

# Morrison Hospital Burns ICU and Theatre 7 (Phase 1)

## Final Internal Audit Report

November 2024

Swansea Bay University Health Board



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## Contents

Executive Summary.....	4
1. Introduction .....	6
2. Detailed Audit Findings .....	7
Appendix A: Management Action Plan.....	13
Appendix B: Assurance opinion and action plan risk rating.....	24

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Audit and Assurance Services conform with all Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Chartered Institute of Public Finance & Accountancy in April 2023.

**Acknowledgement:**

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

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## Executive Summary

### Purpose

This audit reviewed the delivery and management arrangements in place to progress Phase 1 of the Burns / Intensive Care Unit (ICU) project at Morrison Hospital. This audit has been commissioned in accordance with the agreed Integrated Audit Plan provided within the approved Business Justification Case for this project.

### Overview

**Reasonable** assurance has been determined.

The project encompassed two elements of work within the ICU and the creation of Theatre 7. At the time of the review, both elements were anticipated to be delivered within the original budget allocations.

Delays had been experienced at both elements, however these delays (up to 4 weeks) had yet to be agreed in full despite the agreed contract completion date having passed.

Further key matters requiring management attention include:

- Project Board lacked oversight of non-works and Health Board costs.
- Procurement reports for the appointment of contractors and advisors were not made available to the Project Board.
- Project Manager’s Instructions over £5k relied upon verbal approval and were poorly documented.

Other recommendations / advisory points are within the detail of the report.

### Report Opinion



Some matters require management attention in control design or compliance.

**Low to moderate impact** on residual risk exposure until resolved

### Assurance summary<sup>1</sup>

Objectives	Assurance
1 Project Performance	Reasonable
2 Governance	Substantial
3 Financial Assurance	Reasonable
4 Contractual Arrangements	Reasonable
5 Advisors	Reasonable
6 Change Control	Limited

<sup>1</sup>The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion.

Key Matters Arising		Objective	Control Design or Operation	Recommendation Priority
5	Verbal approval of compensation events over £5,000 could not be evidenced.	6	Design	High
1	The Project Board had no oversight of non-works or Health board costs related to the project.	3	Operation	Medium
2	Project risks should be reviewed to ensure they are reflective of risk exposure and be scrutinised by the Project Board.	3	Operation	Medium
4	Change management forms should include detailed information to allow cross-referencing and should include cumulative totals on PMIs	6	Operation	Medium
6	Any delays should be assessed as a priority to ensure the updated programme can be accepted/ rejected – and the contract completion date updated as required.	6	Operation	Medium

## 1. Introduction

- 1.1 This audit reviewed the management arrangements in place to progress Phase 1 of the Burns / Intensive Care Unit (ICU) project at Morrison Hospital. The audit was commissioned in accordance with the agreed Integrated Audit Plan provided within the approved Business Justification Case for this project.
- 1.2 Morrison Hospital is the Welsh Centre for Burns and Plastic Surgery and provides specialist care for patients of all ages from both Wales and South West England. The ability for the current Burns Anaesthetic team to maintain cover for the Burns ICU and to recruit to the service has been significantly challenging over several years. During a period of temporary closure in October 2021, adults who required critical care within South/Mid Wales, following stabilisation at Morrison Hospital, had to be transferred to another burns care network.
- 1.3 In November 2021 an external peer review was undertaken, focusing on the lack of consultant burns anaesthetists/intensivists. This review was also seen as an opportunity to develop new ways of working between Burns and General ICU (GICU), to forge a more sustainable workforce model in preparation for the planned development of a dedicated Emergency and Critical Care centre on the Morrison Hospital site.
- 1.4 Accordingly, Phase 1 of the project was planned to:
  - Move the current isolated Burns ICU service into Morrison's main GICU, thereby improving the sustainability of the service from a workforce perspective.
  - Move the current isolated Burns theatre into the main theatre suite to ensure standards are met with regards to proximity of the Burns theatre to the Burns ICU area; and
  - Re-provide the reduced GICU capacity within the theatre recovery area on a temporary basis.
- 1.5 Whilst having an aligned objective, the project was run entirely as two separate projects covering:
  - Burns Intensive Care Unit (ICU) – repurposing of an existing ICU ward
  - Theatre 7 – creation of a new burns specific operating facility, with a new build element to facilitate.
- 1.6 The Business Justification Case was approved by Welsh Government in October 2023, providing £7.346m capital funding for the project. Works commenced on site in January 2024 and was originally forecast for completion in September 2024.
- 1.7 Risks considered in relation to the project were:
  - Potential failure to achieve key project objectives (e.g., delivery to time, cost, and quality).
  - Potential failure to achieve value for money.
  - The UHB may not be adequately protected.

