

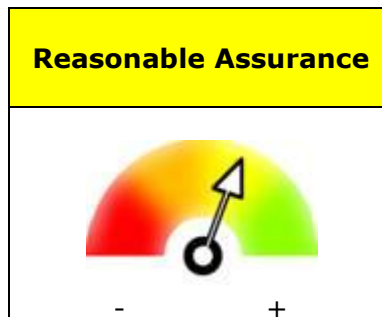
Neonatal & Post-Natal Capacity at Singleton Hospital

DRAFT INTERNAL AUDIT REPORT 2018/19

Swansea Bay University Health Board

Private and Confidential

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



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Committee Audit Committee

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Please note:

This audit report 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.

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1. Introduction and Background

The Neonatal & Post-Natal services project at Singleton Hospital aims to:

- Provide a new 7-bed Transitional Care Unit (TCU) with specialist 24/7 nursing to care for those babies who require more than normal Post-natal care, but do not require admission to the Neonatal Unit;
- Provide a fully compliant and permanent 12-cot Special Care Baby Unit (SCBU);
- Improve essential patient pathways within Singleton Hospital;
- Increase Neonatal High Dependency Unit (HDU) funded capacity by two cots and SCBU funded capacity by one cot;
- Support the future expansion of 5-HDU cots by providing space for expansion, and;
- Provide physical capacity for nine additional special care cot spaces.

This capacity supports recent modelling undertaken by Cwm Taf University Health Board to maintain the majority of paediatric, obstetrics and neonatal flows locally. It also supports the future expansion of 5 HDU cots by providing space for expansion. This additional capacity provides an estates solution for sufficient intensive care and high dependency care within SBUHB outlined within the South Wales Plan.

The project is one of some complexity, with various stakeholder / user interests, and being progressed within an acute setting variously in live wards, and older wards containing asbestos / legacy issues. Live wards also placed limitations on invasive surveys pre-commencement.

The works included the refurbishment of:

- ward 5 – relocated coloscopy Unit and medical decision unit to become a special a Transitional Care Unit (7 bed TCU) and care baby unit (12 cot SCBU), with expansion space for further 9 SCBU cots;
- ward 17 – new coloscopy unit
- ward 19 – midwifery led unit birthing room
- ward 20 – new post natal (transferred from ward 18), and by transfer out of former gynaecology ward to vacant Ward 2; and
- ward 21 – Labour ward (minor works).

The business case was submitted to the Welsh Government in September 2017, and was approved in April 2018. The sum of £9.71m was approved, for the period April 2018 to March 2020.

The audit forms a part of the approved internal audit plan, and is the first audit of this project.

2. Scope and Objectives

The review was undertaken to determine the adequacy of, and operational compliance with, the systems and procedures of the University Health Board, taking account of relevant NHS and other supporting regulatory and procedural requirements, as appropriate.

An objective of the audit was to evaluate the systems and controls in place within the University Health Board, with a view to delivering reasonable assurance to the Audit Committee that risks material to the objectives of the areas of coverage were appropriately managed.

Accordingly, the scope and remit of the audit considered the following:

- **Project Governance** – To ensure the appropriate allocation of defined roles and responsibilities for individuals and working groups, and appropriate reporting, monitoring and approval processes operated.
- **Selection & Appointment of the Contractors** – To obtain assurance that appropriate arrangements were applied in the selection (including the tender evaluation process) and appointment of the main contractor and associated advisers. Also, that contract documentation had been executed by all parties in a timely manner.
- **Budgetary/ Cost Management** – To obtain assurance that arrangements were in place to monitor, review and control the financial performance and progress of project delivery. That adequate processes and procedures were in place to ensure that the contractor was correctly reimbursed in accordance with the contract.
- **Change Management** – To ensure that changes were processed/ authorised in accordance with the contract and local internal control procedures.
- **Other** – Any other issues identified at the project affecting project delivery.

3. Associated Risks

The potential risks considered in the review were as follows:

- Projects are not effectively managed;
- Project over-runs on time and cost;
- Failure to achieve the required quality or anticipated benefits;
- Failure to apply lessons learned to future projects.

OPINION AND KEY FINDINGS

4. Overall Assurance Opinion

We are required to provide an opinion as to the adequacy and effectiveness of the system of internal control under audit. The opinion is based on the work performed as set out in the scope and objectives within this report. An overall assurance rating is provided describing the effectiveness of the system of internal control in place to manage the identified risks associated with the objectives covered in this audit.

