

- 4.9 Head of Internal Audit Opinion  
*Presenter: James Johns*  
SBAR Head of Internal Audit Annual Report and Opinion  
Head of Internal Audit Annual Report and Opinion 2018/19



**PWYLLGOR ARCHWILIO A SICRWYDD RISG**  
**AUDIT AND RISK ASSURANCE COMMITTEE**

<b>DYDDIAD Y CYFARFOD:</b> <b>DATE OF MEETING:</b>	29 May 2019
<b>TEITL YR ADRODDIAD:</b> <b>TITLE OF REPORT:</b>	Head of Internal Audit Annual Report and Opinion 2018 -19
<b>CYFARWYDDWR ARWEINIOL:</b> <b>LEAD DIRECTOR:</b>	Head of Internal Audit
<b>SWYDDOG ADRODD:</b> <b>REPORTING OFFICER:</b>	Head of Internal Audit

**Pwrpas yr Adroddiad (dewiswch fel yn addas)**

**Purpose of the Report (select as appropriate)**

Er Sicrwydd/For Assurance

**ADRODDIAD SCAA**  
**SBAR REPORT**

**Sefyllfa / Situation**

The Head of Internal Audit Annual Report and Opinion provides specific information for the Audit & Risk Assurance Committee covering the following key areas:

- Overall Annual Assurance Opinion and supporting Information
- Details of individual assurance domain opinions, audit assignment objectives and outcomes
- Details of how the audit work is delivered in conformance with the Public Sector Internal Audit Standards.

**Cefndir / Background**

The work undertaken by Internal Audit is in accordance with its plan of work, which is prepared following a detailed planning process and subject to Committee approval.

The Head of Internal Audit Annual Report and opinion provides an overall assurance rating as the adequacy of the risk, governance and control environment.

**Asesiad / Assessment**

The Head of Internal Audit Annual Report and opinion provides an overall assurance rating for 2018/19 of Reasonable Assurance.

**Argymhelliad / Recommendation**

For Assurance - The Audit & Risk Assurance Committee is asked to receive the Head of Internal Audit Report and Opinion for 2018/19.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference Cyfeirnod Cylch Gorchwyl y Pwyllgor	5.17 This will be achieved by: 5.17.1 review and approval of the Internal Audit Strategy, Charter, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation; 5.17.2 consideration of the major findings of internal audit work (and management's response), and ensure co-ordination between the Internal and External Auditors to optimise audit resources;
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	n/a
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	All Health & Care Standards Apply Choose an item. Choose an item. Choose an item.
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable Choose an item. Choose an item. Choose an item.
Amcanion Llesiant BIP: UHB Well-being Objectives: <a href="#">Hyperlink to HDdUHB Well-being Statement</a>	Not Applicable Choose an item. Choose an item. Choose an item.

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Internal Audit plan. Evidence gathered as part of the delivery of audit assignments.
Rhestr Termiau: Glossary of Terms:	ARAC – Audit and Risk Assurance Committee
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Archwilio a Sicrwydd Risg: Parties / Committees consulted prior to Audit and Risk Assurance Committee:	Executive Directors and Senior managers relevant to the individual audits. Board Secretary.

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Not applicable

<b>Ansawdd / Gofal Claf: Quality / Patient Care:</b>	Not applicable
<b>Gweithlu: Workforce:</b>	Not applicable
<b>Risg: Risk:</b>	Not applicable
<b>Cyfreithiol: Legal:</b>	Not applicable
<b>Enw Da: Reputational:</b>	Not applicable
<b>Gyfrinachedd: Privacy:</b>	Not applicable
<b>Cydraddoldeb: Equality:</b>	Not applicable

## **Hywel Dda University Health Board**

# **HEAD OF INTERNAL AUDIT OPINION & ANNUAL REPORT 2018/19**

**May 2019**

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

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<b>Report status:</b>	FINAL
<b>Draft report issued:</b>	April 2019
<b>Final report issued:</b>	21 <sup>st</sup> May 2019
<b>Author:</b>	James Johns, Head of Internal Audit
<b>Lead Executive :</b>	Joanne Wilson (Board Secretary)
<b>Audit &amp; Risk Assurance Committee:</b>	29 <sup>th</sup> May 2019

## 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.

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 2018/19.