- Agreed contractual conditions may not be appropriately applied.

## 2. Detailed Audit Findings

**Objective 1: Project Performance** Consideration of performance against project objectives (e.g. time, cost, benefits, critical success factors etc.).

- 2.1 At a project audit, levels of assurance are determined on whether the project achieves its original key delivery objectives, and that governance, risk management and internal control within the area under review are suitably designed and applied effectively.
- 2.2 At this audit, when assessing progress against the original delivery objectives, the following was evidenced:

### Time:

- 2.1 The contract commenced on site on 8<sup>th</sup> January 2024 with the ICU element due to complete on 11<sup>th</sup> September 2024 and the Theatre 7 element due to complete on 04<sup>th</sup> September 2024.
- 2.2 At the time of the audit fieldwork, the reported project programme was summarised as:

**Figure 1: Project Programme**

	October 2023 Business Case	Forecast 16 August 2024	Forecast Delay
<b>Contract Commencement Date:</b>	08/01/2024	08/01/2024	
<b>ICU Contract Completion Date:</b>	11/09/2024	25/09/2024	2 weeks
<b>ICU Planned Completion Date:</b>		10/10/2024	2 weeks, 1 day
<b>Theatre 7 Contract Completion Date:</b>	04/09/2024	11/09/2024	1 week
<b>Theatre 7 Planned Completion Date:</b>		15/10/2024	4 weeks, 4 days

It should be noted that the works within Theatre 7 in particular had significant restrictions placed on it due to sharing access with a live operating and recovery area.

It was noted that although 1 week of delay on ICU and 2 weeks on Theatre 7 had been agreed through associated agreed compensation events, there were a further number of weeks of delay recognised within the programme which were not subject to agreed compensation events (remaining to be issued at the time of the audit) **(MA 6.1)**.

**Cost:**

2.3 At the time of the audit fieldwork, the reported project cost position was summarised as:

**Figure 2: Latest Cost Position**

	October 2023 Business Case	Forecast 16 August 2024
ICU Works	£2,404,182	£2,599,765
ICU Contingency Use	£0	£195,583
ICU Contingency Remaining	£219,468	£23,885
<b>ICU Total</b>	<b>£2,623,650</b>	<b>£2,623,650</b>
Theatre 7 Works	£2,088,681	£2,231,124
Theatre 7 Contingency Use	£0	£142,443
Theatre 7 Contingency Remaining	£208,868	£66,425
<b>Theatre Total</b>	<b>£2,297,549</b>	<b>£2,297,549</b>
Total Works	£4,492,863	£4,830,889
Total Contingency Used	£0	£338,026
Total Contingency Remaining	£428,336	£90,310
<b>Total Project</b>	<b>£4,921,199</b>	<b>£4,921,199</b>

2.4 Note that matters arising relating to the risk management and monitoring of other costs have been raised below.

2.5 **Quality:** no reports were received from the NEC Supervisor in relation to quality or performance issues. The external Project Manager reports also reviewed quality/design and showed no issues.

**Conclusion:**

2.6 Whilst delays had been experienced at both ICU and Theatre 7 elements, both were expected to be delivered within the approved budget. Consequently, a **reasonable** assurance rating has been concluded.



**Objective 2: Governance** Assurance that adequate governance arrangements were in place, including appropriately defined roles and responsibilities, project governance structure, stakeholder engagement, information retention systems, and clearly defined accountability & delegation arrangements. Appropriate approvals have been obtained at key stages

