

# Draft Head of Internal Audit Opinion & Annual Report 2021/2022

May 2022

Swansea Bay University Health Board



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## 1. EXECUTIVE SUMMARY

### 1.1 Purpose of this Report

Swansea Bay University Health Board's (Health Board) Board is accountable for maintaining a sound system of internal control that supports the achievement of the organisation's objectives and is also 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 and an assessment of conformance with the Public Sector Internal Audit Standards.

As a result of the continued impact of COVID-19 our audit programme has been subject to change during the year. In this report we have set out how the programme has changed and the impact of those changes on the Head of Internal Audit opinion.

### 1.2 Head of Internal Audit Opinion 2021-22

The purpose of the annual Head of Internal Audit opinion is to contribute to the assurances available to the Chief Executive as 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 focused on 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 for 2021/22 is that:

<b>Reasonable assurance</b>		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 low to moderate impact on residual risk exposure until resolved.
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### 1.3 Delivery of the Audit Plan

Due to the considerable impact of COVID-19 on the Health Board, the internal audit plan has needed to be agile and responsive to ensure that key developing risks are covered. As a result of this approach, and with the support of officers and independent members across the Health Board, the plan has been delivered substantially in accordance with the agreed

schedule and changes required during the year, as approved by the Audit Committee (the 'Committee'). In addition, regular audit progress reports have been submitted to the Committee. Although changes have been made to the plan during the year, we can confirm that we have undertaken sufficient audit work during the year to be able to give an overall opinion in line with the requirements of the Public Sector Internal Audit Standards.

The Internal Audit Plan for 2021/22 year was initially presented to the Committee in March 2021. Changes to the plan have been made during the course of the year and these changes have been reported to the Audit Committee as part of our regular progress reporting.

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

Our latest External Quality Assessment (EQA), conducted by the Chartered Institute of Internal Auditors (in 2018), and our own annual Quality Assurance and Improvement Programme (QAIP) have both confirmed that our internal audit work continues to 'generally conform' to the requirements of the Public Sector Internal Audit Standards (PSIAS) for 2021/22. For this year, as in 2020/21, our QAIP has considered specifically the impact that COVID-19 has had on our audit approach and programmes. We are able to state that our service 'conforms to the IIA's professional standards and to PSIAS.'

## **1.4 Summary of Audit Assignments**

This report summarises the outcomes from our work undertaken in the year. In some cases, audit work from previous years may also be included and where this is the case, details are given. This report also references assurances received through the internal audit of control systems operated by other NHS Wales organisations (again, see section 3).

The audit coverage in the plan agreed with management has been deliberately focused 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.

Overall, we can provide the following assurances to the Board that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively in the areas in the table below.

Where we have given Limited Assurance, 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 it is appropriate to do so.

In addition, and in part reflecting the impact of COVID-19, we also undertook a number of advisory and non-opinion reviews to support our overall opinion. A summary of the audits undertaken in the year and the results are summarised in table 1 below.

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Table 1 – Summary of Audits 2021/22

Substantial Assurance	Reasonable Assurance
<ul style="list-style-type: none"> <li>• Digital project management (draft)</li> <li>• General dental services</li> </ul>	<ul style="list-style-type: none"> <li>• Risk management and Board Assurance Framework</li> <li>• Financial reporting and monitoring</li> <li>• Network and Information Systems (NIS) Directive</li> <li>• Welsh Language Standards compliance (draft)</li> <li>• Standards of Business Conduct: Declarations (draft)</li> <li>• Mental Health legislative compliance</li> <li>• Annual planning approach</li> <li>• Planned care recovery arrangements</li> <li>• E-prescribing</li> <li>• I.T. service management</li> <li>• Staff wellbeing &amp; occupational health</li> <li>• Follow up review (draft)</li> <li>• Waste management</li> <li>• Elective Orthopaedic Unit development</li> <li>• Singleton Hospital replacement cladding</li> <li>• Environmental / modernisation infrastructure programme</li> <li>• Capital follow up (draft)</li> <li>• Estates assurance follow up (draft)</li> </ul>
Limited Assurance	Advisory/Non-Opinion
<ul style="list-style-type: none"> <li>• Quality and Safety Governance Framework</li> <li>• Procurement and tendering</li> </ul>	<ul style="list-style-type: none"> <li>• Delivery Framework</li> <li>• Controlled Drugs Governance Framework</li> </ul>

<ul style="list-style-type: none"> <li>External Standards assurance: NICE Guidance (draft)</li> <li>CAMHS commissioning</li> </ul>	<ul style="list-style-type: none"> <li>COVID-19 governance arrangements follow up</li> </ul>
No Assurance	
<ul style="list-style-type: none"> <li>N/A</li> </ul>	

Please note that our overall opinion has also taken into account both the number and significance of any audits that have been deferred during the course of the year (see section 5.7) and also other information obtained during the year that we deem to be relevant to our work (see section 2.4.2).