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;
- Information governance and security.
- Operational services and functional management; and
- Capital and Estates management.

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:

- Workforce management.

There were in total five individual audits issued across the overall plan where a Limited Assurance rating was allocated: IT Security Follow Up, Records Management, Cleaning Standards, Water Safety Management and PADRs.

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 2018/19.

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**.

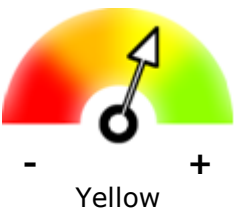
The individual conclusions arising from detailed audits undertaken during the year have been summarised by the eight assurance domains that were used to frame the internal audit plan at its outset. The aggregation of audit results by these domains gives a better picture of assurance to the Board and 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 <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. More significant matters require management attention with <b>low to moderate impact on residual risk</b> exposure until resolved.</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 seven of the eight individual assurance domains are also be classified with a reasonable assurance opinion.

However, the Workforce domain was allocated Limited Assurance when also taking in to account the relevant control weaknesses identified in the two directorate audits.

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

It is also noted that the majority of follow up audits identified progress being made implementing the previous recommendations with an improved assurance rating allocated in a number of cases.

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

From review of the Annual Governance Statement it was 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. In addition a 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 2018/19 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 audits of the consultancy Service follow up and Welsh Risk Pool Claims both concluded positively with Substantial Assurance. The Governance of Single tender Actions audit was allocated Reasonable Assurance. The audit of the Health and Care Standards has also concluded positively. A review of both the Annual Governance Statement and 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 audits of Homecare Services Follow up and the Annual Plan were given Substantial Assurance, with the ICF Follow up allocated Reasonable Assurance.

### **Financial Governance and Management**

The audits of the main financial systems were operating to a good standard, with Treasury Management and Charitable Funds assigned Substantial Assurance and Accounts Receivable and Financial Ledger Reasonable Assurance. The audit of the Cost Improvement Programme (Draft) and Budget Planning (Draft) both concluded positively with Reasonable Assurance.

### **Clinical Governance, Quality & Safety**

The audits of Concerns, Safeguarding and Management of Controlled Drugs were allocated Reasonable Assurance. Further to this a review of actions from an Ombudsman Case was also given Reasonable Assurance.

### **Information Governance & IT Security**

The audit of GDPR was given Substantial Assurance.

Three follow up audits, Freedom of Information Act Follow up, IMT Security Policies and Procedures and Procurement and Disposal of IT assets were given reasonable Assurance, indicating an improvement from the previous audits.

However, the follow up audit of IT/PC/ Laptop Security still concluded Limited Assurance.

### **Operational Service and Functional Management**

Audits of the Radiology Directorate, the IM&T Directorate, the Royal College of Physicians Medical Records Standards and also the Discharge Follow up audit were each allocated a Reasonable Assurance Rating.

However, it is important to note that the audits of Records Management and National Cleaning Standard both concluded with a rating of Limited Assurance.

### **Workforce Management**

The audit of Personal Appraisal and Development Reviews (PADRs) across the UHB has concluded with Limited Assurance.

In considering the rating for this domain the weaknesses identified within the two main directorate audits where the specific workforce/payroll elements of the audits were both given Limited Assurance, has been taken in to account.

The audit of the Nurse Staffing Act has been allocated rating of Substantial Assurance. Health Board findings relating to the audit of Payroll Services (undertaken by NHS Wales Shared Services Partnership) was given Reasonable Assurance.

### **Capital & Estates Management**

The majority of audits in this domain have concluded positively, with six audits having Reasonable Assurance and one Substantial Assurance.

It is important to note that the audit of Water Safety Management was allocated a rating of Limited Assurance.

#### **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 2018/19 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 to be published by 30 June 2018. 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 2017/18 Annual Report and Quality Statement, together with the preliminary results of any audit work already undertaken in relation to the 2018/19 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;
- Environmental Sustainability Report;
- Carbon Reduction Commitment; 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 2018/19.

