

# Follow-up: Use of Consultancy Final Internal Audit Report

February 2022

Hywel Dda University Health Board



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## Contents

Executive Summary .....	3
1. Introduction.....	4
2. Findings.....	4
Appendix A: Management Action Plan.....	5
Appendix B: Assurance opinion and action plan risk rating.....	8

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Auditors:	Sophie Corbett, Deputy Head of Internal Audit
Executive sign-off:	Huw Thomas, Director of Finance
Distribution:	Nerys Thomas, Senior Finance Business Partner (Accounts & Statutory Reporting)
Committee:	Audit & Risk Assurance Committee



Audit and Assurance Services conform with all Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Institute of Internal Auditors

### Acknowledgement

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

### Disclaimer notice - please note

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## Executive Summary

### Purpose

This review has sought to establish progress made by management to implement agreed actions arising from the previous internal audit [report HDUHB-2122-10 refers], which concluded limited assurance over the arrangements in place for the appointment and monitoring of consultancy services.

### Overview of findings

One high and three medium priority matters arising were identified as summarised in the Progress Summary table.


Action has been taken by management to address the findings, resulting in the high and one medium priority matters arising being addressed and now closed:

- A 'Use of Consultancy' Financial Procedure has been developed setting out the circumstances, process and approval requirements for engaging external consultants. The procedure was approved by the Sustainable Resources Committee in October 2021.
- The procedure requires an exit meeting with the consultant, to identify issues, lessons learnt, establish whether objectives were met and what did/not go well. Post Project Evaluation templates have been developed to facilitate this.





Further action is required in relation to the two remaining medium priority matters arising – further detail is provided in Appendix A.

We have concluded **Reasonable** assurance overall.

### Follow-up Report Classification

		Trend
	<b>Follow up:</b> All high priority recommendations implemented and progress on the medium and low priority recommendations.	

### Progress Summary

Previous Matters Arising	Previous Priority Rating	Direction of Travel	Current Priority Rating
1 Policies & Procedures	High		Closed
2 Engagement Monitoring	Medium		Closed
3 Record of Consultancy Engagements	Medium		Medium
4 Monitoring & Reporting of Consultancy Usage / Spend	Medium		Medium

## 1. Introduction

- 1.1 The Use of Consultancy Follow-Up review was completed in line with the 2021/21 Internal Audit Plan.
- 1.2 The original internal audit (report HDUHB-2122-10 refers) considered the adequacy of the arrangements in place for the appointment and monitoring of consultancy services and concluded limited assurance.
- 1.3 This audit sought to establish the progress made by management in implementing agreed actions to address the issues identified in the original review.
- 1.4 The potential risks considered in the original review are:
  - non-compliance with Health Board policies and procedures; and
  - failure to obtain value for money due to inappropriate use of consultancy services.

## 2. Findings

- 2.1 The table below provides an overview of progress in implementing the previous internal audit recommendations:

Original Priority Rating	Number of Recommendations	Implemented / Obsolete (Closed - No Further Action Required)	Action Ongoing (Further Action Required)	Not implemented (Further Action Required)
High	1	1	-	-
Medium	3	1	1	1
<b>Total</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>1</b>

- 2.2 Full details of recommendations requiring further action are provided in the **Management Action Plan** in **Appendix A**.

## Appendix A: Management Action Plan

Matter Arising 1: Record of Consultancy Engagements		
Original Recommendation		Original Priority
Management should maintain a central register of consultancy engagements to inform the financial coding exercise undertaken by Finance and facilitate monitoring and reporting of consultancy spend. This would also assist the Health Board in ensuring that engagements are subject to the appropriate approval process in line with the Scheme of Delegation.		<b>Medium</b>
Management Response	Target Date	Responsible Officer
We will address this through the same guide as for previous recommendations and use this to form our reporting to the Audit & Risk Assurance Committee (ARAC).	December 2021	Director of Finance
Current findings		Residual Risk
<p>The new Use of Consultancy Financial Procedure refers to a central record of consultancy engagements being maintained by NWSSP Procurement Services. The previous audit acknowledged that whilst some engagements will be captured via the procurement activity register, there is no means of identifying which procurements relate to consultancy engagements, and the register is not shared with or used by Finance to inform coding accuracy.</p> <p><b>Conclusion:</b> <i>Not Implemented – Further Action Required.</i></p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> <li>• Consultancy spend is not identified, captured and reported resulting in inaccurate reporting within the annual accounts</li> <li>• Insufficient information to facilitate monitoring of consultancy spend</li> </ul>