## 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; and
- 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 Health Board'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 Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit (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 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 Health Board. 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 Committee, will need to consider the Head of 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 the annual Head of Internal Audit opinion is to contribute to the assurances available to the Accountable Officer and the Board of Swansea Bay 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 Audit Wales in the context of both their external audit and performance reviews.

The overall opinion by the Head of Internal Audit on governance, risk management and control results from the 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 overall opinion is based primarily on the outcome of the work undertaken during the course of the 2021/22 audit year. We also consider other information available to us such as our overall knowledge of the organisation, the findings of other assurance providers and inspectors, and the work we undertake at other NHS Wales organisations. The Head of Internal Audit considers the outcomes of the audit work undertaken and exercises professional judgement to arrive at the most appropriate opinion for each organisation.

A quality assurance review process has been applied by the Director of Audit & Assurance and the Head of Internal Audit in the annual reporting

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process to ensure the overall opinion is consistent with the underlying audit evidence.

We take this approach into account when considering our assessment of our compliance with the requirements of PSIAS.

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 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.

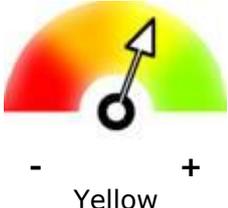
This same assurance rating system is applied to the overall Head of Internal Audit opinion on governance, risk management and control as to individual assignment audit reviews. The assurance rating system together with definitions is included at **Appendix B**.

The individual conclusions arising from detailed audits undertaken during the year have been summarised by the assurance ratings received. The aggregation of audit results gives a better picture of assurance to the Board and also provides a rational basis for drawing an overall audit opinion. However, please note that for presentational purposes we have shown the results using the eight areas that were used to frame the audit plan at its outset (see section 2.4.2).

## 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 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.

<b>Reasonable Assurance</b>		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 low to moderate impact on residual risk exposure until resolved.
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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 Assurance opinions issued during the year and the significance of the recommendations made (of which there were four audits in 2021/22).

### **2.4.2 Basis for Forming the Opinion**

The audit work undertaken during 2021/22, and reported to the Audit Committee has been aggregated at Section 5.

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

- An assessment of the range of individual opinions and outputs arising from risk-based audit assignments contained within the Internal Audit plan that have been reported to the Audit Committee throughout the year. In addition, and where appropriate, work at either draft report stage or in progress but substantially complete has also been considered, and where this is the case then it is identified in the report. This assessment has taken account of the relative materiality of these areas and the results of any follow-up audits in progressing control improvements (see section 2.4.3).
- 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 knowledge and information that the Head of Internal Audit has obtained during the year including cumulative information and knowledge over time; observation of Board and other key committee meetings; meetings with Executive Directors, senior managers and Independent Members; the results of *ad hoc* work and support provided; liaison with other assurance providers and inspectors; research; and cumulative audit knowledge of the organisation that the Head of Internal Audit considers relevant to the Opinion for this year.

As stated above, these detailed results have been aggregated to build a picture of assurance across the Health Board.

In reaching this opinion we have identified that the majority of reviews during the year concluded positively with robust control arrangements operating in some areas.

From the opinions issued during the year, two reports were allocated Substantial Assurance, 18 were allocated Reasonable Assurance and four were allocated Limited Assurance. No reports were allocated a 'no assurance' opinion. In addition, three advisory or non-opinion reports were also issued.

In addition, the Head of Internal Audit has considered residual risk exposure across those assignments where limited assurance was reported. Further, the Head of Internal Audit has considered the impact where audit assignments planned this year did not proceed to full audits following

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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. The reasons for changes to the audit plan were presented to the Audit 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 is shown below. We have reported the findings using the eight areas of the Health Board's activities that we use to structure both our 3-year strategic and 1-year operational plans.

### **Corporate Governance, Risk Management and Regulatory Compliance**

We have undertaken five reviews in this area.

The audit of **Risk management and Board Assurance Framework (BAF)** noted the continued maturity of risk scrutiny and reporting. We highlighted an opportunity to explore separating strategic risks and high scoring operational risks, to increase the effectiveness of review. Whilst the overall rating for this audit was **reasonable assurance**, the BAF element was assigned limited assurance. Management have recognised the lack of regular review by sub-committees, and we also recommended consolidating the level of detail included.

Our review of **Welsh Language Standards compliance (draft)** received a **reasonable** assurance rating and is a positive reflection of the arrangements the health board has in place. Areas highlighted for improvement included attendance at the Welsh Language Delivery Group and to assess and capture compliance at Service Group and Corporate Directorate levels, to support the embedding of the Standards throughout the organisation.