- 2.7 The Project Execution plan outlined common key project personnel for both the ICU & Theatres elements, including Senior Responsible Owner, Project Director and Assistant Director of Strategy.
- 2.8 The ICU and Theatres elements had their own independent Project Boards. The agenda and papers for the Project Board meetings were issued in good time to experienced and balanced Project Boards. Attendance of both Project Board meetings was found to be regular, consistent and of 6 ICU Project Boards and 6 Theatre 7 Project Boards reviewed, 11 were quorate, whilst no decisions were made at the inquorate Theatre 7 meeting.
- 2.9 The Terms of Reference did not specifically require the SRO to attend the Project Board meetings.
- 2.10 Notes issued after the meetings evidenced a wide range of relevant topics being discussed, including the review of the Action Log, Risk Register, CE Register, EWN Register, Project Manager Report and Financial Report. The meetings had a balanced attendance of Health Board, Supply Chain Partner (SCP) and advisors, with construction, commissioning and clinical input.
- 2.11 It was noted that approvals/ decisions made by the Project Board were not being logged (**MA 5.2**).
- 2.12 The Project's Progress Meetings were recorded in detail, demonstrating mainly construction orientated discussion, with a good balance of representation from the Health Board and SCP.
- 2.13 The Progress Meeting also covered procurement, finance, valuations and payments.
- 2.14 Notes of the Project Board meeting, Progress Meeting, and wider emails linked to the change management process and valuations process, evidenced a culture of transparency and challenge.
- 2.15 Timely and comprehensive dissemination of information, and a strong culture of collaboration and challenge at both Project Board and Progress Meeting levels have contributed to a **substantial** assurance rating being determined.

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**Objective 3: Financial Assurance** To obtain assurance that adequate cost control and reporting systems were operated. The validation of costs incurred to date. Assessment of the ongoing arrangements for the review of risk and associated management of contingency funds.

- 2.16 The monthly Cost Adviser's Cost Report focused primarily on construction costs. The Cost Advisor attended both the Project Board and Progress Meetings to present the report.
- 2.17 The report was succinct, with commentary explaining key project cost movements to readers, as well as showing Project Manager Instructions (PMIs), anticipated PMIs and contingency information. The figures reconciled to independent change control forms.
- 2.18 Project Progress Reports (PPR's) were fully completed and submitted as required. The PPR reports were the only report which included non-works costs/ fees/ Health Board costs in relation to the projects.
- 2.19 The Welsh Government's Project Progress Return (PPR) was completed by the UHB's Capital Business Manager who liaised with the Project Team. However, the form was then forwarded to the Head of Finance for completion of the financial elements before submission and there was no evidence of review of the PPR at Project Board, the members then lacking oversight on these non-works costs (albeit minor relative to the overall costs) (**MA 1.1**).
- 2.20 A review of financial performance showed that, at the time of the audit fieldwork, both the ICU and Theatre 7 works elements were likely to be completed within budget, with remaining contingency sufficient to cover the currently anticipated PMI's.
- 2.21 It was observed that having completed the procurement of the main contractor; corresponding procurement reports were not presented to the Project Board. These reports allow the Project Board to scrutinise/ challenge the selection criteria to ensure that Value for Money (VfM) is adequately demonstrated (see **MA 1.2**).
- 2.22 We reviewed the risk register and noted that the costings for obsolete risks had not been reduced to zero probability, and further noted that values remained high relative to the stage of the project. The ICU Risk Register still showed costed risks of £37,270 versus a contingency of £23,885 (an outstanding liability), whilst Theatre 7 Risk Register showed a costed risk of £58,815 versus a contingency of £66,425.
- 2.23 There appeared to be a lack of focus on the costed risk value provided at the Risk Register Review. The costed risks had not been presented at the Risk Register provided to the Project Board (**MA 2.2**).
- 2.24 Reporting of contract finances was clear with opportunity for Project Board to challenge and use information for decision making. However, there was a lack of oversight by the Project of non-construction costs and risks. Reasonable assurance has therefore been determined in respect of financial assurance The assurance rating for this area is therefore **reasonable**.

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**Objective 4: Contractual Arrangements** To obtain assurance that appropriate procurement processes were applied for the main contractor appointment. That appropriate contractual documents were in place.

- 2.25 The contractor was selected from a local framework, for among other reasons, their previous experience in working in live hospital environments, and particularly in areas of high dependency and critical care.
- 2.26 Several documents were reviewed from the SCP appointment process, which not only outlined significant design proposals for the work to be completed, but included detailed risk assessments to determine how working within a clinical setting would be managed. However, as noted in the financial assurance section, procurement reports to evidence Value for Money (VfM) and selection criteria, were not provided (see **MA 1.2**).
- 2.27 The SCP contract was signed by both parties to the contract.
- 2.28 **Reasonable** assurance has been determined for this objective.