Our conformance statement for 2018/19 is based upon:

- The results of our internal Quality Assurance and Improvement Programme (QAIP) for 2018/19 which will be reported formally in the summer of 2019;
- 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 2018/19 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:

- Procurement – Accounts Payable -Reasonable
- Employment Services – Payroll - Reasonable
- 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.

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.

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**

- High cost drugs review (Reasonable)
- Review of network groups and advisory boards (Reasonable)
- Risk management (Reasonable)
- Governance arrangements (Reasonable)

#### **Emergency Ambulance Services Committee**

- Non-emergency patient transport service – follow up of baseline review (No opinion given)
- Governance and performance (Reasonable)

### **NHS Wales Informatics Service (NWIS)**

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

- Business Continuity Planning – Reasonable Assurance
- Change Control Management – Limited Assurance

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 2019/20 operational audit plan.

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.

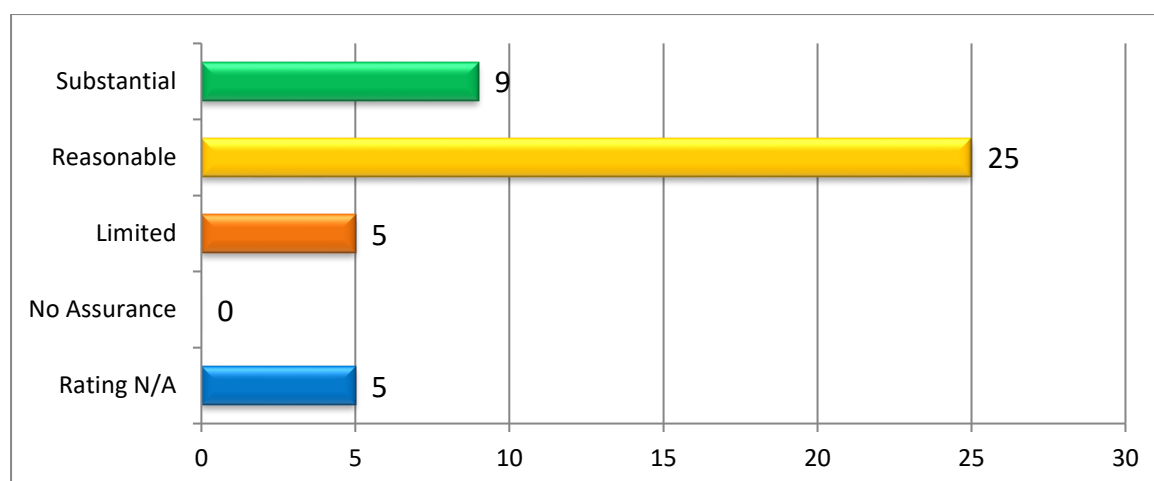
## 5. RISK-BASED AUDIT ASSIGNMENTS

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 44 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
Consultancy Services Follow up	The scope of the audit was restricted to a review of evidence demonstrating progress against previous Internal Audit report recommendations for the governance arrangements in place surrounding the appointment and utilisation of external consultancy services.
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.
Homecare Services (Follow up)	The review has considered the progress against the recommendations made in the previous audit of Homecare Services in 2015, reference HDUHB1516-43 and the follow-up carried out in 2016/17, reference HDUHB1617-37.
Treasury Management	The overall objective of the review was to ensure that the financial stability of the organisation is attained and then constantly monitored and maintained to enable the organisation to achieve its business plan.
Charitable Funds	The overall objective of the audit is to provide assurance that Health Board property and potential Health Board property is being identified and properly safeguarded, recorded and accounted for, and is being used, invested and expended in accordance with the requirements of the donors, of the relevant legislation, of the Charity Commission and of the NHS Executive.
Aberaeron Integrated Care Centre	The scope and remit of the audit was directed to the following areas: Strategy, Project Governance, Project Management, Appointments, Design development.