**Reasonable** assurance was reported in relation to **Standards of business conduct: Declarations (draft)**, although we raised a high priority finding due to the absence of a register to capture secondary employment. We also highlighted the need to implement a solution to ensure the completeness and accuracy of declarations of interest, to undertake due diligence checks on these, as well as finalising the revised staff handbook which now refers to the health board's Standards of Business Conduct Policy.

The **COVID-19 governance arrangements follow up** review noted the good progress that had been made to address the actions identified within our previous advisory review.

Our **Follow up review (draft)** was a positive report delivering a **reasonable** assurance rating, which recognises the systems in place to monitor progress with the implementation of actions in response to internal audit reports.

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**Strategic Planning, Performance Management & Reporting**

We have undertaken two reviews in this area.

Our review of **Annual planning** was a positive report delivering a **reasonable** assurance rating, which recognised the approach taken by the Health Board to develop its annual plan.

**CAMHS commissioning** - We raised four high priority recommendations in this review. These related to an absence of a service level agreement and service specification in place with Cwm Taf Morgannwg University Health Board; a lack of clarity on roles and responsibilities, a lack of assurance on the quality of service provided; and limited discussions on the associated risks. We issued a **limited** assurance report for this review.

The audit of **Partnership governance** between the Swansea Bay and Hywel Dda UHBs was deferred, recognising the governance arrangements were recently reviewed and to allow time for them to embed.

**Financial Governance and Management**

We have undertaken three reviews in this area.

**Reasonable** assurance was reported in relation to **Financial reporting and monitoring**. This reflects the arrangements in place to oversee financial performance during the year. We highlighted that delegation letters were not returned by budget holders in line with Standing Financial Instructions, and significant budgets are not being acknowledged. Due to an absence of a virements listing, we were unable to provide assurance that they are appropriately processed and authorised.

Our **Procurement and tendering** review, which focussed on single tender actions, derived **limited** assurance. Key matters arising related to the timeliness of requests, completion and approval of forms and reporting. Improvement is also required regarding the financial vetting of suppliers to ensure declaration of interests are completed by all individuals involved in the award process.

A briefing paper noted there has been progress in establishing a revised **Delivery Framework**. A number of the elements which support this are in early stages of implementation.

The audits of the payment systems provided by NWSSP, which we audit each year, concluded with positive assurance. The audits of Payroll (draft report) and Accounts Payable both received reasonable assurance opinion ratings.

**Quality & Safety**

We have undertaken four reviews in this area.

Our review of the **Quality & Safety Governance Framework** noted that it wasn't widely available, nor is there evidence to support its wider

implementation through the improvement plan originally developed to support it. This resulted in a **limited** assurance opinion. Our findings are consistent with those highlighted within Audit Wales Quality Governance arrangements review, and the Health Board is taking the opportunity to refresh its framework.

A further briefing paper was issued on **Controlled Drugs Governance Framework**, following a similar paper in the prior year which presented a status position. This year's audit reviewed the health board's progress in strengthening controlled drugs governance. We were unable to determine whether service group's assurance plans were collectively addressing all areas of control weakness, due to their design being by exception, and noted that plans contained a significant number of overdue actions.

Our review of **External Standards assurance: NICE Guidance (draft)** received a **limited** assurance rating. Key matters arising included limited Service Group Medical Director attendance at the Clinical Outcomes Effectiveness Group; Standard Operating Procedure is incomplete and overdue for review; lack of responses to NICE guidance publications at Service Group level; and the need to strengthen arrangements to manage and monitor compliance.

#### **Safety notices and alerts - [WIP]**

At the time of writing, the safety notices and alerts audit was in the fieldwork stage.

<b>Information Governance &amp; Security</b>
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We have undertaken four reviews in this area.

**Reasonable** assurance was provided in relation to the arrangements in place for the implementation of the **NIS Directive**, including the Cyber Assessment Framework. Two medium priority recommendations were raised, relating to the retention of supporting information and to develop an improvement action plan going forward.

Our review of the **E-prescribing** system was a positive report deriving a **reasonable** assurance rating. Although two high priority matters were raised, where formal meetings between the project lead and the supplier were not being held for performance monitoring, and there was a lack of clarity over database management.

The review of **Digital project management (draft)** received **substantial** assurance. One low priority finding was raised, which concerned areas for refinement and further development.

**Reasonable** assurance was reported in relation to **I.T. service management**. The overarching framework for IT service provision met the requirements of the health board, although areas were identified which require strengthening to ensure full alignment, and it is managing service desk operation efficiently and effectively.