**Objective 5: Advisors** Appropriate appointment and contractual arrangements were in place.

- 2.29 Contracts or Service Level Agreements (SLAs) were observed for all key advisors, including the Cost Advisor, External Project Manager, Architect, and NEC Supervisor.
- 2.30 Whilst an NEC contract was being utilised for the main contractor, it was noted that for several of the advisors (including that of the key Project Manager role and Supervisor), Service Level Agreements (SLA's) had been used instead. This increases the risk of conflicting performance objectives and resolution options across contracts; however, the Health Board Capital Manual does not acknowledge that the Public Sector Framework (NHS SBS, and Welsh Procurement Alliance Frameworks) requires use of SLA's. (**MA 3.1**).
- 2.31 A **reasonable** assurance rating has been determined for this objective.

**Objective 6: Change Control** To ensure appropriate control mechanisms were applied at the project for changes to the agreed design.

- 2.32 Change Control requirements were specified within NEC form of contract applied and UHB requirements further outlined with the Project Execution Plan (Section 10).
- 2.33 A sample of Project Manager Instructions were reviewed from both ICU (10) and Theatre 7 (10). Formal quotations were received as required in all cases. In general, a large amount of discussion and challenge was evidenced via email between the external Project Manager, the Cost Advisor and the Health Board's internal Project Manager.
- 2.34 There was, however, a reduced audit trail observed due to the lack of identification within change management forms and the CE Register, relating to which project

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(ICU or Theatre 7) the form related to, with no cross referencing between CE numbers and PMI CO numbers. There was an absence of detail in descriptions, which were often limited to generic descriptions such as "Drawing Revisions". (**MA 4.1 & 4.2**).

- 2.35 PMI forms were not completed in full to state cumulative totals.
- 2.36 There was evidence of the cost advisor requesting a breakdown schedule for Theatre 7 CE06 which totalled 10 additions (£48,082) and 1 omission (£-12,500) in a single CE form. It is acknowledged that by pooling these similarly situated and contextual variations, a higher approval was required.
- 2.37 For PMIs above £5,000, the Project Execution Plan required that "*PMIs are reviewed at Project Board and signed off verbally by the Project Director and wider team.*" The Cost advisors report (presented to Project board) clearly identified the PMIs >£5,000 requiring approval.
- 2.38 Within the notes to the Project Board the same information is outlined, however, there was no formal confirmation that appropriate approvals had been provided and no approval log was made available to demonstrate the same. Accordingly, the full approval for several larger PMI's, could not be evidenced (**MA 5.2**).
- 2.39 As previously noted, a number of weeks of delay had yet to be formalised through the compensation event process (i.e. they were anticipated at the time of the audit), accordingly the contract completion date had yet to be amended to reflect these delays. (**MA 6.1**).
- 2.40 Despite an adequate level of documented communication and Project Board discussion in relation to compensation events and variations, approvals for PMIs over £5,000 were not adequately evidenced resulting in a reduced (**limited**) assurance rating.

## Appendix A: Management Action Plan

Matter Arising 1: Project Board Reporting (Design)		Impact	
<p>Whilst the cost advisor attended Project Board and Project Team Progress Meetings to present the tabled cost reports, the report did not include details on either non-work costs, or Health Board costs.</p> <p>The only evidence of these costs being report was in PPR's which were prepared and completed by Capital Finance team and submitted to Welsh Government. There is no evidence of these being presented and scrutinised at Project Board and/or Project Team.</p> <p>It was observed that much of the scrutiny of contractors and advisors was undertaken at framework contract stage, however we are advised that screening activities are undertaken at project contract stage via online portals such as Constructionline. These reports are not made available to the Project Board for them to understand the selection/ award process and gain assurance that best value had been achieved.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> <li>Incomplete project finance picture could lead to uninformed decision making and financial loss.</li> </ul>	
Recommendations		Priority	
1.1	A finance report showing non-works and HB costs should be regularly presented at Project Board for scrutiny and challenge.	Medium	
1.2	A selection and award report should be produced for all appointments, advising of the procurement method adopted and confirming how best value has been achieved.	Low	
Agreed Management Action		Target Date	Responsible Officer
1.1	Accepted – non-works and HB costs can be tabled at future Project Board meetings for challenge.	31 <sup>st</sup> December 2024	Mark Parsons, Assistant Director of Capital Planning

