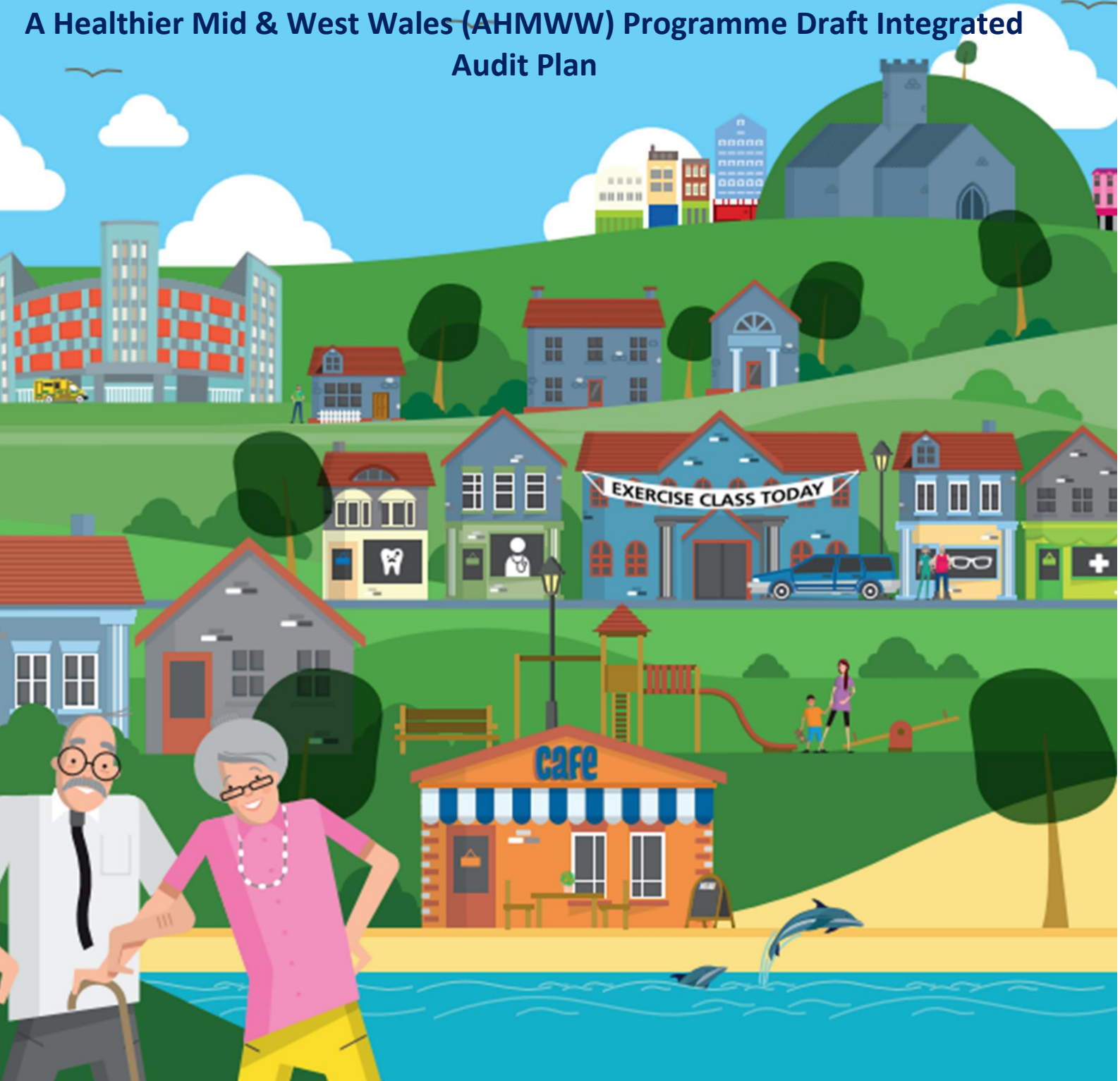


**DRAFT JANUARY 2022**

SAFE, SUSTAINABLE, ACCESSIBLE AND KIND

## Hywel Dda University Health Board's A Healthier Mid and West Wales Programme Business Case

### A Healthier Mid & West Wales (AHMWW) Programme Draft Integrated Audit Plan



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Appendix A – Integrated Audit Plan

Appendix B – Assurance Opinion



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

**Please note**

This audit brief has been prepared for internal use only. Audit & Assurance Services reports are prepared, in accordance with the Service Strategy and Terms of Reference, approved by the Audit Committee.

