

Hywel Dda University Health Board

HEAD OF INTERNAL AUDIT OPINION & ANNUAL REPORT 2019/20 (Draft)

**May 2020
NHS Wales Shared Services Partnership
Audit & Assurance Services**

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Audit & Risk Assurance Committee:	May 2020

1. EXECUTIVE SUMMARY

1.1 Purpose of this Report

The Board is collectively accountable for maintaining a sound system of internal control that supports the achievement of the organisation's objectives, and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system. A key element in that flow of assurance is the overall assurance opinion from the Head of Internal Audit.

This report sets out the Head of Internal Audit opinion together with the summarised results of the internal audit work performed during the year. The report also includes a summary of audit performance in comparison to the plan and an assessment of conformance with the Public Sector Internal Audit Standards (these are the requirements of Standard 2450).

1.2 Head of Internal Audit Opinion

The purpose of the annual Head of Internal Audit (HIA) opinion is to contribute to the assurances available to the Accountable Officer and the Board which underpin the Board's own assessment of the effectiveness of the system of internal control. The approved internal audit plan is biased towards risk and therefore the Board will need to integrate these results with other sources of assurance when making a rounded assessment of control for the purposes of the Annual Governance Statement.

The overall opinion has been formed by summarising audit outcomes across eight key assurance domains. The overall opinion is then based upon these grouped findings. In a change to previous years all domains now carry equal weighting.

In my opinion 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. Several significant matters require management attention with low to moderate impact on residual risk exposure until resolved.

1.3 Delivery of the Audit Plan

The internal audit plan has been delivered substantially in accordance with the agreed schedule and changes required during the year, as approved by the Audit & Risk Assurance Committee. Regular audit progress reports have been submitted to the Audit & Risk Assurance Committee during the year.

As a result of the COVID-19 pandemic and the response to it from the Health Board we have not been able to complete our audit programme in full. However, we have undertaken sufficient audit work during the year to be able to give an overall opinion in line with the requirements of the Public Sector Internal Audit Standards.

We had anticipated, after adjustments to the original audit plan agreed with the Audit Committee, producing 45 outputs at the year end. However, due to the impact of COVID-19 the final position at Hywel Dda Health Board is: 23 Final reports, 17 Draft reports, 2 work in progress and 3 where insufficient work has been done to be used to support the opinion. Where audits that are work in progress have been used to support the overall opinion (even though the work will not have been reported to the Audit Committee in either Final or Draft form) this is set out in Section 2.4 of the Opinion.

For those audits that are either at the Draft report stage or are work in progress, we will agree an appropriate approach to complete and finalise those audits with Health Board for formal submission to the Audit Committee at a later date. In addition, in a small number of cases we were not able to complete work on all the objectives agreed for a particular audit. Where this is the case we have highlighted this in Sections 5.1 to 5.6.

There are, as in previous years, additional audits undertaken at NWSSP, NWIS, WHSSC and EASC that support the overall opinion for NHS Wales health bodies (see Section 3).

Our External Quality Assessment (EQA), conducted by the Chartered Institute of Internal Auditors, and our Quality Assurance and Improvement Programme have both confirmed that our internal audit work 'generally conforms' to the requirements of the Public Sector Internal Audit Standards (PSIAS) for 2019/2020. We are now able to state that our service 'conforms to the Institute of Internal Audit's (IIA's) professional standards and to PSIAS.'

1.4 Summary of Audit Assignments

The report summarises the outcomes from the internal audit plan undertaken in the year and, recognising audit provides a continuous flow of assurance, includes the results of legacy audit work reported subsequent to the prior year opinion. The report also references assurances received through the internal audit of control systems operated by NWSSP for transaction processing on behalf of the Health Board.

The audit coverage in the plan agreed with management has been deliberately focussed on key strategic and operational risk areas; the outcome of these audit reviews may therefore highlight control weaknesses that impact on the overall assurance opinion.

In overall terms we can provide positive assurance to the Board that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively in the following assurance domains:

- Corporate governance, risk management and regulatory compliance;
- Strategic planning, performance management and reporting;
- Financial governance and management

- Clinical governance, quality and safety;
- Workforce management;
- Capital and Estates management; and
- Information governance and security.

However, the significance of the matters identified in those areas where there are improvements to be made in governance, risk management and control impacts upon our overall audit assessment in the following assurance domain:

- Operational services and functional management.

There were in total 9 individual audits issued across the overall plan where a Limited Assurance rating was allocated: Water Safety Management (Withybush), Financial Safeguarding – Maintenance Led, Research & Development, Estates Directorate Governance, Bronglais Directorate Governance, Consultants Job Planning, Control of Contractors, Glangwili Women & Children Capital Scheme, and Contracting.

Management are aware of the specific issues identified and have agreed action plans to improve control in these areas. These planned control improvements should be referenced in the Annual Governance Statement where appropriate.

Please note that our assessment across each of the domains has also taken into account, where appropriate, the number and significance of any audits that have been deferred during the course of the year (see also Section 2.4.1)

2. HEAD OF INTERNAL AUDIT OPINION

2.1 Roles and Responsibilities

The Board is collectively accountable for maintaining a sound system of internal control that supports the achievement of the organisation's objectives, and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Annual Governance Statement is a statement made by the Accountable Officer, on behalf of the Board, setting out:

- How the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives.
- The purpose of the system of internal control, as evidenced by a description of the risk management and review processes, including compliance with the Health & Care Standards.
- The conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures, together with assurances that actions are or will be taken where appropriate to address issues arising.

The organisation's risk management process and system of assurance should bring together all of the evidence required to support the Annual Governance Statement.

In accordance with the PSIAS, the HIA is required to provide an annual opinion, based upon and limited to, the work performed on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is achieved through an audit plan that has been focussed on key strategic and operational risk areas and known improvement opportunities, agreed with executive management and approved by the Audit & Risk Assurance Committee, which should provide an appropriate level of assurance.

The opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based audit work formulated around a selection of key organisational systems and risks. As such, it is a key component that the Board takes into account but is not intended to provide a comprehensive view.