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1.2	Accepted - It would not be appropriate for project board to scrutinise contractor bids; this would be viewed as an external review by a group that was not involved in the initial planning or evaluation stages of the tender. However, a report will be produced and tabled at future project boards for information only to demonstrate the approach taken and how value for money was achieved.	31 <sup>st</sup> December 2024	Mark Parsons, Assistant Director of Capital Planning
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<b>Matter Arising 2: Review of Risk Registers (Operation)</b>		<b>Impact</b>									
<p>It was noted that there were regular Risk Register reviews facilitated by the external Project Manager where items were removed if no longer likely to materialise.</p> <p>If, however, items on the Risk Register cannot be absolutely “ruled out” they were observed to have been left on the register, with probabilities that were not reflective of the proximity to the end of the project, giving the appearance of the Health Board having potential exposure to these costs. The risk position may therefore be overstated.</p> <p>Accordingly, the latest position was reported as follows:</p> <table border="1" data-bbox="203 667 1232 805"> <thead> <tr> <th></th> <th>Remaining Risks</th> <th>Remaining Contingency</th> </tr> </thead> <tbody> <tr> <td>ICU</td> <td>£37,270</td> <td>£23,885</td> </tr> <tr> <td>Theatre 7</td> <td>£58,815</td> <td>£66,425</td> </tr> </tbody> </table> <p>Furthermore, whilst the Risk Register was presented to the Project Board, the costed amounts were not, and it is felt that they would benefit from more focus on them to ensure that they are representative of true risk probabilities. This would also draw attention to the Project Board as to the need to ensure that project finances, including contingency.</p>			Remaining Risks	Remaining Contingency	ICU	£37,270	£23,885	Theatre 7	£58,815	£66,425	<p>Potential risk of:</p> <ul style="list-style-type: none"> <li>Incomplete project finance picture could impact decision making by Project Board members, which could lead to inappropriate decision making and financial loss.</li> </ul>
	Remaining Risks	Remaining Contingency									
ICU	£37,270	£23,885									
Theatre 7	£58,815	£66,425									
<b>Recommendations</b>		<b>Priority</b>									
2.1	The probabilities in the Risk Registers should appropriately reflect the stage of project completion.	<b>Medium</b>									
2.2	The costed risk figure should be presented as part of the Risk Register review at Project Board.	<b>Medium</b>									

Agreed Management Action		Target Date	Responsible Officer
2.1	Accepted – The risk scoring will be reviewed and reduced as the contracts progressed. Risk Register probabilities should be reviewed quarterly as part of future projects to ensure that risk appropriately reflects the most recent project milestones.	30 <sup>th</sup> November 2024	Mark Parsons, Assistant Director of Capital Planning
2.2	Accepted – Costed figure risk should have been reduced in accordance with the Register and should be reviewed quarterly as part of future projects. This has been discussed with the external project manager who has confirmed this was an error on their part.	30 <sup>th</sup> November 2024	Mark Parsons, Assistant Director of Capital Planning



Matter Arising 3: Use of NEC Professional Services Contracts (Operation)		Impact	
<p>Whilst an NEC contract was being utilised for the main contractor, it was noted that for several of the advisors (including that of the key Project Manager role and Supervisor), Service Level Agreements (SLA's) had been used instead.</p> <p>The Health Board Capital Manual does not acknowledge the Public Sector Framework policy (NHS SBS, and Welsh Procurement Alliance Frameworks) requires use of SLA's.</p> <p>It was noted that consideration had been given by the Health Board to inclusion of NEC clauses, however guidance in the SBUHB Capital Manual should be reviewed to ensure alignment with NEC SCP contracts when considering framework selection and SLA/ NEC Professional Services use.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> <li>conflicting performance objectives and resolution options across contracts than had NEC Professional Services contracts been used</li> </ul>	
Recommendations		Priority	
3.1	The SBUHB Capital Manual, Section 6.0 should be reviewed to ensure that guidance relating to use of NEC contracts versus Service Level agreements is appropriate.	<b>Low</b>	
Agreed Management Action		Target Date	Responsible Officer
3.1	Accepted - As a result of advanced procurement processes and a varied market of available Public Sector Frameworks, the Capital Planning department will amend the Capital Manual to reflect the various types of contracts that can be accepted as part of SCP appointments. This will consider the interaction of advisor and consultant contract types, and impact on change and resolution management etc. when using an NEC contract for the SCP/ main contractor.	31 <sup>st</sup> December 2024	Mark Parsons, Assistant Director of Capital Planning