The key contractual sectional start and completion dates were defined as:

Section	Sectional Start	Sectional Completion
Ward 17	13/08/2018	05/11/2018
Ward 19	05/11/2018	12/12/2018
Ward 21	13/12/2018	31/07/2019
Ward 20	17/04/2019	11/09/2019
Ward 5	26/11/2018	24/01/2020

As noted previously, this is a complex refurbishment project, operating within an acute setting, live wards, and older wards containing asbestos / legacy issues. The live wards also placed limitations on invasive surveys pre-commencement.

At the time of the current review the overall completion date had been extended (by 5 weeks) via an agreed Compensation Event (CE6) to 27/02/2020. The agreed extension has no cost implication.

Noting the above, the project manager was reporting an anticipated completion date of 23rd March 2020. However, the main contractor reported that they were seeking to recover the total delays incurred to date.

The delays have been attributed to the impact of the fire within ward 12 and significant asbestos issues encountered following the fire in this area.

The latest cost report provided to the Welsh Government and Project Board (September 2019) indicated:

Description	Approved BJC	Forecast out-turn £m	Variance £m
Works Cost			
<i>Main Contract</i>	6.035	6.456	-0.421
<i>Other</i>		0.142	-0.142
Fees	0.827	1.000	-0.173
Non-Works	0.205	0.014	0.191

Description	Approved BJC	Forecast out-turn £m	Variance £m
Equipment (Grps 2-4)	1.021	0.897	0.124
Contingency	0.393	0.297	0.096
VAT	1.229	0.904	0.325
Total	9.710	9.710	0.000

The review noted the following positive aspects of project delivery:


- the robust project structure and governance framework implemented at the project;
- the delivery of the project within the allocated budget;
- active cost and project control including internal and external reporting arrangements and ongoing dialogue with the Welsh Government; and
- general compliance with the defined change control process.

However, a key issue identified at the current review was the potential breach of EU procurement regulations at the appointment of the main contractor (and associated advisers).

Additionally, recommendations were raised at that time aimed at improving the project control environment through to completion (and at future schemes) e.g.

- the timely completion of adviser contracts;
- the application of frozen design principals;
- a review of the risk register to consider the total cost implication of "open" risks arising at the project and any associated impact on the anticipated outturn costs/remaining contingency;
- enhancements to current reporting arrangements.

We acknowledge that the current scheme has been delivered adjacent to/within fully functioning hospital environment. Noting the same, the level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with the project is assessed as **Reasonable Assurance**

RATING	INDICATOR	DEFINITION
Reasonable Assurance		<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>

The overall level of assurance that can be assigned to an audit is dependent on the severity of the findings as applied against the specific audit objectives and should therefore be considered in that context.

5. Assurance Summary

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

Assurance Summary					
1	Project Governance			✓	
2	Selection and Appointment		✓		
3	Budgetary / cost management			✓	
4	Change management			✓	

** The above ratings are not necessarily given equal weighting when generating the audit opinion.*

Design of Systems/Controls

The findings from the audit have highlighted **5** issues that are classified as weakness in the system control/design at the Programme.

Operation of System/Controls

The findings from the audit have highlighted **2** issues that are classified as weakness in the operation of the designed system/control at the Programme.



6. Summary of Audit Findings

The key findings are reported within the Management Action Plan at **Appendix A**.

Project Governance



To ensure the appropriate allocation of defined roles and responsibilities for individuals and working groups, and appropriate reporting, monitoring and approval processes are in place.

The project benefitted from a Project Execution Plan (PEP), updated both at the commencement and mid-point of the construction stage defining and allocating project management roles and duties.

The Director of Strategy was the assigned Senior Responsible Officer (SRO) for the development, and attended the Investment Benefits Group, together with the Project Director and associated service leads.

The Project Board met with appropriate frequency (monthly), and was attended by a range of appropriate senior staff including the Service Director of Singleton Hospital (the assigned Project Director), the Assistant Director of Strategy – Capital and the Capital Finance Manager.

Project progress against plan was regularly reported within Capital Highlight Reports produced by the UHB Project Manager. These reports were discussed at Project Board and provided to the Welsh Government [supporting the monthly status reports] ensuring transparency of project progress.