The Board, through the Audit & Risk Assurance Committee, will need to consider the Internal Audit opinion together with assurances from other sources including reports issued by other review bodies, assurances given by management and other relevant information when forming a rounded picture on governance, risk management and control for completing its Governance Statement.

2.2 Purpose of the Head of Internal Audit Opinion

The purpose of my annual Head of Internal Audit opinion is to contribute to the assurances available to the Accountable Officer and the Board of Hywel Dda University Health Board which underpin the Board's own assessment of the effectiveness of the organisation's system of internal control.

This opinion will in turn assist the Board in the completion of its Annual Governance Statement, and may also be taken into account by regulators including Healthcare Inspectorate Wales in assessing compliance with the Health & Care Standards in Wales, and by Wales Audit Office in the context of their external audit.

The overall opinion by the Head of Internal Audit on governance, risk management and control is a function of this risk-based audit programme and contributes to the picture of assurance available to the Board in reviewing effectiveness and supporting our drive for continuous improvement.

2.3 Assurance Rating System for the Head of Internal Audit Opinion

The assurance rating framework for expressing the overall audit opinion was refined in 2013/14 in consultation with key stakeholders across NHS Wales. In 2016/17, following further discussion with stakeholders, it was amended to remove the weighting given to three of the eight domains when judging the overall

opinion. The framework applied in 2016/17 has been used again to guide the forming of the opinion for 2019/20.

The assurance rating system based upon the colour-coded barometer and applied to individual audit reports remains unchanged. The descriptive narrative used in these definitions as clarified in 2012/13 has proven effective in giving an objective and consistent measure of assurance in the context of assessed risk and associated control in those areas examined.

This same assurance rating system is applied to the overall Head of Internal Audit opinion on governance, risk management and control as to individual assignment audit reviews. The assurance rating system together with definitions is included at **Appendix D**.

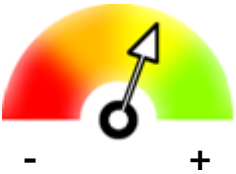
The individual conclusions arising from detailed audits undertaken during the year have been summarised by the eight assurance domains that were used to frame the internal audit plan at its outset. The aggregation of audit results by these domains gives a better picture of assurance to the Board and also provides a rational basis for drawing an overall audit opinion.

A quality assurance review process has been applied by the Director of Audit & Assurance and the Head of Internal Audit in the annual reporting process, to ensure the assurance domain ratings and overall opinion are consistent with the underlying audit evidence and in accordance with the criteria for judgement at **Appendix E**.

2.4 Head of Internal Audit Opinion

2.4.1 Scope of opinion

The scope of my opinion is confined to those areas examined in the risk-based audit plan which has been agreed with senior management and approved by the Audit & Risk Assurance Committee. The Head of Internal Audit assessment should be interpreted in this context when reviewing the effectiveness of the system of internal control and be seen as an internal driver for continuous improvement. The Head of Internal Audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and control is set out below:

	<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. <i>More significant matters require management attention with low to moderate impact on residual risk exposure until resolved.</i></p>
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This opinion will need to be reflected within the Annual Governance Statement along with confirmation of action planned to address the issues raised. Particular focus should be placed on the agreed response to any *limited* or *no-assurance* reports issued during the year and the significance of the recommendations made.

2.4.2 Basis for Forming the Opinion

In reaching the opinion the Head of Internal Audit has applied both professional judgement and the Audit & Assurance "*Supporting criteria for the overall opinion*" guidance produced by the Director of Audit & Assurance and shared with key stakeholders, see **Appendix E**.

In reaching the over Reasonable Assurance Opinion I have identified that the majority of reviews during the year concluded positively with sound control arrangements operating in some areas.

As well as the overall opinion, I have also concluded that for seven of the eight individual assurance domains a reasonable assurance opinion is appropriate.

However, the Operational & Service Management Domain was allocated Limited Assurance with the two Directorate Governance audits Covering Estates Directorate and the Bronglais Hospital Directorate both given limited assurance.

From the Internal Audit work performed during the year the majority of audits were allocated either Substantial or Reasonable assurance opinions.

In addition however, it is also important to highlight that 9 Limited assurance reports have been issued during the year, with these individual Limited assurance reports in five separate assurance domains.

It is also noted that in a number the follow up audits identified progress being made implementing the previously agreed recommendations. *From review of the Annual Governance Statement it was considered to be on the whole consistent with our knowledge of the UHB through the audit work performed in the Internal Audit plan, and a review of other organisational documents.*

In addition, our review of the Governance, Leadership and Accountability Standard again noted that we considered it to be on the whole consistent with our knowledge of the UHB.

The summary of assurance outcomes is set out in Appendix B.

This opinion will need to be reflected within the Annual Governance Statement, along with confirmation of action planned to address the issues raised. Particular focus should be placed on the agreed response to any limited assurance reports issued during the year and the significance of the recommendations made.

The audit work undertaken during 2019/20 and reported to the Audit & Risk Assurance Committee has been aggregated at **Appendix B**.

The evidence base upon which the overall opinion is formed is as follows:

- An assessment of the range of individual opinions arising from risk-based audit assignments contained within the Internal Audit plan that have been reported to the Audit & Risk Assurance Committee throughout the year. This assessment has taken account of the relative materiality of these areas

and the results of any follow-up audits in progressing control improvements.

- The results of any audit work related to the Health & Care Standards including, if appropriate, the evidence available by which the Board has arrived at its declaration in respect of the self-assessment for the Governance, Leadership and Accountability module;
- Other assurance reviews which impact on the Head of Internal Audit opinion including audit work performed at other organisations (see Section 3 – Other Work for details).

As stated above these detailed results have been aggregated to build a picture of assurance across the eight key assurance domains around which the risk-based Internal Audit plan is framed. Where there is insufficient evidence to draw a firm conclusion the assurance domain is not rated.

In addition, the Head of Internal Audit has considered residual risk exposure across those assignments where limited or no assurance was reported. Furthermore, a number of audit assignments planned this year did not proceed to full audits following preliminary planning work and these were either: removed from the plan; removed from the plan and replaced with another audit; or deferred until a future audit year. Where changes were made to the audit plan then the reasons were presented to the Audit & Risk Assurance Committee for consideration and approval. Notwithstanding that the opinion is restricted to those areas which were subject to audit review, the Head of Internal Audit has considered the impact of changes made to the plan when forming their overall opinion.