Review Title	Objective
Annual Plan	<p>The main areas reviewed during this audit include:</p> <ul style="list-style-type: none"> <li>• The delivery and development of the Health Board's Annual Plan 2019/20 is appropriately aligned to the relevant elements of the NHS Wales Planning Framework where appropriate to its current status;</li> <li>• The Annual Plan 2019/20 has been developed to ensure delivery of the Health Board's short and medium-term strategy, with the development process ensuring engagement across the organisation to address key challenges, including Finance, Performance, Quality and Workforce.</li> <li>• The Annual Plan 2019/20 has been aligned to the Transforming Clinical Services agenda; and</li> <li>• The Health Board has established appropriate reporting, governance and assurance processes.</li> </ul>
Nurse Staffing Act	<p>The scope of the review is to establish if the Health Board has appropriate processes in place to ensure that it is complying with the requirements of the Nurse Staffing Levels (Wales) Act 2016.</p>
GDPR	<p>The objectives of the review were:</p> <ul style="list-style-type: none"> <li>• to consider if appropriate action has been taken to ensure that management and staff are aware of the GDPR and the impact it is likely to have;</li> <li>• to establish what local governance controls and measures have been implemented; and</li> <li>• a register of information assets is maintained and identifies the source, responsibility and sharing arrangements for each asset.</li> </ul>

### 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
Follow-up of Single Tender Actions	The review considered progress against the recommendations made in the previous review of Single Tender Actions. The objective of the review was to provide assurance that arrangements in place within the Health Board concerning Single Tender Actions are robust and that the recommendations previously made by Internal Audit have been successfully implemented.
Accounts Receivable	The overall objective of the audit is to give assurance that all income due to the Health Board is properly identified, collected and accounted for under management control. Timely and adequate information should be received by management to confirm this.
Financial Ledger	The overall objective of the audit is to give assurance that the Health Board maintains records of all financial transactions and ensures their completeness and integrity, with the aim of providing the basic data from which management accounts, final accounts and financial returns can be prepared.
Concerns	The review will consider the arrangements in place for effective handling and management of complaints and incidents; ensuring compliance with the requirements of Welsh Government regulations as well as internal Health Board policies and procedures. In addition, the assignment will also consider the effectiveness of information sharing throughout the Health Board to ensure lessons are learned from addressed concerns.
Safeguarding	The review will consider the following in line with Standard 2.7 of the Health and Care Standards, Safeguarding Children and Safeguarding Adults at Risk.



Review Title	Objective
Ombudsman Case	For the specific Ombudsman case brought against the Health Board, the review will look at the following: How the original complaint was handled prior to the referral to the Ombudsman and whether lessons could be learnt; The action plan produced in response to the recommendations made in the Ombudsman report; ensuring satisfactory responses were given in the timeframe requested; and Evidence that the recommendations have been followed through.
Management of Controlled Drugs	The overall objective of this review was to consider the internal controls put in place for the management of controlled drugs within the organisation. The scope of this review was limited to Amman Valley, South Pembrokeshire and Tregaron Hospitals, and two central Pharmacy Departments at Prince Philip and Withybush Hospitals.
IM&T Security Policies & Procedure Follow up	The objective of the review is to assess whether the Health Board has implemented the Internal Audit recommendations made following the review in 2016/17 reference HDUHB1617-17 where we gave an opinion of 'Limited Assurance'.
Procurement of and disposal of IT Assets follow up	The objective of the review is to assess whether the Health Board has implemented the agreed Internal Audit recommendations made following the review in 2016/17 reference HDUHB1617-26 which was given a 'Limited Assurance' rating.
Freedom of Information Act follow up	The review will consider progress against the recommendations made in the previous review of Freedom of Information in 2017/18, reference HDUHB1718-29.