Whilst noting the same, enhancements to the reporting regime applied have been recommended (see Budgetary and Cost Management section below).

Accordingly, a **Reasonable assurance** has been determined in respect of project governance at the current stage of the project.

Selection & Appointment of the Contractors/Advisers



To affirm that appropriate arrangements were applied in the selection (including the tender evaluation process) and appointment of the main contractor and advisers, and that contract documentation has been executed by all parties in a timely manner.

Both the main contractor and advisers appointed to the scheme were selected from the UHB's local framework. The method of appointment was advised within the Business Justification Case approved by the Welsh Government.

Whilst noting the same, the application of the local framework arrangements to a scheme of this financial value may have been in breach

of the European procurement regulations applicable at the time of the selection and appointment of the main contractor (**Recommendation 1**).

Pre-construction / design work was progressed by advisers in advance of formal contracts being executed with the relevant parties. These appointments were initially progressed via local Purchase Orders.

Best practice requires that formal contractual arrangements should be completed prior to the commencement of required duties, thereby reducing the risk of exposure to longer term liabilities etc. (**Recommendations 2 & 3**).

The current review has identified additional enhancements (in accordance with best practice principles) relating to:

- the enhancement of future project tender reports to enable UHB/Project Board scrutiny and challenge (**Recommendation 4**);
- the application and maintenance of key performance indicators (and their periodic reporting to the Project Board (**Recommendation 5**);
- the application of a sufficiently developed frozen design, prior to future market testing exercises (**Recommendation 6**).

Noting the above, and in particular the potential breach of EU procurement regulations, a **Limited assurance** is determined in this area.

Budgetary/ Cost Management



To affirm that arrangements are in place to monitor, review and control the financial performance and progress of project delivery. Assurance that adequate processes and procedures are in place to ensure that the contractor is correctly reimbursed in accordance with the contract.

The contract was let in the sum of £6,035,476. At the time of reporting, the anticipated out-turn cost was £6,455,617 (an increase of £420,141 i.e. c.7%). Whilst noting the same, it was anticipated that the scheme would be delivered within the overall £9,710,023 Welsh Government approval figure.

Regular (monthly) cost reports were produced by the external cost adviser for information active management scrutiny. These also informed the monthly Capital Highlight Reports produced by the UHB Project Manager and the Capital Resource Limit reports to the Welsh Government.

Best practice principles would require financial reports to detail the classification of compensation events (i.e. client changes, design team changes, statutory changes, other etc.). This would enable an on-going record to be maintained allowing for the accountability of design changes and facilitate effective change management. A recommendation has been made aimed at enhancing current reporting to accommodate the same (**Recommendation 7**).

Good practice was evidenced in the formulation and management of the risk register and associated project contingency. It was noted the initial project contingency of £392,803 had been substantially expended by May 2019, but positive action was demonstrated addressing the same i.e. identifying additional savings and increasing the available contingency through to project completion.

At the time of the current review, the available contingency fund was reported as £297,305 (approximately 5 mths prior to the agreed completion date). We have recommended that a reconciliation should be undertaken of identified/remaining project risks affirming the sufficiency of the available contingency through to project completion (**Recommendation 8**).

Noting the current stage of the contract, additional assurances should be sought on the contractors cashflow projections, which could adversely impact on the UHB's ability to manage its Capital Resource Limit through to the year end/project completion (**Recommendation 9**).

Whilst recognising the above and noting the active management of the scheme (with forecast delivery within the budget allocation), a **Reasonable assurance** has been determined in respect of budgetary/ cost management.

Change Management



To ensure that changes are processed/ authorised in accordance with the contract and local internal control procedures.

It was evident that any project issues were notified to, and discussed by the Project Board e.g. a summary listings/ supporting detail of all contract changes has been supplied to the Project Board for scrutiny and approval.

Change management processes were operated in accordance with the contract, with detailed processes (delegated limits, authorised signatories etc.), and reaffirmed within the project execution plan, and appropriately controlled (note **Recommendation 7** above).

At the time of the draft report, 78 compensation events had been agreed with a net value of £466,474. However as highlighted previously, the scheme is currently forecast to be delivered within the Welsh Government approved budget allocation.

Noting the above, a **Reasonable assurance** has been determined in this area.