Audit reports are prepared by the staff of the NHS Wales Shared Services Partnership – Audit and Assurance Services, and addressed to Independent Members or officers including those designated as Accountable Officer. They are prepared for the sole use of the Hywel Dda University Health Board and no responsibility is taken by the Audit and Assurance Services Internal Auditors to any director or officer in their individual capacity, or to any third party.

## 1. Introduction and Background

The UHB has developed and launched its health and care strategy for current and future generations entitled 'A Healthier Mid & West Wales' (AHMWW). Work is currently ongoing to conclude a supporting Programme Business Case outlining the approach to delivering change, the timeline provided was as follows:



In preparing the Programme Business Case, UHB Management has requested support in the development of an integrated audit plan (IAP) for the programme. Distinct IAP's will be required for the individual projects arising from the agreed programme. These will be developed in accordance with their respective business case development timetables.

## 2. Audit Strategy for Major Programmes/ Projects

The UHB recognises the requirement for strong internal controls and effective risk management for capital projects, which is reinforced, in this instance, by the size, value, complexity and strategic importance of the AMHWW programme.

Concerns relating to public sector project performance have been prevalent for a number of years, with, for example, the Chartered Institute of Public Finance and Accountancy highlighting the top-level risks impacting on the ability to achieve original objectives. HM Government, HM Treasury and the Welsh Government have accordingly sought to strengthen and co-ordinate internal and external assurance requirements.

Consequently, the Welsh Government requires an Integrated Assurance and Approval Plan at each stage of the business case process (further details on the above can be found at **appendix A**). The organisation is required to outline the various formalised assurance mechanisms proposed (e.g. internal audit, Gateway reviews, functional reviews etc.) and the timing of each.

Welsh Government has also agreed the principle that associated internal audit fees can be included within the capital costs of corresponding business cases.

At the current stage of the programme, this draft document sets out the outline risk-based audit strategy for the duration of the programme. The proposal has been drafted in compliance with the Public Sector Internal Audit Standards. The integrated audit plan will need to be updated at key business case approval stages to reflect changes in e.g. risks, cost profiles and programme delivery plans.

The requirement has been developed based on our audit resourcing model and our experience of major project audits to determine an appropriate audit strategy for the duration of the programme.

Applying our standard governance-based audit assessment methodology; the AHMWW has been identified as a high priority, due to its significant cost, corporate importance and political materiality.

As such, the audit programme has been developed to reflect this assessment. A full risk assessment has been undertaken of a long-list of potential areas of coverage, and the audit plan includes only those areas prioritised for review.

The proposal includes a range of services that, when combined, provide a balanced programme for the client to achieve the desired level of assurance.

## 2.1 Previously Agreed Actions

A separate provision has been provided to follow-up previously agreed management action. It is suggested that this follow-up work should be completed annually prior to the determination of the year-end Head of Internal Audit opinion, to inform the opinion and the audit committee on positive mitigating action taken in-year to address issues raised.

## 2.2 Programme/ Project Assurance

In determining the provision, consideration has been given to differentiating between the regular periodic audit reviews and the 'one-off' functional/ technical assurance exercises. Our intention is for it to be applied as follows:

- Review of general activities that are on-going throughout the delivery of the programme e.g. governance, management and control arrangements, risk management, monitoring and reporting etc. to ensure they remain relevant, appropriate, and robust reflecting the current stage of the project.
- An audit report specifying the level of assurance will be produced for the attention of the Audit Committee confirming the outcome of the reviews.
- Where specific activities, outputs or junctures have been identified for specific focus (e.g. appointment of external agents/key procurement advisers, target cost preparation, Full Business Case), the intention is that the work will be pro-active – completed in a timely fashion to inform the outcome.
- The report/output will be produced for management attention only, to allow corrective action to be taken, and subsequently presented to the Project Board for noting. The Audit Committee will receive regular updates on the progress to deliver these assignments as part of the more general Audit Progress Report and may have access to any detail it requires.