Review Title	Objective
Radiology Directorate	<p>To establish whether this overall objective is being achieved, Internal Audit reviewed the following areas:</p> <ul style="list-style-type: none"> <li>• Corporate governance;</li> <li>• Stores;</li> <li>• Non pay;</li> <li>• Charitable Funds;</li> <li>• Financial reporting;</li> <li>• Treasury Management;</li> <li>• Income;</li> <li>• Patients' monies;</li> <li>• Asset management; and</li> <li>• Payroll.</li> </ul>
Royal College of Physicians Medical Records Standard	<p>This review has considered the application of Royal College of Physicians approved "General Medical Record Keeping Standards" in the Health Board's clinical note keeping arrangements.</p> <p>The objective of the audit was to provide a baseline that the Health Board can use to measure and demonstrate its compliance with the above standards. This work has also evaluated the adequacy of the systems and controls in place for the management of clinical note keeping, compliance with Regulations and the requirements of internal Hywel Dda University Health Board policies and procedures.</p>
IM&T Directorate	<p>To establish whether this overall objective is being achieved, Internal Audit has reviewed the following areas:</p> <ul style="list-style-type: none"> <li>• Corporate governance;</li> <li>• Stores;</li> <li>• Non pay;</li> <li>• Financial reporting;</li> <li>• Asset management; and</li> <li>• Payroll</li> </ul>
UHB Payroll	<p>The purpose of this report is to highlight those issues identified during the audit of NWSSP Employment Services, which impact upon the overall system of internal control.</p>
Fire Precautions	<p>This review encompassed an evaluation of the actions taken by the UHB to address previously agreed recommendations identified by audit for management action.</p>

Review Title	Objective
Informatics Project Data Centre	The main areas that the review seeks to provide assurance on are: -there is a robust implementation strategy in place to address identified risks; -appropriate project governance is in place; -the project has been subject to appropriate scrutiny and approval; -compliance with national and local procurement requirements is -demonstrated in respect of the procurement arrangements; and -appropriate arrangements are in place to monitor project objectives, -including time and cost performance, against key assumptions as defined at the Business Case.
Follow up Capital	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	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.
Cardigan Integrated Care Centre	The scope and remit of the audit was directed to the following areas: Project Governance, Project Management, Reporting and approvals and Change Management.
Withybush wards 9&10	The scope and remit of the audit was directed to the following areas: Project Governance, Project Management, Reporting and approvals and Change Management.
Cost Improvement Programme (Draft)	The overall objective of the review was to ensure that the Health Board has systems in place to support the effective identification, planning, monitoring and delivery of CIP's designed to assist the organisation in achieving its statutory responsibility to deliver services whilst remaining within its resource limit.
Review of Discharge Procedures	The overall objective of this audit is to provide assurance that the discharge planning processes in place across the acute sector in Hywel Dda University Health Board are effective and compliant with the Discharge and Transfer of Care Policy.

Review Title	Objective
Integrated Care Fund follow up	The objective of the review was to establish progress made by management to implement actions agreed to address key issues identified during the 2016/17 review of governance arrangements in place surrounding the ICF programme to ensure that monies are being utilised in line with Welsh Government guidance.
Budget Plan (draft)	The overall objective of the audit is to ensure that there are adequate systems in place to enable the Health Board develops and agrees a robust budget plan.
Health & Care Standards (draft)	The objectives were to ensure that processes were in place for the utilisation of the Standards; and a review of the Governance, Leadership & Accountability Standard.

## 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
IT/ PC / Laptop Security Arrangements	<p>The main control areas reviewed were:</p> <ul style="list-style-type: none"> <li>• Corporate responsibilities for managing and using desktop and mobile computing facilities were clearly defined;</li> <li>• Access to IT equipment such as PCs and Laptops and to the data and software stored on them is confined to authorised personnel and is appropriate to operational needs; and</li> <li>• IT Equipment is used in a secure manner and is well protected.</li> </ul>