A summary of the findings in each of the domains is set out below, with commentary on pertinent audits where applicable. Each domain heading has been colour coded to show the overall assurance for that domain.

Corporate Governance, Risk Management and Regulatory Compliance

The audit of the Health and Care Standards concluded positively, along with the audits of the WRP Claims and Welsh Language.

The audit of Health & Safety concluded with Reasonable assurance although noting a limitation to the scope of work undertaken. In particular due to COVID 19 a number of visits to wards and departments did not go ahead. We will look to do this as part of the 20/21 plan.

A review of both the [Annual Governance Statement](#) and the Governance, Leadership and Accountability Standard highlighted that they were considered it to be on the whole consistent with our knowledge of the UHB through the audit work performed in the Internal Audit plan and a review of other organisational documents.

Strategic Planning, Performance Management & Reporting

The Patient Access audit concluded positively and was given Substantial Assurance, with the audits of ARCH and Business Continuity allocated Reasonable Assurance.

However the audit of Research & Development was given a Limited Assurance rating, with a number weakness identified around the management and governance of the function.

Financial Governance and Management

The audit of financial reporting identified systems in place were being complied with effectively with a rating of Substantial Assurance allocated.

The audit of Contracting however, was allocated a rating of Limited Assurance, with weaknesses identified around the management of SLAs, although the processes in place for the management of LTAs were more established.

Audit work had been planned to look at the Finance Assurance Framework, however the scope of the Internal Audit work would have covered similar ground to that being undertaken by KPMG and as such was deferred to avoid potential duplication.

The audits of the payment systems provided by NWSSP, which we audit each year to provide assurance to the Health Board all concluded with positive assurance. The four primary care contractor payment systems were each being given Substantial Assurance, with the audits of Payroll and Accounts Payable receiving Reasonable Assurance.

Clinical Governance, Quality & Safety

The audits of the Annual Quality Statement, Medical Devices, Mortality Reviews and Nurse Medication Administration & Errors and were each given a reasonable assurance rating.

Information Governance & IT Security

The audit of Virtualisation was given Substantial Assurance with the virtual environment well managed and kept secure with good access controls. In addition, the audits of Cyber Security and the Departmental IT Systems (Lillie) were both given reasonable Assurance.

The consolidated follow up audit covering recommendations from four previous IM&T audits was also given reasonable assurance, noting good progress with the implementation of actions.

Operational Service and Functional Management

The Directorate Governance audits covering the Estates Directorate and the Bronglais Hospital Directorate Audit both concluded with Limited assurance ratings, contributing to an overall domain opinion of Limited. Weakness were identified in governance and assurance processes, the management of risks, and workforce management.

A follow up audit of the Estates Directorate has been undertaken and whilst progress was being made in a number of the areas previously covered, all previous recommendations were not able to be followed up at the current time. The Cleaning Standards follow up audit also noted some improvements.

Workforce Management

The audit of Consultants & SAS Doctors Job Planning concluded with a Limited Assurance Rating. Weaknesses were identified with the completion, annual review, quality and sign off of the job plans.

The audits of Rostering, the Electronic Staff Records System and Variable Pay have each have concluded with Reasonable Assurance, along with the follow up audit of Personal Appraisal and Development Reviews (PADRs) which has highlighted improvements since the previous audit.

Capital & Estates Management

A significant amount of audit work has been undertaken in this domain. During the year, Health Board management asked for additional audits around known risk areas, in particular water safety management issues where four separate audits have been undertaken this year.

Four audits concluded with a Limited Assurance rating: Withybush Water Safety Management, Financial safeguarding – Maintenance, Control of contractors (Draft) and GGH Women & Children Capital Scheme (Draft).

There were, however, five audits that concluded more positively including Environmental Sustainability Reporting, Financial safeguarding - Design Led, Capital & Estates Follow Up, Carbon Reduction Commitment and Water Management – 1st Follow Up.

Further to this, the additional Water Safety audit at Bronglais concluded with a Reasonable Assurance rating as did the Water Safety Follow up at Withybush, highlighting that management had made progress in strengthening the controls in this area.

It should be noted that the Health Board has requested the opportunity to provide further information regarding the outcome of the draft report on the GGH Women & Children capital Scheme.

Although there is a mix of results in this domain, and there is further action that management needs to take to strengthen arrangements across a number of the areas that we reviewed, we have noted that the follow up audits showed positive management action in a number of areas. Our view is that the assurance rating for this domain is Reasonable overall but we will continue to focus audit effort in this area to ensure that the progress have seen is maintained going forward.

2.4.3 Limitations to the Audit Opinion

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding the achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems.

As mentioned above, the scope of the audit opinion is restricted to those areas which were the subject of audit review through the performance of the risk-based Internal Audit plan. In accordance with auditing standards and with the agreement of senior management and the Board, Internal Audit work is deliberately prioritised according to risk and materiality. Accordingly the Internal Audit work and reported outcomes will bias towards known weaknesses as a driver to improve governance, risk management and control. This context is important in understanding the overall opinion and balancing that across the various assurances which feature in the Annual Governance Statement.

Caution should be exercised when making comparisons with prior years. Audit coverage will vary from year to year based upon risk assessment and cyclical coverage on key control systems.

2.4.4 Period covered by the Opinion

Internal Audit provides a continuous flow of assurance to the Board, and subject to the key financials and other mandated items being completed in-year, the cut-off point for annual reporting purposes can be set by agreement with management. To enable the Head of Internal Audit opinion to be better aligned with the production of the Annual Governance Statement, a pragmatic cut-off point has been applied to Internal Audit work in progress.

By previous agreement with the Health Board, audit work reported to draft stage has been included in the overall assessment, all other work in progress will be rolled-forward and reported within the overall opinion for next year.