New Recommendation		Priority	
1.1	Management should maintain a central register of consultancy engagements to inform the financial coding exercise undertaken by Finance and facilitate monitoring and reporting of consultancy spend. This would also assist the Health Board in ensuring that engagements are subject to the appropriate approval process in line with the Scheme of Delegation.	<b>Medium</b>	
Management Response		Target Date	Responsible Officer
1.1	Management will maintain a register of consultancy contracts that will facilitate the reporting of consultancy spend in the annual accounts.	29 <sup>th</sup> April 2022	Director of Finance

<b>Matter Arising 2: Monitoring &amp; Reporting of Consultancy Usage / Spend</b>		
Original Recommendation		Original Priority
Management should consider whether consultancy usage and spend should be collectively reported to and monitored by an appropriate sub-committee of the Health Board.		<b>Medium</b>
Management Response	Target Date	Responsible Officer
We will report to ARAC through the Financial Assurance Report	December 2021	Director of Finance
<b>Current findings</b>		<b>Residual Risk</b>
<p>The Financial Assurance Report to ARAC in December 2021 reported new consultancy engagements/spend during the period. Details of existing engagements and collective spend were not provided, but we recognise that this is contingent on the establishment of a central record of consultancy engagements (Matter Arising 1 above refers).</p> <p><b>Conclusion:</b> <i>Action Ongoing – Further Action Required.</i></p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> <li>• Consultancy usage and spend is excessive due to lack of control and monitoring</li> <li>• The Health Board is not aware of consultancy usage or spend</li> </ul>
<b>New Recommendation</b>		<b>Priority</b>
2.1	Consultancy usage and spend should be collectively reported to and monitored by the Sustainable Resources Committee.	<b>Medium</b>
<b>Management Response</b>		<b>Target Date</b>
2.1	Consultancy spend will be reported to the Sustainable resources committee.	25 <sup>th</sup> April 2022
		<b>Responsible Officer</b>
		Director of Finance

## Appendix B: Assurance opinion and action plan risk rating

### Audit Assurance Ratings

We define the following levels of assurance that governance, risk management and internal control within the area under review are suitable designed and applied effectively:

	<p><b>Substantial assurance</b></p>	<p>Few matters require attention and are compliance or advisory in nature.  <b>Low impact</b> on residual risk exposure.  <b>Follow up:</b> All recommendations implemented and operating as expected</p>
	<p><b>Reasonable assurance</b></p>	<p>Some matters require management attention in control design or compliance.  <b>Low to moderate impact</b> on residual risk exposure until resolved.  <b>Follow up:</b> All high priority recommendations implemented and progress on the medium and low priority recommendations.</p>
	<p><b>Limited assurance</b></p>	<p>More significant matters require management attention.  <b>Moderate impact</b> on residual risk exposure until resolved.  <b>Follow up:</b> No high priority recommendations implemented but progress on most of the medium and low priority recommendations.</p>
	<p><b>No assurance</b></p>	<p>Action is required to address the whole control framework in this area.  <b>High impact</b> on residual risk exposure until resolved.  <b>Follow up:</b> No action taken to implement recommendations</p>

### Prioritisation of Recommendations

We categorise our recommendations according to their level of priority as follows:

Priority level	Explanation	Management action
High	Poor system design OR widespread non-compliance. Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in system design OR limited non-compliance. Some risk to achievement of a system objective.	Within one month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. 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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Partneriaeth  
Cydwasanaethau  
Gwasanaethau Archwilio a Sicrwydd

Shared Services  
Partnership  
Audit and Assurance Services

NHS Wales Shared Services Partnership  
4-5 Charnwood Court  
Heol Billingsley  
Parc Nantgarw  
Cardiff  
CF15 7QZ

Website: [Audit & Assurance Services - NHS Wales Shared Services Partnership](#)