Review Title	Objective
National Standards for Cleaning in Wales	The scope of the review is to identify how the Health Board is meeting its requirements in relation to the National Standards for Cleaning in NHS Wales. This review is limited to reviewing Standard VII - Monitoring of Cleaning Outcomes – of the National Standards and concentrates on Internal Technical Audits.
Water safety Management	The scope and remit of the audit was directed to the following areas: <ul style="list-style-type: none"> <li>• Governance</li> <li>• Procedures.</li> <li>• Monitoring and Reporting</li> <li>• Management</li> <li>• Risk Management</li> </ul>
Records Management	The main areas reviewed during this audit include: Implementation of the Records Management Strategy; <ul style="list-style-type: none"> <li>• Accountabilities for the implementation of the Records Management Strategy;</li> <li>• Storage, Retention and Destruction of Records;</li> <li>• Security Arrangements in place with respect to access to Records;</li> <li>• Records Management Training and Guidance;</li> <li>• Audit of Records Management; and</li> <li>• Performance Indicators in respect of Records Management.</li> </ul>
PADRs	The overall objective of this audit is to confirm the level of PADR compliance within the Health Board, and to recommend how the overall score could be improved. <p>The objectives of this review will be to confirm that:</p> <ul style="list-style-type: none"> <li>• Performance figures reported to the Health Board are accurate and correct; and</li> <li>• Actions to improve compliance figures have been communicated to the Health Board.</li> </ul>

## 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
Carbon Reduction Commitment (CRC)	This review sought to provide the Health Board with assurance that operational procedures were compliant with the CRC Scheme guidelines, including mandatory and best practice elements.
Sustainability Reporting for Annual Report	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. This included whether the form and content of the statement complied with the Welsh Government requirements. Specifically whether the information published provided an accurate, and representative, picture of the quality of services provided, together with the improvements committed.
Governance in IT	Review of specific governance process with the IT directorate.
Asset Register	The overall objective of the audit is to give advice that the systems in place for the management capital assets are in line with current good practice.
Annual Governance Statement	To review the content of AGS for appropriateness and reasonableness.

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

Review Title	Objective
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Nurse Medication Errors	Following discussions with management it was agreed that this audit be deferred. It is considered that there would not have been any material impact on the opinion as a result of the deferment.
Consultants Job Planning	Following discussions with management it was agreed that this audit be deferred. It is considered that there would not have been any material impact on the opinion as a result of the deferment.
Business Continuity Planning	Following discussions with management it was agreed that this audit be deferred. It is considered that there would not have been any material impact on the opinion as a result of the deferment.

## 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 2018/19 plan.

**James Johns**

**Head of Internal Audit**

**Audit & Assurance Services**

**NHS Wales Shared Services Partnership**


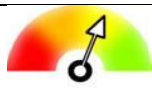
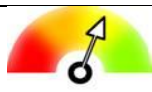


**May 2019**




<b>ATTRIBUTE STANDARDS:</b>	
<b>1000 Purpose, authority and responsibility</b>	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.
<b>1100 Independence and objectivity</b>	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.
<b>1200 Proficiency and due professional care</b>	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.
<b>1300 Quality assurance and improvement programme</b>	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.
<b>PERFORMANCE STANDARDS:</b>	
<b>2000 Managing the internal audit activity</b>	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.
<b>2100 Nature of work</b>	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.
<b>2200 Engagement planning</b>	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.
<b>2300 Performing the engagement</b>	The Audit Quality Manual guides the performance of each audit assignment and each report is quality reviewed before issue.
<b>2400 Communicating results</b>	<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>
<b>2500 Monitoring progress</b>	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.
<b>2600 Communicating the acceptance of risks</b>	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		Overall rating	Not rated	No	Limited assurance	Reasonable assurance	Substantial assurance
Corporate governance, risk and regulatory compliance	5		● AGS			● Governance- STA ● H&C Standards(draft)	● Consultancy follow up ● WRP Claims
Strategic planning, performance management and reporting	3					● ICF follow up	● Homecare Services (Follow-up) ● Annual Plan
Financial governance and management	7		● Asset Register (advisory)			● Accounts Receivable ● Financial Ledger ● Cost Improvement Plans (draft) ● Budget Plan(draft)	● Treasury Management ● Charitable Funds
Clinical governance quality and safety	4					● Concerns ● Safeguarding ● Ombudsman ● Medicines Management	
Information governance and security	6		● Governance in IT		● IT Security Follow up	● IM&T Security Policies and Procedures (Follow-up) ● Procurement and Disposal of IT Assets (Follow-up)	● GDPR