The majority of audit reviews will relate to the systems and processes in operation during 2019/20 unless otherwise stated and reflect the condition of internal controls pertaining at the point of audit assessment. Follow-up work will provide an assessment of action taken by management on recommendations made in prior periods, and will therefore provide limited scope update on the current condition of control and a measure of direction of travel.

There are also some specific assurance reviews which remain relevant to the reporting of the Annual Report required. These specific assurance requirements relate to the following two public disclosure statements:

- Annual Quality Statement; and
- Environmental Sustainability Report.

The specified assurance work on these statements has been aligned with the timeline for production of the Annual Report and accordingly will be completed and reported to management and the Audit & Risk Assurance Committee subsequent to this Head of Internal Audit opinion. However, the Head of Internal Audit's assessment of arrangements in these areas is legitimately informed by drawing on the assurance work completed as part of this current year's plan albeit relating to the 2018/19 Annual Report and Quality Statement, together with the preliminary results of any audit work already undertaken in relation to the 2019/20 Annual Report and Quality Statement.

2.5 Required Work

There are a number of pieces of work that Welsh Government has previously required that Internal Audit should review each year, where applicable. These pieces cover aspects of:

- Health & Care Standards, including the Governance, Leadership and Accountability standard;
- Annual Governance Statement;
- Annual Quality Statement;
- Carbon Reduction Commitment;
- Environmental Sustainability Report; and
- Welsh Risk Pool Claims.

Where appropriate, our work is reported in Section 5 – Risk-based Audit Assignments, and at **Appendix B**.

2.6 Statement of Conformance

The Welsh Government determined that the Public Sector Internal Audit Standards (PSIAS) would apply across the NHS in Wales from 2013/14.

The provision of professional quality Internal Audit is a fundamental aim of our service delivery methodology and compliance with PSIAS is central to our audit approach. Quality is controlled by the Head of Internal Audit on an ongoing basis and monitored by the Director of Audit & Assurance. The work of internal audit is also subject to an annual assessment by the Wales Audit Office. In addition, at least once every five years, we are required to have an External Quality Assessment. This was undertaken by the Chartered Institute of Internal Auditors (IIA) in February and March 2018. The IIA concluded that NWSSP's Audit & Assurance Services conforms to all 64 fundamental principles and 'it is therefore appropriate for NWSSP Audit & Assurance Services to say in reports and other literature that it conforms to the IIA's professional standards and to PSIAS.'

The NWSSP Audit & Assurance Services can assure the Audit Committee that it has conducted its audit at Hywel Dda University Health Board in conformance with the Public Sector Internal Audit Standards for 2019/20.

Our conformance statement for 2019/20 is based upon:

- The results of our internal Quality Assurance and Improvement Programme (QAIP) for 2019/20 which will be reported formally in the summer of 2020;
- The results of the work completed by Wales Audit Office; and
- The results of the External Quality Assessment undertaken by the IIA.

We have set out, in Appendix A, the key requirements of the Public Sector Internal Audit Standards and our assessment of conformance against these requirements. The full results and actions from our QAIP will be included in the 2019/20 QAIP report. There are no significant matters arising that need to be reported in this document.

2.7 Completion of the Annual Governance Statement

While the overall Internal Audit opinion will inform the review of effectiveness for the Annual Governance Statement, the Accountable Officer and the Board need to take into account other assurances and risks when preparing their statement. These sources of assurances will have been identified within the Board's own performance management and assurance framework and will include, but are not limited to:

- Direct assurances from management on the operation of internal controls through the upward chain of accountability;
- Internally assessed performance against the Health & Care Standards;
- Results of internal compliance functions including Local Counter-Fraud, Post Payment Verification, and Risk Management;
- Reported compliance via the Welsh Risk Pool regarding claims standards and other specialty specific standards reviewed during the period; and
- Reviews completed by external regulation and inspection bodies including the Wales Audit Office and Healthcare Inspectorate Wales.

3. OTHER WORK RELEVANT TO THE HEALTH BOARD

As our internal audit work covers all NHS organisations there are a number of audits that we undertake each year which, while undertaken formally as part of a particular health organisation's audit programme, will cover activities relating to other Health bodies. The Head of Internal Audit has had regard to these audits, which are listed below.

NHS Wales Shared Services Partnership (NWSSP)

As part of the internal audit programme at NHS Wales Shared Services Partnership (NWSSP), a hosted body of Velindre NHS Trust, a number of audits were undertaken which are relevant to the Health Board. These audits of the financial systems operated by NWSSP, processing transactions on behalf of the Health Board, derived the following opinion ratings:

- Accounts Payable - Reasonable
- Payroll – Reasonable (Draft)
- Primary Care Services – General Medical Services - Substantial
- Primary Care Services – General Pharmaceutical Services - Substantial
- Primary Care Services – General Dental Services – Substantial
- Primary Care Services – General Ophthalmic Services – Substantial.
- Primary Care Services – Post Payment Verification - Substantial

Please note that other audits of NWSSP activities are undertaken as part of the overall NWSSP internal audit programme.

The overall Head of Internal Audit Opinion for NWSSP has given an overall rating of Reasonable Assurance.

Six of the seven report noted above (with the exclusion of the Post Payment Verification Audit) are also included in table in Appendix B, as they are undertaken annually to ensure coverage of the main financial systems and include transactions processed on behalf of the Health Board.

In addition, as part of the internal audit programme at Cwm Taf UHB a number of audits were undertaken in relation to both the Welsh Health Specialist Services Committee (WHSSC) and the Emergency Ambulance Services Committee (EASC). These audits are listed below and derived the following opinion ratings:

Welsh Health Specialised Services Committee

- Cardiac review - Reasonable
- Information governance - Reasonable

Emergency Ambulance Services Committee

- Non-emergency patient transport service - N/A

NHS Wales Informatics Service (NWIS)

We have also undertaken six audits relating to the processes and operations of NWIS.

- Infrastructure / Network Management – Reasonable
- Service provision – Reasonable
- Supplier management – Limited (draft report)
- Follow up change control – Substantial
- GDPR – Limited (draft report)
- Pharmacy project – Reasonable (draft Report)

While these audits do not form part of the annual plan for Hywel Dda University Health Board, they are listed here for completeness as they do impact on the Health Board's activities, and the Head of Internal Audit does consider if any issues raised in the audits could impact on the content of our annual report.