7. Summary of Recommendations

The audit findings, recommendations are detailed in **Appendix A** together with the management action plan and implementation timetable.

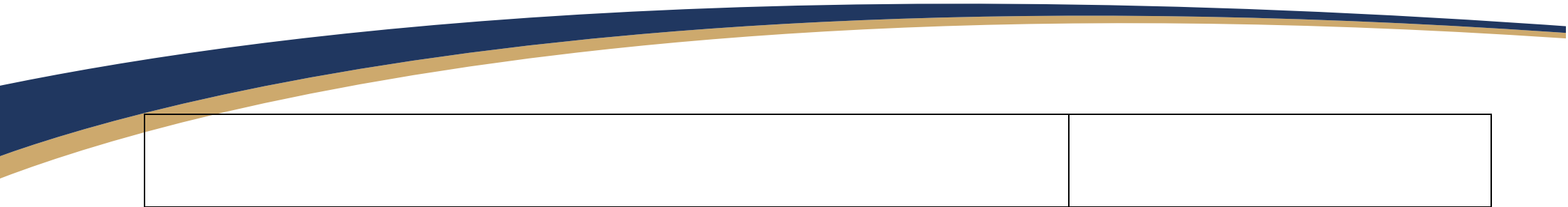
A summary of these recommendations by priority is outlined below:

Priority	H	M	L	Total
Number of recommendations	1	9	0	10

Selection & Appointment of Contractors/Advisers

Finding 1: EU Compliance – Works Contract	Risk
<p>The Welsh Government’s Guide to Developing the Project Business Case states that <i>“Public sector organisations must act in compliance with the appropriate procurement legislation”</i>. Additionally, the Welsh Government Approval letter dated April 2018 indicated that <i>“you must comply with all applicable laws or regulations or official directives, whether derived from domestic, EU or international law.”</i></p> <p>The BJC was approved by the UHB’s Investment Benefits Group in September 2017 and advised that <i>“a main Supply Chain Partner (SCP) will be appointed from ABMU’s Local Contractor & Consultant Framework”</i>.</p> <p>The UHB’s local contractor framework was operated to deliver construction projects up to a value capped at £4m. It was also noted that Welsh Government direction is that all schemes with a works cost over £4m are required to use the National/Regional Frameworks, i.e. the framework that would have been applicable at time of the contractor/SCP engagement was Design for Life: Building for Wales 2.</p> <p>The above issues were raised with the UHB during the Welsh Government scrutiny of the BJC.</p> <p>The BJC was subsequently approved by the Welsh Government with an anticipated works cost of £6.035m.</p>	<p>Non-compliance with EU procurement regulations.</p> <p>The UHB may be subject to challenge, additional cost, and reputational damage.</p>

<p>Noting the above, the EU procurement threshold at the time of the approval of the BJC was £4,551,413 (see Appendix B for further detail)</p> <p>Whilst a pre-construction services contract (in the sum of £53,535) was in place with the main contractor, this did not reference the potential allocation of further work. The pre-construction contract primarily related to:</p> <ul style="list-style-type: none"> • cost assessment; • programming advice; and • surveys. <p>Whilst the BJC stated that the contract would be let through the UHBs’ local framework, it did not identify the potential breach in local and EU procurement regulations (and the associated risks). The breach of EU procurement regulations may result in contractor challenge together with associated damages/fines and, in some cases, the cancellation of a contract.</p>	
<p>Recommendation 1</p>	
<p>(a) All future contractor appointments should comply with local and EU procurement regulations.</p> <p>(b) In the event of potential non-compliance, associated risks/issues should be reported to the Project/Executive Board for approval.</p>	<p>High</p>
<p>Management Response 1</p>	