Assurance domain		Overall rating	Not rated	No	Limited assurance	Reasonable assurance	Substantial assurance
						<ul style="list-style-type: none"> <li>Freedom of Information Act (Follow-up)</li> </ul>	
Operational service and functional management	6				<ul style="list-style-type: none"> <li>Records Mgt.</li> <li>Cleaning Standards</li> </ul>	<ul style="list-style-type: none"> <li>Radiology Directorate</li> <li>Royal College of Physicians Medical Records Standard</li> <li>IM&amp;T Directorate</li> <li>Discharge Process Follow up</li> </ul>	
Workforce management	3				<ul style="list-style-type: none"> <li>PADR</li> </ul>	<ul style="list-style-type: none"> <li>UHB Payroll</li> </ul>	<ul style="list-style-type: none"> <li>Nurse Staffing Act)</li> </ul>
Capital and estates management	10		<ul style="list-style-type: none"> <li>Environmental sustainability</li> <li>Carbon Reduction Commitment</li> </ul>		<ul style="list-style-type: none"> <li>Water Management</li> </ul>	<ul style="list-style-type: none"> <li>Fire Precautions</li> <li>Informatics Project Data Centre</li> <li>Capital Follow up</li> <li>Estates Follow up</li> <li>Cardigan Integrated Care Centre</li> <li>Withybush Wards 9&amp;10</li> </ul>	<ul style="list-style-type: none"> <li>Aberaeron Integrated Care Centre</li> </ul>
	<b>44</b>		<b>5</b>		<b>5</b>	<b>25</b>	<b>9</b>

**Key to symbols:**

**\* - Domain outcome has also taken in to account the workforce/payroll findings in the two Directorate Reviews where those specific areas of audit coverage were allocated Limited assurance.**

● Audit undertaken within the annual Internal Audit plan

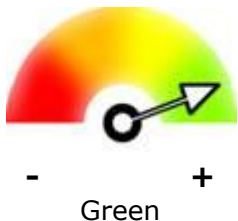

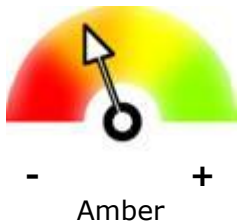
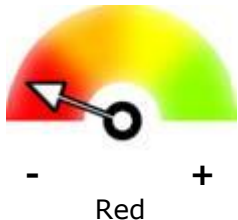
*Italics* Reports not yet finalised but have been issued in draft

### **PERFORMANCE INDICATORS**

<b>Indicator Reported to NWSSP Audit Committee</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>
Operational Audit Plan agreed for 2018/19	<b>G</b>	March 2018	By 30 June	Not agreed	Draft plan	Final plan
Total assignments reported against adjusted plan for 2018/19	<b>A</b>	97%	100%	$v > 20\%$	$10\% < v < 20\%$	$v < 10\%$
Report turnaround: time from fieldwork completion to draft reporting [10 working days]	<b>G</b>	93%	80%	$v > 20\%$	$10\% < v < 20\%$	$v < 10\%$
Report turnaround: time taken for management response to draft report [15 working days]	<b>A</b>	78%	80%	$v > 20\%$	$10\% < v < 20\%$	$v < 10\%$
Report turnaround: time from management response to issue of final report [10 working days]	<b>G</b>	100%	80%	$v > 20\%$	$10\% < v < 20\%$	$v < 10\%$

Key: v = percentage variance from target performance

## 2018/19 Audit Assurance Ratings

RATING	INDICATOR	DEFINITION
Substantial Assurance		The Board can take <b>substantial assurance</b> 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 <b>low impact on residual risk</b> exposure.
Reasonable Assurance		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.
Limited Assurance		The Board can take <b>limited assurance</b> 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 <b>moderate impact on residual risk</b> exposure until resolved.
No Assurance		The Board has <b>no assurance</b> 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 <b>high impact on residual risk</b> exposure until resolved.

## 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.

In the event that, pursuant to a request which the client has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify the Head of Internal Audit promptly and consult with the Head of Internal Audit and Board Secretary prior to disclosing such report.

The Health Board shall apply any relevant exemptions which may exist under the Act. If, following consultation with the Head of Internal Audit this report or any part thereof is disclosed, management shall ensure that any disclaimer which NHS Wales Audit & Assurance Services has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

## **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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