidence to support the corporate responsibility questions were evident, including a dedicated area on the Health Board intranet to Environment and Transport. Whilst this area provides the information needed to understand and get involved with environment, transport and sustainability issues; some links were not maintained with up-to-date information. This issue was also identified in last year's CRC Internal Audit Report (SSU-HDU-1819-09).


The CRC energy efficiency scheme will be abolished following the 2018-19 compliance year. Noting this, the above finding is highlighted for Management information only.


Appendix A - Assurance Opinion and Action Plan Risk Rating

2019/20 Audit Assurance Ratings

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

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

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

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

Prioritisation of Recommendations

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

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

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



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