Full details of the NWSSP audits are included in the NWSSP Head of Internal Audit Opinion and Annual Report and are summarised in the Velindre NHS Trust Head of Internal Audit Opinion and Annual Report, along with the NWIS Audits; the WHSSC and EASC audits are detailed in the Cwm Taf UHB Head of Internal Audit Opinion and Annual Report.

4. DELIVERY OF THE INTERNAL AUDIT PLAN

4.1 Performance against the Audit Plan

The Internal Audit Plan has been delivered substantially in accordance with the schedule agreed with the Audit & Risk Assurance Committee, subject to changes agreed as the year progressed. Regular audit progress reports have been submitted to the Audit & Risk Assurance Committee during the year. Audits which remain to be reported and reflected within this Annual Report will be reported alongside audits from the 2020/21 operational audit plan.

As per of the original approved Internal Audit Plan there were 43 audits identified. During the year changes have been made to the plan with eight audits added, six removed, and for incomplete at the time of this opinion, with us therefore planning to deliver 41 audits.

The assignment status summary is reported at section 5 and **Appendix B**.

In addition, throughout the year we have responded to requests for advice and/or assistance across a variety of business areas. This advisory work undertaken in addition to the assurance plan is permitted under the standards to assist management in improving governance, risk management and control. This activity has been reported during the year within our progress reports to the Audit & Risk Assurance Committee.

4.2 Service Performance Indicators

In order to be able to demonstrate the quality of the service delivered by Internal Audit, a range of service performance indicators supported by monitoring systems have been developed. The key performance indicators are summarised in Appendix C.

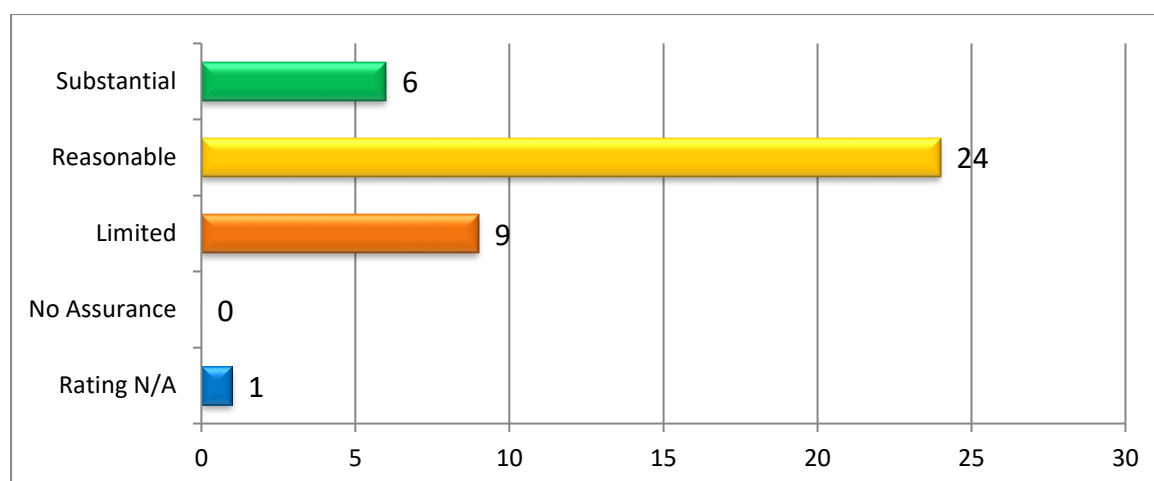
5. RISK-BASED AUDIT ASSIGNMENTS

The overall opinion provided in Section 1 and our conclusions on individual assurance domains is limited to the scope and objectives of the reviews we have undertaken, detailed information on which has been provided within the individual audit reports.

5.1 Overall summary of results

In total 40 audit reviews were reported during the year. Figure 1 below presents the assurance ratings and the number of audits derived for each.

Figure 1 Summary of audit ratings



The assurance ratings and definitions used for reporting audit assignments are included in **Appendix D**.

In addition to the above, there were several audits which did not proceed following preliminary planning and agreement with management, as it was recognised that there was action required to address issues / risks already known to management and an audit review at that time would not add additional value. Such audits were replaced.

The following sections provide a summary of the scope and objective for each assignment undertaken within the year along with the assurance rating.

5.2 Substantial Assurance



In the following review areas the Board can take **substantial assurance** that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively. Those few matters that may require attention are compliance or advisory in nature with low impact on residual risk exposure.

Review Title	Objective
Welsh Risk Pool Claims	The objective of the review was to ensure that the WRP Claims Management function within the Health Board is operating effectively.
Patient Access	The overall objective of this review was to provide assurance that the Health Board was compliant with the rules for managing Referral to Treatment waiting times set by the Welsh Government.
Core Financial Systems – Financial Reporting	The overall objective of the review was to ensure that there are appropriate arrangements in place for the accurate and timely reporting of financial performance information to operational leads, Health Board and Welsh Government.
Server Virtualisation	The overall objective of this review was to evaluate and determine the adequacy of the key controls in place for the virtualisation infrastructure to ensure that it is appropriately set up, secure and that benefits are maximised. Our review considered the management of the booking and reasonable offer process for patients administered through the main outpatient departments.
Water Management 1 st follow up	This audit sought to determine the status of previously agreed recommendations arising from a “limited assurance” Water Safety audit report issued in April 2019. The audit assessed compliance with the requirements of Welsh Health Technical Memorandum (WHTM) 04-01, Safe Water in Healthcare Premises, with specific audit testing undertaken at the Glangwili and Prince Philip Hospital sites.

Review Title	Objective
Carbon Reduction Commitment	The overall objective of the review was to assess compliance with CRC requirements and guidance.

5.3 Reasonable Assurance



In the following review areas the Board can take **reasonable assurance** that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively. Some matters require management attention in either control design or operational compliance and these will have low to moderate impact on residual risk exposure until resolved.