The review of **Digital Strategy implementation** was deferred for inclusion in the internal audit plan for 2022/23 to a time when the Strategy is sufficiently advanced to enable audit scrutiny.

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

We have undertaken three reviews in this area.

Our **Mental Health legislative compliance** review derived **reasonable** assurance, reflecting positively on the arrangements in place. We recommended that a mapping exercise against legislation requirements is undertaken by the health board to demonstrate compliance, due the nature of current reporting being by exception. A high priority finding was also raised to improve assurance on staff training.

Alongside its continuing response to the Covid-19 pandemic the health board has outlined a number of key actions within the Annual Plan to assist in the recovery of its planned care position. Our audit of **Planned care recovery arrangements** focussed on the Planned Care Programme Board (PCPB) and its Clinical Reference Groups for the development and monitoring of these actions. There is widespread awareness that the scale of the challenge in addressing these backlogs. Our **reasonable** assurance rating recognised the PCPB and its supporting arrangements are still maturing and there could be some further consideration given to elements of performance management.

Our review of **General dental services** reported **substantial** assurance that systems in place for the management of services and payments associated with the provision of primary care dental contracts were suitably designed and applied effectively. Matters arising concerned areas for refinement and further development.

The review of **Service Group governance arrangements** was deferred to 2022/23, to give management time to determine the governance and risk management arrangements and allow for them to embed.

### **Workforce Management**

A review of **Staff wellbeing & occupational health** was undertaken and received **reasonable** assurance. We identified no significant issues for reporting in our review. Matters arising concerned areas for refinement and further development, including seeking feedback to assess the effectiveness of both the health and wellbeing initiatives the health board has invested in and on the recommendations made by the service in response to referrals received; manager training; and monitoring and reporting progress made in implementing the OH Transformation Plan.

The audit of **ESR – manager self-service** was deferred for inclusion in the internal audit plan for 2022/23 to allow more time for implementation of the system across the health board, including the measures in place to promote data quality.

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**Capital & Estates Management**

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We have undertaken six reviews in this area.

The **Waste management** report derived a **reasonable** level of assurance, recognising the Health Board's compliance with relevant waste management legislation and guidance and progress towards agreed national and local waste reduction targets. A number of medium priority recommendations were made to enhance the control framework in operation including the policies / procedures applied, training provision and review of available waste streams.

The **Elective Orthopaedic Unit development** report derived a **reasonable** assurance. At the date of the review, some Welsh Government capital funding had been approved. However, the Health Board had yet to confirm the funding arrangements for the proposed, significant, recurring revenue requirement. A high priority recommendation was made to ensure this funding route was confirmed prior to any procurement commitment being made. A number of medium priority recommendations were also made to address the residual risks identified, including project progress reporting and enhancement of audit trails maintained for approvals sought and decisions taken.

The **Singleton Hospital replacement cladding** report derived a **reasonable** level of assurance. At the date of the review, this complex project remained within its cost and quality parameters with marginal addition to time. An appropriate control framework was in operation and a number of improvement recommendations were made to assist the project through the next stages of the delivery programme. A further review of the project will be undertaken in 2022/23 as part of the agreed Integrated Audit Plan.

The **Environment / infrastructure replacement programme** derived a **reasonable** level of assurance. A number of improvement recommendations were made to address the risks identified including the monitoring of costed risks against contingency funds and enhancements to the cost reporting prepared.

The **Capital follow up (draft)** reviewed progress across a number of previously audited capital subject areas. Positive action had been taken to address the previously agreed audit recommendations and the majority had been completed. Therefore, a **Reasonable** assurance rating was derived.

A **Reasonable** assurance rating was provided following the **Estates assurance follow up (draft)** review. This report compares positively to the limited assurance rating received over the past few years and is a reflection of the progress made to address previously agreed recommendations raised across a number of estates subject areas.

The review of **Decarbonisation** was deferred to 2022/23, recognising that Health Bodies are not required to publish their Decarbonisation Action Plans until March 2022 and the timing of expenditure of the initial capital allocations provided by Welsh Government.

### **2.4.3 Approach to Follow Up of Recommendations**

As part of our audit work, we consider the progress made in implementing the actions agreed from our previous reports for which we were able to give only Limited Assurance. In addition, where appropriate, we also consider progress made on high priority findings in reports where we were still able to give Reasonable Assurance. We also undertake some testing on the accuracy and effectiveness of the audit recommendation tracker.

In addition, Audit Committees monitor the progress in implementing recommendations (this is wider than just Internal Audit recommendations) through their own recommendation tracker processes. We attend all audit committee meetings and observe the quality and rigour around these processes.