## 2.3 Attendance of Key Meetings

Observer status is afforded to individuals, who are not members of the project, to give them an ability to participate at meetings.

Observers may be limited to listening and taking notes; but equally they can be asked to provide advice on the proposals tabled by others at meetings. The benefit of such an arrangement is the ability to obtain proactive and independent expert advice/ guidance during key discussions - avoiding the need to defer issues whilst this advice is sought.

As applied at other major projects in NHS Wales, it is therefore proposed that audit be afforded observer status at certain key meetings.

The observer status will be discharged in accordance with Public Sector Internal Audit Standards.

Note: Individuals with observer status cannot table their own resolutions and are not part of the decision-making function of the meeting (i.e. decisions can only be made by the members of the meeting). Equally it is important to remember that the presence of audit at the Project Board does not absolve management of its responsibilities.

## 2.4 Ad-hoc Management Advice

A provision has been made for ad-hoc management advice. The provision is intended to be used at the discretion and for the benefit of management – although audit will need to consider each request against Public Sector Internal Audit Standards and the NWSSP: A&A consulting protocol prior to acceptance.

## 3 Outputs

The plan at Appendix A outlines that a mix of audit reports and non opinion assurance elements will be targeted in the year. These will be shared with management for consideration/ implementation and reported to the Lead Executive (SRO) and Audit Committee as appropriate.

Noting the impact of Covid-19, the delivery of the integrated audit plan may include an increased element of remote working.

## 4 Conclusion

Noting that work on the Outline Business Cases are planned to commence in 2022/23 – **Appendix A** contains an audit plan with an associated fee developed for inclusion at the Programme Business Case.

Upon completion of the respective Outline Business Cases, Full Business Cases and/ or Business Justification cases, provisions will be made respectively for audit

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coverage – negating the need for an ongoing audit provision at a programme level.

## 5 Recommendation

Accordingly, the following is recommended:

1. Agreement of the draft integrated audit plan and associated fee, **subject to annual review.**
2. The audit requirement should be fully reflected at the Integrated Assurance & Approval Plan (IAAP), and the audit charge reflected within the programme business case(s).



## Appendix A: Integrated Audit Plan

Assurance/Approval	Outline Scope	Audit Plan																																			
		2021/22				2022/23				2023/24				2024/25				2025/26				2026/27				2027/28				2028/29				2029/30			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Programme/Project Milestones</b>																																					
Approvals	Current Timelines: PBC Submission January 2022 PBC Approval May 2022	PBC Development	HB/ WG Approval	OBC/ FBC/ BJC Development																HB/ WG Approval	Construction								Commissioning	Opening							
<b>General Programme-Level Assurance</b>																																					
Validation of Management Action																																					
Governance	e.g. Board Assurances Executive Leadership Defined Arrangements Effectiveness of Operation Adequacy of Management and Control Arrangements Approvals Readiness to Proceed Adequacy and effectiveness of work streams	Audit Coverage to be Provided from Provisions at Respective Business Cases																																			
<b>Functional Assurance</b>																																					
Financial	e.g. Approvals Budget setting Financial Monitoring/Management Use of Project Bank Accounts Cost Control Risk Management (and associated costs) Ongoing Cost Monitoring	General Provision for Major Projects Scope to be agreed.																																			
Technical	e.g. Programme Management Determination of Target Cost Tender Evaluation Completion of Contractual Appointment Documentation Planning Approvals Delivery of Planning Conditions/Requirements Validation of costs to date Fee Management Calculation of Pain/Gain Adequacy of site surveys incl. Construction Environmental Management Plan, Green Information Management System, EPS Licence arrangements etc. Compliance with Framework Conditions Utilities Management Compliance with third party agreements Agreement of the Final Account																																				
Audit Coverage to be Provided from Provisions at Respective Business Cases																																					



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

### Audit Assurance Ratings



**Substantial assurance**

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



**Reasonable assurance**

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



**Limited assurance**

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



**No assurance**

The Board can take **no assurance** that arrangements in place 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.



**Assurance not applicable**

Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are **not appropriate** but which are relevant to the evidence base upon which the overall opinion is formed.

**Prioritisation of Recommendations**

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

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

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