Review Title	Objective
Welsh Language Compliance	The overall objective of this audit was to evaluate and determine the adequacy of the systems and controls in place over the implementation of the Standards.
ARCH	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.
Annual Quality Statement	The overall objective of the review was to assist Hywel Dda University Health Board with accuracy checking, including the triangulation of data and evidence, before the publication of the 2018/19 Annual Quality Statement.

Review Title	Objective
Financial Safeguarding [Design Team Led CRL Projects]	<p>This review sought to affirm that there were effective controls and systems operating to deter and safeguard against potential fraud in respect of the discretionary capital projects managed by the UHB's Estates Design team.</p> <p>Key areas reviewed included:</p> <ul style="list-style-type: none"> • Quotation/tender/local order processes; • Segregation of duties & delegated authorities; and Stock control processes.
IM&T Assurance (Follow Up)	<p>The review sought to provide the Health Board with assurance that appropriate and timely action had been taken in respect of previously agreed audit recommendations arising from prior IM&T Assurance audits.</p>
Medical Devices	<p>The overall objective of the review was to provide assurance that there are appropriate systems and processes in place for the management of medical devices so that all devices are appropriately managed and maintained.</p>
Mortality Rates <i>DRAFT</i>	<p>The overall objective of this review was to evaluate and determine the adequacy of the systems and controls in place within the Health Board for the completion of mortality reviews.</p>
Nursing Medication Administration & Errors <i>DRAFT</i>	<p>The overall objective of this review was to provide assurance for the management and administration of drugs in wards/departments and the arrangements in place to address nursing medication errors.</p>
Cyber Security	<p>The overall objective of this review was to evaluate the adequacy of the systems and controls in place for cyber-security</p>
Estates Directorate Governance Review (Follow Up) <i>DRAFT</i>	<p>The overall objective of this audit was to establish progress made by management to implement actions agreed to address key issues identified at the previous audit. However the recommendations in relation to workforce management were not able to be followed up due to the need conclude work due to the pandemic.</p>

Review Title	Objective
Departmental IT System	The objective of the audit was to evaluate and determine the adequacy of the systems and controls in place for the management of the Lillie Sexual Health Management IT System.
Rostering	The objective of the audit was to ensure that Hywel Dda UHB has appropriate structures and processes in place to adequately manage the production of staff rotas, in order to provide assurance to the Audit & Risk Assurance Committee that risks material to the achievement of system objectives are managed appropriately.
Variable Pay <i>DRAFT</i>	The objective of this audit was to review the adequacy of the arrangements in place for the management and control of variable pay, in order to provide assurance to the Health Board that risks material to the achievement of the system's objectives are managed appropriately.
Electronic Staff Record (ESR) System	The objective of the audit was to assess the adequacy of the arrangements in place for the deployment of the ESR and subsequent utilisation of the system, in order to provide assurance to the Health Board that risks material to the achievement of the system's objectives are managed appropriately.
Environmental Sustainability	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.
Business Continuity <i>DRAFT</i>	The overall objective of this review was to evaluate and determine the adequacy of the systems and controls in place for the management of business continuity.
Health & Safety <i>DRAFT</i>	The overall objective of the review was to assess the adequacy of management arrangements for Health & Safety and that risks material to the achievement of the system's objectives are managed appropriately. Elements of testing had to be limited as a result of the restrictions of the pandemic.
Review of PADR Process (Follow Up) <i>DRAFT</i>	The overall objective of this audit was to establish progress made by management to implement actions agreed to address key issues identified at the previous audits which had limited assurance.

Review Title	Objective
Health & Care Standards <i>DRAFT</i>	The objective of the review was to establish if the Health Board has adequate procedures in place to monitor the effective utilisation of the standards to improve clinical quality and patient experience.
Follow up Capital <i>DRAFT</i>	The overall objective of this audit was to establish progress made by management to implement actions agreed to address key issues identified at previous capital audits.
Follow up Estates Assurance <i>DRAFT</i>	The overall objective of this audit was to establish progress made by management to implement actions agreed to address key issues identified at previous estates audits.
National Standards for Cleaning (Follow Up) <i>DRAFT</i>	The overall objective of this audit was to establish progress made by management to implement actions agreed to address key issues identified at the previous audits which had limited assurance. Testing was limited due to restrictions as a result of the pandemic.
Water Safety (Follow Up) – Additional Sampling: Witybush General Hospital <i>DRAFT</i>	Following the reporting of a 'limited assurance' report in October 2019 in respect of water management controls operating at Witybush Hospital, a follow up review was requested by the Audit Committee to determine whether previously agreed management actions had been implemented.
Water Safety – Additional Sampling (Bronglais General Hospital) <i>DRAFT</i>	Following the reporting of a 'limited assurance' report in October 2019 in respect of water management controls operating at Witybush Hospital, further audit testing was requested by the Audit Committee to determine arrangements applied at Bronglais General Hospital.

5.4 Limited Assurance



In the following review areas the Board can take only **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.

Review Title	Objective
Estates Directorate Governance Review	The overall objective of this audit was to confirm that Directorate governance structures follow the principles set out in the Health Board's system of assurance, and supports the management of key risks and achievement of the Directorate's objectives.
Bronglais General Hospital Directorate Governance Review	The overall objective of this audit was to confirm that Directorate governance structures follow the principles set out in the Health Board's system of assurance, and support the management of key risks and achievement of the Directorate's objectives.
Consultant and SAS Doctors Job Planning	The overall objective of the review was to evaluate and determine the adequacy of the systems and controls in place for the management of consultant and SAS doctors' job planning in order to provide assurance to the Board's Audit Committee that risks material to the achievement of system's objectives are managed appropriately.
Research & Development	The overall objective of the review is to assess the adequacy of arrangements for the management of R&D function.
Contracting <i>DRAFT</i>	The overall objective of the review was to evaluate and determine the adequacy of the systems and controls in place within the Health Board for the management of contract arrangements.