Matter Arising 4: Change Control Forms Lacked Detail (Operation)		Impact
<p>The Project Manager Instruction (PMI) and Compensation Event Quote (CEQ) registers lacked detail to aid with cross referencing of forms and PMI forms did not in all cases state the associates CEQ form numbers. There was a dominance of basic descriptions such as "Drawing Revisions" and "MEP Update" without further identifying locations, or context of revisions.</p> <p>For example, a breakdown was requested for CEQ06 by the cost advisor which had been produced, however without significant effort it was difficult to interpret the paperwork trail to PMI stage for the change forms sampled.</p> <p>A signed copy of a PMI with a description of "£31,503.31 (CEQ06)" was signed but the field which said, 'Change Request Number' stated "C019". On the CEQ Register C019 was stated to be "Remove radiators", whilst the approved for description was "Change to roof construction". Whilst the latter description broadly aligned to CEQ06, the amount did not reconcile to the CEQ06 document, and it was difficult to confirm therefore PMI the approval referred to.</p> <p>Furthermore, there was no section in PMIs to show accumulated cost of PMIs to date which would help in approval decision making.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> <li>• there is an absence of control over changes that impacts the overall time/cost position.</li> </ul>
Recommendations		Priority
4.1	Change control paperwork should have clear referencing and cross-referencing.	<b>Medium</b>
4.2	Accumulated totals should be shown on PMI forms to ensure informed decision relating to approvals.	<b>Medium</b>

Agreed Management Action	Target Date	Responsible Officer
<p>4.1 Accepted - The Capital Planning department agrees that 'CEQ06' documentation demonstrates an administrative error. However, the information has been rectified and identified within the project information folders.</p> <p>The CEQ06 has been agreed by our external cost advisor providing an auditable trail of what the compensation event relates to with broken down costs and signatory approval.</p> <p>Referencing/cross referencing, PMIs detail relevant CE for referencing purposes. PMI template does not include a reference to the relevant Change Request.</p>	31 <sup>st</sup> December 2024	Mark Parsons, Assistant Director of Capital Planning
<p>4.2 Accepted - The PMI's do not have an accumulated total cost however the information within the PMI relate to the CE, through referencing drawings/details of the particular compensation event.</p> <p>The Capital Planning department agree that the CEQ's should be more visibly labelled within the PMI's going forward to allow easy cross-referencing and identification of accumulative costs that are recorded within the CEQ register.</p> <p>Each PMI authorises the cost of a CE, the detail of total expenditure of all issued PMI's is found within the CA monthly report</p>	31 <sup>st</sup> December 2024	Mark Parsons, Assistant Director of Capital Planning

Matter Arising 5: Approvals by Board (Incl. Change Management) (Operation)		Impact
<p>Compensation events and variations were instructed via project manager instructions (PMIs). The delegated authority for such approvals is stated in the Project Execution Plan as follows:</p> <ul style="list-style-type: none"> <li>• &gt;£5,000 Project Manager</li> <li>• &gt;£25,000 Capital Business Manager</li> <li>• &gt;£75,000 Project Director or Assistant Strategy Director</li> <li>• &gt;£500,000 Senior Responsible Owner</li> </ul> <p>We were advised that all CE's greater than £5,000 were approved verbally at project board. There was evidence of a section of the Cost Advisor report drawing attention to the user of PMIs greater than £5000 requiring Project Board approval. A further record of approval was not provided. It was noted that the Project Board may benefit from utilising an Approvals Log to record decisions made by the Project Board.</p> <p>The project team had however identified this issue during the period of the audit, and in July 2024 had listed the PMI's reviewed at Board in the Project Board Minutes but had not confirmed that they were approved. In the August 2024 minutes there was reference to approval of "9 PMI's &gt;£5000" listed in "a report", however the PMI numbers, descriptions and amounts were not listed in the minutes.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> <li>• Decisions being made which are not adequately recorded.</li> </ul>
Recommendations		Priority
5.1	Retrospective approvals will be required for all changes to date to accord with the requirement of the Project Execution Plan.	<b>High</b>
5.2	An Approvals Log should be maintained for the Project Board.	<b>Low</b>