For the second year in a row, due to the impact of COVID-19, we are aware that it has been more difficult than usual for NHS organisations to implement recommendations to the timescales they had originally agreed. In addition, we also recognise that for new recommendations it may be more difficult to be precise on when exactly actions can be implemented by. However, it remains the role of Audit Committees to consider and agree the adequacy of management responses and the dates for implementation, and any subsequent request for revised dates, proposed by Management. Where appropriate, we have adjusted our approach to follow-up work to reflect these challenges.

Going forward, given that it is very likely that the number of outstanding recommendations will have grown during the course of the pandemic, audit committees will need to reflect on how best they will seek to address this position.

We have considered the impact of both our follow-up work and where there have been delays to the implementation of recommendations, on both our ability to give an overall opinion (in compliance with the PSIAS) and the level of overall assurance that we can give.

The Health Board's recommendation tracking process continued during 2021/22, but the pandemic effected the ability of management to take forward recommendations in some areas. The Corporate Governance team has continued to review all outstanding recommendations with management and the outcomes have been reported to each meeting of the Audit Committee.

From the specific follow up audits undertaken in 2021/22, it was identified that progress had been made by management in implementing recommendations from the reviews of both Capital Systems and Estates Assurance. We have also undertaken work towards the end of the year to

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validate the stated position for a sample of recommendations within the tracker. We were able to confirm the recorded position for the majority of the sampled recommendations and therefore provide the Audit Committee with additional assurance around the accuracy of the tracker.

#### **2.4.4 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. In addition, the impact of COVID-19 on this year's (and to an extent last year's) programme makes any comparison even more difficult.

#### **2.4.5 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, with all other work in progress 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 2021/22 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 a limited scope update on the current condition of control and a measure of direction of travel.

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There are some specific assurance reviews which remain relevant to the reporting of the organisation's Annual Report required to be published after the year end. Where required, any specified assurance work would be aligned with the timeline for production of the Health Board's Annual Report and accordingly will be completed and reported to management and the Audit Committee subsequent to this Head of Internal Audit Opinion. However, the Head of Internal Audit's assessment of arrangements in these areas would be legitimately informed by drawing on the assurance work completed as part of this current year's plan.

## 2.5 Required Work

Please note that following discussions with Welsh Government we were not mandated to audit any areas in 2021/22.

## 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 Audit Wales. 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 with 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 and Assurance Services can assure the Audit Committee that it has conducted its audit at Health Board in conformance with the Public Sector Internal Audit Standards for 2021/22.

Our conformance statement for 2021/22 is based upon:

- the results of our internal Quality Assurance and Improvement Programme (QAIP) for 2021/22 which will be reported formally in the Summer of 2022; and
- the results of the work completed by Audit Wales.

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 2021/22 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 Audit Wales and Healthcare Inspectorate Wales.

## **3. OTHER WORK RELEVANT TO THE HEALTH BOARD**

As our internal audit work covers all NHS Wales 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. These are set out below, with relevant comments and opinions attached, and relate to work at:

- NHS Wales Shared Services Partnership;
- Digital Health & Care Wales;
- Welsh Health Specialised Services Committee; and
- Emergency Ambulance Services Committee.

*Please note that, in response to COVID-19, we have altered our approach this year and undertaken additional testing on a number of the national NWSSP run systems and produced separate reports for each NHS Wales organisation where appropriate.*

### **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 University 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:

Audit	Opinion	Comments
Accounts Payable	Reasonable	-
Payroll	Reasonable	Draft report
Primary Care Services – Medical (GMS), Pharmaceutical (GPS), Dental (GDS), and Ophthalmic (GOS) 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 is Reasonable Assurance.

### Digital Health & Care Wales (DHCW)

As part of the internal audit programme at DHCW, a Special Health Authority that started operating from 1 April 2021, a number of audits were undertaken which are relevant to the Health Board. These audits derived the following opinion ratings:

Audit	Opinion	Comments
Welsh Radiology Information System	Reasonable	-
Data Centre Transition	Substantial	-
Data Analytics (Information)	Reasonable	-
System Development	Reasonable	-
GP System Procurement Project	Substantial	-

Please note that other audits of DHCW activities are undertaken as part of the overall DHCW internal audit programme. The overall Head of Internal Audit Opinion for DHCW is Reasonable Assurance.

### Welsh Health Specialised Services Committee (WHSSC) and Emergency Ambulance Services Committee (EASC)

The work at both the Welsh Health Specialist Services Committee (WHSSC) and the Emergency Ambulance Services Committee (EASC) is undertaken as part of the Cwm Taf Morgannwg internal audit plan. These audits are listed below and derived the following opinion ratings:

Audit	Opinion	Comments
WHSSC – Risk management	Reasonable	Draft report
WHSSC – Cancer and blood services	Substantial	-
WHSSC – All Wales Positron Emission Tomography (PET) Service	Reasonable	-
EASC – Governance arrangements	Reasonable	-

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. DHCW audits are summarised in the DHCW Head of Internal Audit Opinion and Annual Report, and the WHSSC and EASC audits are summarised in the Cwm Taf Morgannwg University Health Board 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 Committee, subject to changes agreed as the year progressed. Regular audit progress reports have been submitted to the Audit Committee during the year. Audits that remain to be reported but are reflected within this Annual Report will be reported alongside audits from the 2022/23 operational audit plan.