Review Title	Objective
Financial Safeguarding [Maintenance Team Led Work]	This review sought to affirm that there were effective controls and systems operating to deter and safeguard against potential fraud within the UHB's Estates Maintenance team. Areas reviewed included: <ul style="list-style-type: none"> • Quotation/tender/local order processes; • Segregation of duties & delegated authorities; and • Stock control processes.
Water Safety – Additional Sampling: Withybush General Hospital	Water safety management within the UHB was initially reviewed in April 2019, with a 'limited assurance' rating determined, in respect of Glangwili and Prince Philip Hospital sites. As requested by Audit Committee (May 2019) this review aimed to focus audit testing on the Withybush Hospital and two satellite sites (St Nons and St Caradogs wards).
Glangwili Hospital, Women & Children's Development Phase 2 <i>DRAFT</i>	The audit was undertaken to evaluate the processes and procedures established to support the management and control of the Women and Children's project (Phase 2) at Glangwili Hospital (with total approved funding of £26.087m). The audit assessed project controls in areas including governance, cost monitoring, change and risk management.
Control of Contractors <i>DRAFT</i>	The overall objective of this review was to provide assurance on the processes and procedures that support the management and control of contractors working within the UHB. The review assessed governance arrangements, controls over the selection and appointment of contractors, the management of work on site, and monitoring and reporting arrangements, in line with the requirements of the HSE (Health & Safety Executive).

5.5 No Assurance



There are no audited areas in which the Board has **no assurance** that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively, or where action remains to be taken to

address the whole control framework with high impact on residual risk exposure until resolved.

5.6 Assurance Not Applicable

The following reviews were undertaken as part of the audit plan and reported or closed by correspondence without the standard assurance rating indicator, owing to the nature of the audit approach.

Review Title	Objective
Nurse Staffing Act – Additional Testing	Additional testing following on from initial audit, at request of Audit Committee.

Additionally, the following audits were deferred for the reasons outlined below. The reason for deferment is outlined for each audit together with any impact noted on the Head of Internal Audit Opinion.

Review Title	
Financial Assurance Framework	Potential duplication of work with that of KPMG.
Programme Management Office	Work deferred due to changes in organisational approach.
Medical Leadership	Work deferred in order to add other higher priority audits to the plan.
IT Service Management	Work deferred following discussion with management. We have undertaken sufficient audit work in the domain of Information Management & Security.
Health & Care Strategy	Work deferred in order to add other higher priority audits to the plan.
Major Strategic Investment Programmes - TCS	The HB requested deferment of the remaining element of the TCS provision until Q1 20/21, as capital funding is due to be released as at 01 April 2020 when the HB will be seeking to appoint advisers.
Closure of actions	Work not started due to COVID 19.

Standards of Behaviour	Work in progress.
Records Management Follow up	Work not started due to COVID 19.
Sustainability	Work not started due to COVID 19.

6. ACKNOWLEDGEMENT

In closing I would like to acknowledge the time and co-operation given by directors and staff of the Health Board to support the delivery of the Internal Audit assignments undertaken within the 2019/20 plan.

James Johns

Head of Internal Audit

Audit & Assurance Services

NHS Wales Shared Services Partnership




May 2020

ATTRIBUTE STANDARDS:	
1000 Purpose, authority and responsibility	Internal Audit arrangements are derived ultimately from the NHS organisation's Standing Orders and Financial Instructions. These arrangements are embodied in the Internal Audit Charter adopted by the Audit Committee on an annual basis.
1100 Independence and objectivity	Appropriate structures and reporting arrangements are in place. Internal Audit does not have any management responsibilities. Internal audit staff are required to declare any conflicts of interests. The Head of Internal Audit has direct access to the Chief Executive and Audit Committee chair.
1200 Proficiency and due professional care	Staff are aware of the Public Sector Internal Audit Standards and Code of Ethics. Appropriate staff are allocated to assignments based on knowledge and experience. Training and Development exist for all staff. The Head of Internal Audit is a professionally qualified.
1300 Quality assurance and improvement programme	Head of Internal Audit undertakes quality reviews of assignments and reports as set out in internal procedures. Internal quality monitoring against standards is performed by the Head of Internal Audit and Director of Audit & Assurance. WAO complete an annual assessment. An EQA was undertaken in 2018.
PERFORMANCE STANDARDS:	
2000 Managing the internal audit activity	The Internal Audit activity is managed through the NHS Wales Shared Services Partnership. The audit service delivery plan forms part of the NWSSP integrated medium term plan. A risk-based strategic and annual operational plan is developed for the organisation. The operational plan gives detail of specific assignments and sets out overall resource requirement. The audit strategy and annual plan is approved by Audit Committee.

	Policies and procedures which guide the Internal Audit activity are set out in an Audit Quality Manual. There is structured liaison with WAO and LCFS.
2100 Nature of work	The risk-based plan is developed and assignments performed in a way that allows for evaluation and improvement of governance, risk management and control processes, using a systematic and disciplined approach.
2200 Engagement planning	The Audit Quality Manual guides the planning of audit assignments which include the agreement of an audit brief with management covering scope, objectives, timing and resource allocation.
2300 Performing the engagement	The Audit Quality Manual guides the performance of each audit assignment and each report is quality reviewed before issue.
2400 Communicating results	<p>Assignment reports are issued at draft and final stages. The report includes the assignment scope, objectives, conclusions and improvement actions agreed with management. An audit progress report is presented at each meeting of the Audit Committee.</p> <p>An annual report and opinion is produced for the Audit Committee giving assurance on the adequacy and effectiveness of the organisation's framework of governance, risk management and control.</p>
2500 Monitoring progress	An internal follow-up process is maintained by management to monitor progress with implementation of agreed management actions. This is reported to the Audit Committee. In addition audit reports are followed-up by Internal Audit on a selective basis as part of the operational plan.
2600 Communicating the acceptance of risks	If Internal Audit considers that a level of inappropriate risk is being accepted by management it would be discussed and will be escalated to Board level for resolution.