Finding 2: Timely completion of adviser contracts						Risk
<p>We note the requirements of the local Framework as follows:</p> <p><i>“The completion of the [call-off contract agreement] should be designed to ensure that the Agreement is completed by both parties prior to the commencement of the project, or at the latest within 21 days after the start date.”</i></p> <p>National capital guidance (WHC 2015-012) further states that there should be a formal contract even where there are only advance (enabling) works.</p> <p>All adviser contracts were signed following commencement of their duties i.e.</p>						<p>Longer term liabilities may not be adequately addressed until the main contract is finalised and executed.</p> <p>The Health board may be exposed to increased risk/liabilities.</p>
	Contract Value	Commencement of performance	Signed by adviser/contractor	Signed by UHB	Comments	
Project Manager	£53,000	28/04/17	07/05/17	24/05/17	10 days late	
M&E Design Consultant	£58,717	28/10/16	29/11/16	12/12/16	32 days late	
Cost Advisor	£41,455	12/04/16	25/11/16	06/12/16	> 7 months late	
Structural Architect	£17,502	05/04/17	24/07/18	23/08/18	> 15 months late	
Principal Designer	£9,765	14/11/16	31/01/17	31/01/17	77 days late	
Contractor pre-construction services	£53,000	1/11/16	23/05/17	6/06/17	> 6 months late	

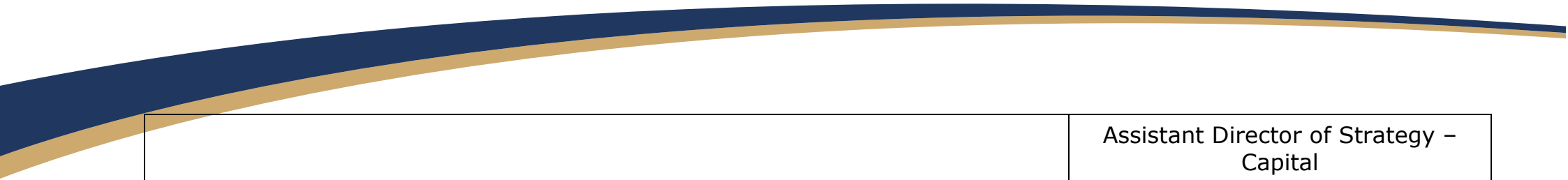
<p>In this instance, we understand that these arrangements commenced under works orders (to an initial value of £5k). The contract values above were advised to be part of a refresh arrangement (to put contractual arrangements in place to higher values).</p> <p>Formal terms and conditions of appointment (including design liabilities) should typically be completed prior to the commencement of duties.</p>	
<p>Recommendation 2</p>	<p>Priority level</p>
<p>At future projects, management should ensure that contract documentation is appropriately completed prior to the commencement of duties. (O)</p>	<p>Medium</p>
<p>Management Response 2</p>	<p>Responsible Officer/ Deadline</p>
	<p>Assistant Director of Strategy – Capital</p> <p>At all future adviser appointments</p>

Finding 3: Framework Compliance – Adviser Contracts	Risk
<p>The adviser local framework was developed to be applied at construction projects up to £4m.</p> <p>In April 2017, the design team were advised to base their fees on a works cost of £5.134m with subsequent adjustment to be reviewed.</p> <p>Whilst the BJC stated that the contract would be let through the UHBs’ local framework, it did not identify the potential breach in local procurement/framework regulations (and the associated risks).</p>	<p>Non-compliance with local procurement regulations.</p> <p>The UHB may be subject to challenge, additional cost, and reputational damage.</p>
Recommendation 3	
<p>(a) All future adviser appointments should comply with local procurement/framework requirements.</p>	Medium
<p>(b) In the event of potential non-compliance, associated risks/issues should be reported to the Project/Executive Board for approval.</p>	Medium
Management Response 3	

Finding 4: Value for Money / Target Cost report	Risk
<p>Standing Order 11 – the Capital Projects Control Manual states:</p> <p><i>“The contractor shall submit his target cost with all supporting information and a meeting shall be convened to review the submission in detail to ensure that value for money has been achieved.”</i></p> <p>The NEC Option A (fixed price) contract was applied at this scheme.</p> <p>Good practice was noted that a tender report was prepared for the UHB, by the external cost adviser, aimed at demonstrating value for money.</p> <p>Whilst noting the same, the following were not included within the report:</p> <ul style="list-style-type: none"> • an assessment against pre-tender estimates; • an evaluation of the key electrical and mechanical sub-contractor quotations (both circa £1m); • detail of the priced/lowest quotations received; • explanations/detail for quotations accepted for works packages awarded to companies other than the lowest returned; and • comment on the level of design or risk on which the costs were based. <p>Whilst additional information was provided to the Capital Planning Department associated with the above, the tender report was retained within the Capital</p>	<p>Management are not appropriately informed of project risks.</p> <p>Management have not accepted risks for which decisions have been committed.</p>