The audit plan approved by the Committee in March 2021 contained 32 planned reviews. Changes have been made to the plan with one audit added and five deferred/cancelled. All these changes have been reported to and approved by the Audit Committee. As a result of these agreed changes, we have delivered 27 reviews, with one further review in the fieldwork stage at the time of writing.

The assignment status summary is reported at section 5.

In addition, we may respond to requests for advice and/or assistance across a variety of business areas across the Health Board. 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 is reported during the year within our progress reports to the Audit Committee.

## 4.2 Service Performance Indicators

In order to monitor aspects of the service delivered by Internal Audit, a range of service performance indicators have been developed.

Indicator Reported to Audit Committee	Status	Actual	Target	Red	Amber	Green
Operational Audit Plan agreed for 2021/22	G	March 2021	By 30 June	Not agreed	Draft plan	Final plan
Total assignments reported against adjusted plan for 2021/22	G	96%	100%	v>20%	10%<v<20%	v<10%
Report turnaround: time from fieldwork completion to draft reporting [10 working days]	G	96%	80%	v>20%	10%<v<20%	v<10%
Report turnaround: time taken for management response to draft report [15 working days]	G	70%	80%	v>20%	10%<v<20%	v<10%
Report turnaround: time from management response to issue of final report [10 working days]	G	100%	80%	v>20%	10%<v<20%	v<10%

## 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 27 audit reviews were reported during the year, with one further review in the fieldwork stage at the time of writing (see section 5.8). Figure 2 below presents the assurance ratings and the number of audits derived for each.

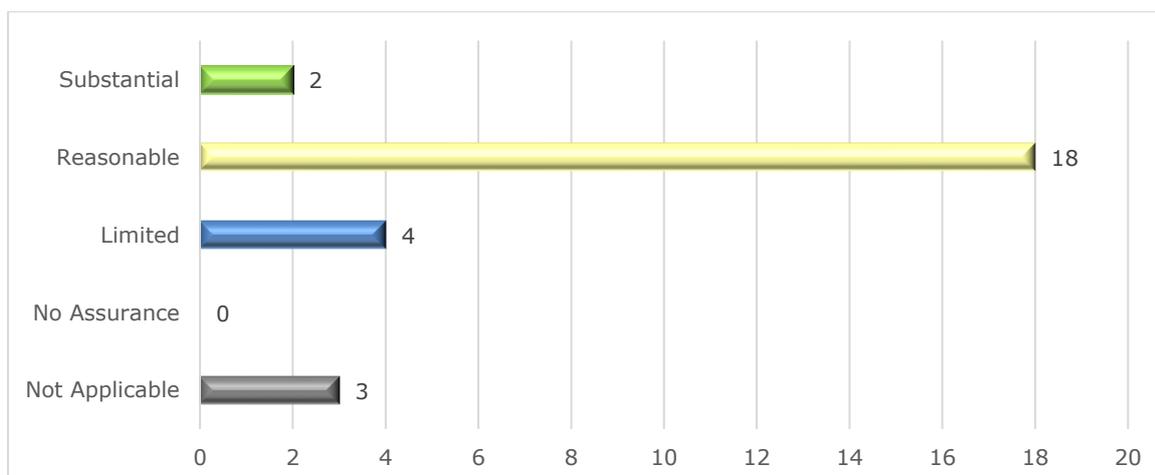
**Figure 2 Summary of audit ratings**

Figure 2 above does not include the audit ratings for the reviews undertaken at NWSSP, DHCW, WHSSC or EASC.

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

In addition to the above, there were five audits which did not proceed following preliminary planning and agreement with management. In some cases, the impact of COVID-19 was the reason for the deferral or cancellation and in other cases, it was recognised that there was action required to address issues and/or risks already known to management and an audit review at that time would not add additional value. These audits are documented in section 5.7.

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 (Green)



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
Digital project management (draft)	The overall objective of the audit was to assess the adequacy of the governance arrangements

Review Title	Objective
	and the process in place for the management of digital projects.
General Dental Services	The audit assessed the systems in place for the management of services & payments associated with the provision of primary care dental contracts.