AUDIT RESULTS GROUPED BY ASSURANCE DOMAIN (DRAFT)

Assurance domain	Report Number	Overall rating	Not rated	No	Limited assurance	Reasonable assurance	Substantial assurance
Corporate governance, risk and regulatory compliance	4					<ul style="list-style-type: none"> ● Welsh Language ● H&C Standards (draft) ● Health & safety (limited scope) (draft) 	<ul style="list-style-type: none"> ● WRP Claims
Strategic planning, performance management and reporting	4				<ul style="list-style-type: none"> ● Research & Development 	<ul style="list-style-type: none"> ● ARCH ● Business Continuity (draft) 	<ul style="list-style-type: none"> ● Patient Access
Financial governance and management *	2				<ul style="list-style-type: none"> ● Contracting draft 	<ul style="list-style-type: none"> ☐ NWSSP Payroll (Draft) ☐ NWSSP Accounts Payable 	<ul style="list-style-type: none"> ● Financial Reporting ☐ NWSSP GMS ☐ NWSSP GDS ☐ NWSSP GOS ☐ NWSSP GPS
Clinical governance quality and safety	5		<ul style="list-style-type: none"> ● Nurse Staffing Act 			<ul style="list-style-type: none"> ● AQS 1819 ● Medical Devices ● Nurse Medication Admin & Errors (Draft) ● Mortality (draft) 	
Information governance and security	4					<ul style="list-style-type: none"> ● IM&T (Follow-up) draft ● Cyber Security ● IT System (Lillie) 	<ul style="list-style-type: none"> ● Virtualisation

Assurance domain	Report Number	Overall rating	Not rated	No	Limited assurance	Reasonable assurance	Substantial assurance
Operational service and functional management	4				<ul style="list-style-type: none"> Estates Directorate Governance Directorate Governance Bronglais 	<ul style="list-style-type: none"> Estates Directorate Governance follow up (limited scope) <i>Cleaning Standards follow up draft</i> 	
Workforce management	5				<ul style="list-style-type: none"> Consultants Job Planning 	<ul style="list-style-type: none"> Electronic Staff Record <i>Variable Pay draft</i> Rostering <i>PADR Follow up draft</i> 	
Capital and estates management **	12				<ul style="list-style-type: none"> Water Management - Withybush Financial safeguarding – Maintenance Led <i>Control of contractors draft</i> <i>Capital Scheme - GGH Women & Children's draft</i> 	<ul style="list-style-type: none"> Environmental Sustainability Reporting 1819 Financial safeguarding - Capital <i>Capital Follow up draft</i> <i>Estates Follow up draft</i> Water safety – Bronglais draft <i>Water Management Follow up Withybush draft</i> 	<ul style="list-style-type: none"> Carbon Reduction Commitment Water Management – 1st follow up
	40		1		9	24	6

* This domain outcome also includes six financial system audits undertaken through the audit of NWSSP as they include transactions processed on behalf of the Health Board.

** As a result of some initial Limited Assurance Audits in this Domain, management requested that audits were added on additional risk areas within Estates.

Key to symbols:

- Audit undertaken within the annual Internal Audit plan
- Italics* Reports not yet finalised but have been issued in draft
- Audits undertaken as per of the NWSSP Internal Audit Plan.





PERFORMANCE INDICATORS

Indicator Reported to NWSSP Audit Committee	Status	Actual	Target	Red	Amber	Green
Operational Audit Plan agreed for 2019/20	G	April 2019	By 30 June	Not agreed	Draft plan	Final plan
Total assignments reported against adjusted plan for 2019/20	G	90% (37/41)	100%	v > 20 %	10% < v < 20%	v < 10%
Report turnaround: time from fieldwork completion to draft reporting [10 working days]*	G	83%	80%	v > 20 %	10% < v < 20%	v < 10%
Report turnaround: time taken for management response to draft report [15 working days]*	G	79%	80%	v > 20 %	10% < v < 20%	v < 10%
Report turnaround: time from management response to issue of final report [10 working days]*	G	100%	80%	v > 20 %	10% < v < 20%	v < 10%

* position reported as 29th February due to impact of COVID 19

Key: v = percentage variance from target performance

2018/19 Audit Assurance Ratings

RATING	INDICATOR	DEFINITION
Substantial Assurance	 <p style="text-align: center;">- + Green</p>	<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 style="text-align: center;">- + Yellow</p>	<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 style="text-align: center;">- + Amber</p>	<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 style="text-align: center;">- + Red</p>	<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>

Overall opinion assessment matrix
Supporting criteria for the overall opinion

Criteria	Substantial Assurance	Reasonable Assurance	Limited assurance	No assurance
Audit results consideration				
Overall results				
Assurance domains rated green	≥5 green; and			
Assurance domains rated yellow	≤3 yellow; and	≥5 yellow; and		
Assurance domains rated amber	No amber; and	≤ 3 amber; and	≥5 amber; and	
Assurance domains rated red	No red	No red	≤3 red	≥4 red
Audit scope consideration				
Audit spread domain coverage	All domains must be rated	No more than 1 domain not rated	No more than 2 domains not rated	3 or more domains not rated

Note: The overall opinion (see section 2.4.2) is subject ultimately to professional judgement notwithstanding the criteria above.

Confidentiality

This report is supplied on the understanding that it is for the sole use of the persons to whom it is addressed and for the purposes set out herein. No persons other than those to whom it is addressed may rely on it for any purposes whatsoever. Copies may be made available to the addressee's other advisers provided it is clearly understood by the recipients that we accept no responsibility to them in respect thereof. The report must not be made available or copied in whole or in part to any other person without our express written permission.

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Audit

The audit was undertaken using a risk-based auditing methodology. An evaluation was undertaken in relation to priority areas established after discussion and agreement with the Health Board. Following interviews with relevant personnel and a review of key documents, files and computer data, an evaluation was made against applicable policies, procedures and regulatory requirements and guidance as appropriate.

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding the achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Where a control objective has not been achieved, or where it is viewed that improvements to the current internal control systems can be attained, recommendations have been made that if implemented, should ensure that the control objectives are realised/ strengthened in future.

A basic aim is to provide proactive advice, identifying good practice and any systems weaknesses for management consideration.

Responsibilities

Responsibilities of management and Internal Auditors:

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we may carry out additional work directed towards identification of fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, cannot ensure fraud will be detected. The organisation's Local Counter Fraud Officer should provide support for these processes.



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