<p>Planning Department and not submitted to, or approved by, a superior committee.</p> <p>Best practice for a project of this value/nature would require the production of a robust tender report enabling adequate scrutiny and challenge by the UHB/Project Board.</p>	
<p>Recommendation 4</p>	<p>Priority level</p>
<p>Future tender reports should be enhanced and be submitted to the UHB/Project Board for scrutiny and challenge. (D)</p>	<p>Medium</p>
<p>Management Response 4</p>	<p>Responsible Officer/ Deadline</p>
	<p>Assistant Director of Strategy – Capital</p> <p>November 2019</p>

<p>Finding 5: Monitoring – Key Performance Indicators</p>	<p>Risk</p>
<p>The application of key performance indicators provide an effective tool to manage internal and external resources.</p> <p>Key Performance Indicators were not being applied at the contract.</p> <p>Noting the value/nature of the scheme, had the contract be awarded via the NHS Designed for Life: Building for Wales framework arrangements, regular key performance indicators would have been applied.</p> <p>Management advised that performance of all parties will be assessed on the contract completion i.e. to be utilised for feedback and lessons learnt, but not as a dynamic feedback and control mechanism.</p> <p>(Also ref: issues in relation to Cash Flow variance reporting at Recommendation 10).</p>	<p>Parties are not appropriately monitored and controlled.</p>
<p>Recommendation 5</p>	<p>Priority level</p>
<p>Key Performance Indicators should be maintained and periodically reported to the Project Board, including associated escalation and resolution for appropriate parties. (D)</p>	<p>Medium</p>
<p>Management Response 5</p>	<p>Responsible Officer/ Deadline</p>



	<p>Assistant Director of Strategy – Capital</p> <p>To be applied at future schemes</p>
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Finding 6: Frozen design	Risk
<p>An agreed and frozen design is a key feature of project/cost control.</p> <p>RIBA (Royal Institute of British Architects) recommends the level of detail for design, and information for the specification for projects at RIBA stage 4 - Technical Design i.e. prior to construction should be no less than:</p> <ul style="list-style-type: none"> • 1:500 Block Plan • 1:100 Site plan including drainage, external works, etc. • 1:50 Plans, Sections and Elevations. <p>The NHS Building for Wales frameworks would also have required design at a 1:50 level.</p> <p>Noting the above, 1:50 drawings were not signed off by users (i.e. frozen) by users until after the commencement of the construction phase. The same risks client/user/SCP changes to the priced works packages and adversely impacting on the project’s affordability.</p> <p>The above may have attributed to the significant expenditure of the available project contingency by May 2019.</p>	<p>The Health Board may not secure the best value for money through its procurement strategies.</p> <p>The project may not be affordable.</p> <p>Inadequate project cost estimates.</p>
Recommendation 6	Priority level
<p>At future projects, appropriate user sign off should be obtained to a sufficiently developed design (i.e.1:50), prior to market testing.</p>	<p>Medium</p>

Management Response 6

Responsible Officer/ Deadline

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Budgetary/ Cost Management

Finding: 7 Compensation Events/Programme Management	Risk
<p>Financial reports were issued regularly on the project. The financial reports issued by the cost adviser contained a list of all compensation events/Project Managers Instructions (contractual changes) issued to date, together with relevant pricing effects. However, the format did not require the classification of changes.</p> <p>Best practice would require the financial report to detail the classification of compensation events (i.e. client changes, design team changes, statutory changes, other etc.). This is to enable an on-going record to be maintained allowing for the accountability of design changes to facilitate effective change management.</p> <p>At the time of the issue of the draft report, 78 compensation events (CE's) had been agreed with a net increase to the target cost of £466,474 and an approximate 5 week extension to the completion programme. A further 10 provisional CE's were estimated at £91,972 (£558,446 in total).</p>	<p>Lack of accountability for change management</p> <p>Lesson learnt may not be applied at future schemes.</p>
Recommendation 7	Priority level
<p>All Compensation Events/Project Managers Instructions (contractual changes) should be appropriately classified to enable the on-going accountability of change management through the project development cycle. The same will inform the delivery of future projects (O).</p>	<p>Medium</p>