Agreed Management Action	Target Date	Responsible Officer
<p>5.1 Actioned since audit fieldwork - Whilst there is circumstantial evidence that demonstrates that PMI's above £5,000 have been approved, it is accepted that the formal recording of the approvals process at Project Board, within the Project Board minutes, should be augmented to present as such.</p> <p>To further support recording of previous approvals, Project Manager Instructions were re-presented to the board on 6 November 2024 by the external cost advisor and were formally accepted for inclusion in Project Board minutes.</p>	Actioned since audit fieldwork.	N/A
<p>5.2 An approvals log will be added to the CEQ/PMI register to reflect the approvals discussed during Project Board.</p>	November 2024 Project Board	Mark Parsons, Assistant Director of Capital Planning






Matter Arising 6: Anticipated Delays (Incl. Change Management) (Operation)				Impact																								
<p>If the project is at risk of not being completed by the agreed date, the Contractor should assess delays and inform the Project Manager.</p> <p>At the time of review, the following was noted:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #1a3d54; color: white;"></th> <th style="background-color: #1a3d54; color: white;">October 2023 Business Case</th> <th style="background-color: #1a3d54; color: white;">Forecast 16 August 2024</th> <th style="background-color: #1a3d54; color: white;">Comments</th> </tr> </thead> <tbody> <tr> <td><b>Contract Commencement Date:</b></td> <td>08/01/2024</td> <td>08/01/2024</td> <td></td> </tr> <tr> <td><b>ICU Contract Completion Date:</b></td> <td>11/09/2024</td> <td>25/09/2024</td> <td>2 weeks</td> </tr> <tr> <td><b>ICU Planned Completion Date:</b></td> <td></td> <td>10/10/2024</td> <td>2 weeks, 1 day</td> </tr> <tr> <td><b>Theatre 7 Contract Completion Date:</b></td> <td>04/09/2024</td> <td>11/09/2024</td> <td>1 week</td> </tr> <tr> <td><b>Theatre 7 Planned Completion Date:</b></td> <td></td> <td>15/10/2024</td> <td>4 weeks, 4 days</td> </tr> </tbody> </table> <p>Whilst 1 week delay had been agreed for ICU, and 2 weeks for Theatre 7 at the time of testing, the remaining expected delay related to anticipated compensation events, which were not yet agreed. Accordingly, the contract completion date had not been extended, however works on site continued beyond the contract completion date.</p>					October 2023 Business Case	Forecast 16 August 2024	Comments	<b>Contract Commencement Date:</b>	08/01/2024	08/01/2024		<b>ICU Contract Completion Date:</b>	11/09/2024	25/09/2024	2 weeks	<b>ICU Planned Completion Date:</b>		10/10/2024	2 weeks, 1 day	<b>Theatre 7 Contract Completion Date:</b>	04/09/2024	11/09/2024	1 week	<b>Theatre 7 Planned Completion Date:</b>		15/10/2024	4 weeks, 4 days	<p>Potential risk of:</p> <ul style="list-style-type: none"> <li>Breach of contract due to delays without agreed upon compensation events.</li> </ul>
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Recommendations				Priority																								
6.1	The Health Board should agree/ disagree the contractor’s updated programme and amend the contract completion date or apply damages; as soon as possible.			<b>Medium</b>																								

Agreed Management Action	Target Date	Responsible Officer
<p>6.1 Accepted - The Health Board has agreed the contractors updated programme in accordance with the permissible NEC timescales.</p> <p>Agreement of the Contractor programme does not accept any amendment of the Contract Completion Date. Acceptance of one or more of the pending Compensation Events may result in an extension being awarded, if not and the contract completes beyond the Contract Completion Date, Damages will be imposed upon the Contractor.</p>	30 <sup>th</sup> November 2024	Mark Parsons, Assistant Director of Capital Planning

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

### Audit Assurance Ratings

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

	<b>Substantial assurance</b>	Few matters require attention and are compliance or advisory in nature. <b>Low impact</b> on residual risk exposure.
	<b>Reasonable assurance</b>	Some matters require management attention in control design or compliance. <b>Low to moderate impact</b> on residual risk exposure until resolved.
	<b>Limited assurance</b>	More significant matters require management attention. <b>Moderate impact</b> on residual risk exposure until resolved.
	<b>Unsatisfactory assurance</b>	Action is required to address the whole control framework in this area. <b>High impact</b> on residual risk exposure until resolved.
	<b>Assurance not applicable</b>	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.

### Prioritisation of Recommendations

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

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

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





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