### 5.3 Reasonable Assurance (Yellow)



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
Risk management and Board Assurance Framework	The purpose of this audit was to review the framework of organisational assurances in place and report on risk management.
Financial reporting and monitoring	The audit was undertaken to review arrangements in place for reporting on financial performance to support the achievement of targets, and improvements made following the 2019/20 KPMG work.
NIS Directive	The objective of this audit was to evaluate the arrangements in place to comply with the Network and Information Systems Regulations 2018.
Welsh Language Standards compliance (draft)	The purpose of this audit was to review the arrangements in place to ensure compliance with the requirements of the Welsh Language Standards.
Standards of business conduct: Declarations (draft)	This audit sought to review compliance with the standards of business conduct, including arrangements in place to manage declarations of interest, gifts and hospitality.

Review Title	Objective
Mental health legislative compliance	The purpose of this audit was to assess the arrangements in place to provide assurance to the board that the health board complies with mental health legislation.
Annual planning approach	The audit reviewed the approach taken to development of the 2021/22 annual plan (in the three-year context), to include arrangements for the reset and delivery of the Clinical Services Plan.
Planned care recovery arrangements	The audit was undertaken to review arrangements in place to recover performance on planned care and manage risk.
E-prescribing	The overall objective of this audit was to ensure the EPMA e-prescribing IT system is accurate, secure from unauthorised access and loss, and that the system is used fully.
I.T. service management	The purpose of this audit was to provide assurance that a process is in place for ensuring IT services are provided in an efficient and secure manner and that reflect the needs of the organisation.
Staff wellbeing & occupational health	The objective of this audit was to evaluate the programmes in place to improve the occupational health service and promote staff wellbeing, and the arrangements in place to monitor their effectiveness.
Follow up review (draft)	This audit reviewed the systems in place to monitor progress with the implementation of actions in response to internal audit reports.
Waste management	The audit was undertaken to assess compliance with relevant waste management legislation and guidance, and progress towards agreed national and local waste reduction targets.
Elective Orthopaedic Unit development	The audit evaluated the delivery of the Elective Orthopaedic Unit project against its defined objectives, and to determine the adequacy of the systems and controls in place to deliver the project.

Review Title	Objective
Singleton Hospital replacement cladding	The review was undertaken to evaluate the progression and delivery of Phase 2 construction of the project against the key business case objectives, and to assess the adequacy of, and operational compliance with, the Health Board systems and procedures in place to support its successful delivery.
Environmental / modernisation infrastructure programme	The review was undertaken to evaluate the progression and delivery of the project against the key business case objectives, and to assess the adequacy of, and operational compliance with, the Health Board systems and procedures in place to support its successful delivery.
Capital follow up (draft)	<p>The audit sought to determine the current status of previous Capital Assurance recommendations contained within the following reports:</p> <ul style="list-style-type: none"> <li>• Capital Assurance Follow-Up (issued May 2021 – Reasonable Assurance) which includes: <ul style="list-style-type: none"> <li>○ Primary &amp; Community Care Infrastructure Projects (issued January 2020 – Reasonable Assurance);</li> <li>○ Neonatal &amp; Post Natal Capacity at Singleton Hospital (issued November 2019 – Reasonable Assurance); and</li> <li>○ Capital Systems: Declarations of Interest &amp; Risk Management (<i>issued April 2019 – Limited Assurance</i>).</li> </ul> </li> <li>• Capital Systems (issued November 2020 – Reasonable Assurance).</li> <li>• Environmental Infrastructure Modernisation Programme Stage 2 (issued August 2021 – Reasonable Assurance).</li> </ul>
Estates assurance follow up (draft)	<p>The audit sought to determine the current status of previous Estates Assurance recommendations contained within the following reports:</p> <ul style="list-style-type: none"> <li>• Estates Follow-Up (issued June 2021 – Limited Assurance) which includes: <ul style="list-style-type: none"> <li>○ Financial Safeguarding (issued November 2019 – Limited Assurance);</li> <li>○ Control of Contractors (issued March</li> </ul> </li> </ul>

Review Title	Objective
	<p>2020 – Limited Assurance);</p> <ul style="list-style-type: none"> <li>○ Control of Substances Hazardous to Health (<i>issued February 2019 – Limited Assurance</i>);</li> <li>○ Backlog Maintenance (<i>issued October 2017 – Limited Assurance</i>);</li> <li>○ Neath Port Talbot Operational PFI (<i>issued July 2017 – Reasonable Assurance</i>); and</li> <li>○ Health &amp; Safety – Primary Care Estates (<i>issued March 2017 – Reasonable Assurance</i>).</li> </ul> <ul style="list-style-type: none"> <li>● Fire Safety (issued April 202 – Limited Assurance).</li> <li>● Water Safety (issued June 2021 – Limited Assurance).</li> </ul>