Management Response 7	Responsible Officer/ Deadline

Finding 8: Risk/Contingency	Risk
<p>In noting the relation between the (costed) risk register and remaining project contingency funds, the NHS Wales Capital Investment Manual (CIM) states that “risk and contingency should be reviewed on a regular basis”.</p> <p>There is also an expectation that risks are managed down throughout the life of a project. CIM further states “as more firm commitments are entered into and work is carried out, so the risks in future works and commitments are reduced The contingency estimate should reflect this”.</p> <p>Good practice was evidenced in the formulation and management of the risk register and associated project contingency. It was noted that in May 2019 the initial project contingency of £392,803 had been substantially expended. The UHB took positive action to address the same, identifying additional savings and increasing the available contingency through to project completion i.e.:</p> <ul style="list-style-type: none"> • VAT recovery (£325k); • value engineering (£113k); and • equipment under-spends (£123k). <p>The August 2019 cost report stated “Once Ward 20 and Ward 11/12 status has been established a meeting is to be held to ascertain the impact on the contract and a Risk Register Review meeting is to be held”.</p> <p>The August Welsh Government Dashboard noted that all risks assessed as at May remained current as of August 2019.</p>	<p>Appropriate project controls are not applied.</p> <p>Risk is not appropriately assessed.</p> <p>Management are not appropriately informed.</p>

<p>As at September 2019, the available contingency fund was reported as £297,305 (approximately 5 mths prior to the agreed completion date).</p> <p>At the time of reporting, a reconciliation between the identified/remaining project risks and the available contingency was not identified or evidenced as reported to the Project Board.</p> <p>Noting the same, the associated cost implication of risks materialising at the project may not be fully considered.</p>	
<p>Recommendation 8</p>	<p>Priority level</p>
<p>A reconciliation should be undertaken of identified/remaining project risks affirming the available contingency. The same should be reported to the Project Board through to project completion. (D)</p>	<p>Medium</p>
<p>Management Response 8</p>	<p>Responsible Officer/ Deadline</p>


Findings 9 & 10: Cash flow variance reporting	Risk
<p>Monitoring of spend to budget is a key project control, and informs the Capital Resource Limit provided to the UHB by Welsh Government.</p> <p>The contract provided a priced Activity Schedule (deriving a projected time phased cash flow by pricing each activity in the project plan). This showed c. £4m of expenditure anticipated by March 2019.</p> <p>The January 2019 cost report, produced by the cost adviser, included anticipated cash flow forecasts to 31st March 2019 i.e.:</p> <ul style="list-style-type: none"> • Cost Adviser Anticipated – £2.492M • Adjusted Forecast - £2.598 • SCPs projected cashflow - £3.671 <p>The March 2019 cost report showed actual (Y/E) cashflow as:</p> <ul style="list-style-type: none"> • SCPs cashflow - £2.488 <p>Accordingly, reliance could not be placed on the SCP’s cashflow projections, which could adversely impact on the UHB’s ability to manage its Capital Resource Limit.</p>	<p>Management are not appropriately informed of project cashflow requirements</p>
Recommendations 9 & 10	Priority level


9. The SCP should provide the UHB with assurances on anticipated cash flow projections through to the completion of the project and 2019/20 financial year end.	Medium
10. Project monitoring should report variances to the agreed Activity Schedule (D).	Medium
Management Responses 9 & 10	Responsible Officer/ Deadline
	Assistant Director of Strategy – Capital November 2019


Appendix B Procurement Timetable


Date	Procurement stage / action	Net Works value / estimate	Comment
Jan – Nov 16	Initial estimates Scoping options under assessment. £1m of asbestos work to specialist contractor – within this sum, potentially a separate contract Drafting commenced on BJC	c. £2m - £3m.	
Dec 16 – Feb 17	Expanded scheme considered	£8.316 - £10m	
March 17	Procurement advice sought from NWSSP: Specialist Estate Services	£5.3m	Inclusive of £1m asbestos. Potential abortive costs of change of procurement route advised.
April 17	Advisers provided with a works value on which to base their pricing.	£5.134m	
Oct 17	Tender response	£6.035m	
Oct 17	BJC submission	£6.035m	
August 18	Main contract signed / award	£6.035m	

2018/19 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 audit, 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 audit, 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 audit, are suitably designed and applied effectively. More significant matters require management attention with **moderate impact on residual risk** exposure until resolved.

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

Prioritisation of Recommendations

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

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

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