## 5.4 Limited Assurance (Amber)



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
Quality and Safety Governance Framework	The overall objective of this audit was to review the framework implemented to monitor and manage the quality and safety of services, including the reporting lines of key groups to the Board.
Procurement and tendering	The purpose of this audit was to review action taken to improve arrangements in respect of contract management, in particular the use of single tender and single quotation actions.
External Standards assurance: NICE Guidance (draft)	The objective of this audit was to review the arrangements in place to assess and provide assurance regarding compliance with established standards, with a focus on the

Review Title	Objective
	National Institute for Health and Care Excellence (NICE) Guidance.
CAMHS Commissioning	The audit was undertaken to review the arrangements in place to ensure adequate provision of CAMHS, with a focus on commissioning arrangements.

## 5.5 No Assurance (Red)



No reviews were assigned a 'no assurance' opinion.

## 5.6 Assurance Not Applicable (Grey)



The following reviews were undertaken as part of the audit plan and reported without the standard assurance rating indicator, owing to the nature of the audit approach. The level of assurance given for these reviews are deemed not applicable – these are reviews and other assistance to management, provided as part of the 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.

Review Title	Objective
Delivery Framework	The purpose of this audit was to review the action taken to develop and implement a health board delivery framework, following the 2019/20 KPMG review.
Controlled Drugs Governance Framework	The audit sought to determine the health board's progress in strengthening CD Governance by assessing service group implementation of the phased measures agreed by the SLT in November 2020.
COVID-19 governance arrangements follow up	The overall objective of this follow-up audit was to (i) assess the progress of the action plan previously reported to the Audit Committee, to ensure that each action is completed as scheduled, and (ii) review the current status of

Review Title	Objective
	the temporary changes made to the Standing Orders (SOs) and Reservation and Delegation of Powers arrangements introduced at the beginning of the pandemic, to ensure that these remain appropriate.

## 5.7 Audits not undertaken

Additionally, the following audits were deferred for the reasons outlined below. We have considered these reviews and the reason for their deferment when compiling the Head of Internal Audit Opinion.

Review Title	Objective
Partnership governance – SBUHB & HDHB	Recognising the governance arrangements were recently reviewed, it is proposed to reschedule the audit from quarter 1 2023/24 to allow management time to embed.
Digital implementation Strategy	Moved to the 2022/23 Internal Audit Plan, recognising the 3-year strategy was only approved recently.
Service Group governance arrangements	Deferred to 2022/23 to give management time to determine the governance arrangements and allow for them to embed. We provided on-going advice to the project group in the meantime.
ESR – manager self service	Deferred to 2022/23 to allow more time for implementation of the system agreed for review.
Decarbonisation	Moved to 2022/23, recognising that Health Bodies are not required to publish their Decarbonisation Action Plans until March 2022 and the timing of expenditure of the initial capital allocations provided by Welsh Government.

## 5.8 Work in Progress

At the time of producing the draft Annual Report, the following audit was still work in progress and the assurance rating had not been determined. It is anticipated that the majority of this work will be sufficiently progressed so that the rating can be established before production of the final Annual Report.

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Review Title	Objective
Safety notices and alerts	The objective of this audit was to review arrangements in place to ensure action is taken in response to safety notices and alerts received by the health board.

## 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 delivery of the Internal Audit assignments undertaken within the 2021/22 plan.

Simon Cookson

Cyfarwyddwr Archwilio a Sicrwydd /Director of Audit & Assurance

Gwasanaethau Archwilio a Sicrwydd/Audit and Assurance Services

Partneriaeth Cydwasanaethau GIG Cymru/NHS Wales Shared Services Partnership

May 2022

## Appendix A – Conformance with Internal Audit Standards

<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 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. Audit Wales 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 Audit Wales, HIW 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 report is quality reviewed before issue.
<b>2400 Communicating results</b>	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. 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.
<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.

## Appendix B - Audit Assurance Ratings

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

	<p><b>Substantial assurance</b></p>	<p>Few matters require attention and are compliance or advisory in nature.  <b>Low impact</b> on residual risk exposure.</p>
	<p><b>Reasonable assurance</b></p>	<p>Some matters require management attention in control design or compliance.  <b>Low to moderate impact</b> on residual risk exposure until resolved.</p>
	<p><b>Limited assurance</b></p>	<p>More significant matters require management attention.  <b>Moderate impact</b> on residual risk exposure until resolved.</p>
	<p><b>No assurance</b></p>	<p>Action is required to address the whole control framework in this area.  <b>High impact</b> on residual risk exposure until resolved.</p>
	<p><b>Assurance not applicable</b></p>	<p>Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are not appropriate.                  These reviews are still relevant to the evidence base upon which the overall opinion is formed.</p>



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