

## **Swansea Bay University Health Board**

# **HEAD OF INTERNAL AUDIT OPINION & ANNUAL REPORT 2020/21**

**May 2021**

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

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<b>Report status:</b>	Draft
<b>Draft report issued:</b>	May 2021
<b>Final report issued:</b>	xxx 2021
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<b>Audit &amp; Risk Assurance Committee:</b>	May 2021

## 1. EXECUTIVE SUMMARY

### 1.1 Purpose of this Report


Swansea Bay University Health Board's (the health board) Board is collectively 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 significant 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 2020/21

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 towards risk and therefore the Board will need to integrate these results with other sources of assurance when making a rounded assessment of control for the purposes of the Annual Governance Statement. The overall opinion for 2020/21 is that:

Reasonable assurance		The Board can take <b>Reasonable Assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with 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 & Risk Assurance Committee. In addition, regular audit progress reports have been submitted to the Audit & Risk Assurance 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 2020/21 year was initially presented to the Audit & Risk Assurance Committee in April 2020, however as a result of the impact of the pandemic a revised version of the plan was prepared, with this version receiving approval at the Committee in June 2020. This Annual Report and Opinion is primarily based on the delivery of the June 2020 version of the annual plan, including the subsequent updates made to the plan that are report the Audit & Risk Assurance Committee at each meeting.

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

Our External Quality Assessment (EQA), conducted by the Chartered Institute of Internal Auditors, and our Quality Assurance and Improvement Programme (QAIP) have both confirmed that our internal audit work 'generally conforms' to the requirements of the Public Sector Internal Audit Standards for 2020/21. For this year, 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 (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 either Limited or No 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.

**Figure 1 Summary of audit results**

Substantial Assurance	Reasonable Assurance
<ul style="list-style-type: none"> <li>Charitable Funds</li> <li>Welsh Risk Pool Reimbursement Claims</li> <li>Nurse Staffing levels Act</li> <li>Informatics follow up</li> <li>Hosted Body: Operational Delivery Network (Major Trauma)</li> </ul>	<ul style="list-style-type: none"> <li>Risk Management</li> <li>Health &amp; Safety Framework f/u</li> <li>HTA Compliance: Mortuary f/u</li> <li>Primary Care Cluster Plans &amp; Delivery</li> <li>Vaccinations &amp; Immunisations (f/u)</li> <li>Adjusting services – Quality Impact Assessment (QIA)</li> <li>Financial delivery – high level monitoring</li> <li>Concerns &amp; Redress</li> <li>Infection control - cleaning</li> <li>Safeguarding (draft)</li> <li>Follow up (Capital)</li> <li>Capital System</li> </ul>
Limited Assurance	Advisory & Non-Opinion
<ul style="list-style-type: none"> <li>WHO Checklist Compliance (f/u)</li> <li>Mortality Reviews</li> <li>Fire Safety</li> <li>Follow up (Estates Assurance)</li> <li>Water Safety (Follow Up and Additional site Testing) (draft)</li> </ul>	<ul style="list-style-type: none"> <li>Controlled Drugs Governance Framework</li> <li>Governance during the Covid-19 Pandemic</li> <li>Follow up of previous 'limited' assurance reports</li> <li>ICF expenditure (draft)</li> <li>Mass vaccinations programme (draft)</li> </ul>
No Assurance	
N/A	

	<ul style="list-style-type: none"><li>• Annual Quality Statement</li><li>• IM&amp;T Control &amp; Risk Assessment</li><li>• Locum On-Duty(<i>draft</i>)</li><li>• Environmental Sustainability Reporting</li><li>• Major Strategic Investment Programmes: ARCH (<i>WIP</i>)</li></ul>
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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 organisation's risk management process and system of assurance should bring together all of the evidence required to support the Annual Governance Statement.

In accordance with the 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 & Risk Assurance Committee, which should provide an appropriate level of assurance.

The opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based audit work formulated around a selection of key organisational systems and risks. As such, it is a key component that the Board takes into account but is not intended to provide a comprehensive view.

The Board, through the Audit 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 is a function of 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

For 2020/21, the assurance rating framework for expressing the overall Head of Internal Audit annual opinion that was agreed in 2013/14 has been amended to formally remove the eight assurance 'domains based' approach to forming the opinion for health boards. The domains approach has been removed to ensure that work in 2020/21 reflected the significant change in the risk profile for NHS Wales' organisations due to the impact of COVID-19. There are no changes to the approach to forming the opinion for Trusts and other Health Bodies. The professional judgement of the Head of Internal Audit also remains key in determining the appropriate overall opinion. This change does not impact upon 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 as clarified in 2013/14 has proven effective in giving an objective and consistent measure of assurance in the context of assessed risk and associated control in those areas examined.

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

The individual conclusions arising from detailed audits undertaken during the year have been summarised by the 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 assurance domains that were used to frame the audit plan at its outset (see section 2.4.2 and Appendix B). We will consider whether changes need to be made to how we present our findings in this report for the 2021/22 Head of Internal Audit Opinion.

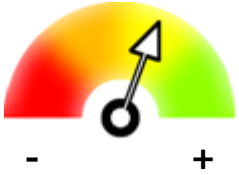


As in previous years, a quality assurance review process has been applied by the Director of Audit & Assurance and the Head of Internal Audit in the annual reporting process to ensure the overall opinion is consistent with the underlying audit evidence.

## 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.

Reasonable assurance		The Board can take <b>reasonable assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with 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 reports issued during the year and the significance of the recommendations made (of which there were **five** audits in 2020/21).

The audit work undertaken during 202/21 and reported to the Audit Committee has been aggregated at **Appendix B**.

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

- An assessment of the range of individual opinions 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 regulators; and research. 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 reports issued during the year, five were allocated Substantial Assurance, 12 were allocated Reasonable Assurance and five were allocated Limited Assurance. No reports were allocated no assurance. In addition, 10 Advisory & Non opinion reports were also issued.

In addition, the Head of Internal Audit has considered residual risk exposure across those assignments where limited or no 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 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.

#### **2.4.2 Basis for forming the Opinion**

A summary of the findings in each of the domains as per the structure of the plan for 20/21, is shown below, whilst noting the overall opinion for the health board is based on an overall aggregated position.

<b>Corporate Governance, Risk Management and Regulatory Compliance</b>
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Four reviews derived *Reasonable* assurance within this domain:

The audit of *Risk Management* noted the continued maturity of risk scrutiny and reporting at both committee and Board level as the health board Risk Register is used to support agenda planning and work programmes. Recommendations were made to assist addressing some operational and reporting matters.

Our *Health & Safety Framework (follow up)* review recognised progress made across several areas, while highlighting further action was necessary to address fully the risks previously highlighted.

Our *Human Tissue Act: Mortuary (follow up)* review reflected progress made since the previous review of the area, and recognised that the Human Tissue Authority had confirmed that previously identified shortfalls had been addressed. Areas remaining to be fully addressed were highlighted for completion.

Our review of the *Major Trauma Network: Operational Delivery Network Governance Arrangements* reviewed the arrangements in place to host this service within the health board. The report was positive with no high priority recommendations.

Four subject areas were reported without assurance ratings:

The advisory review of *Governance Arrangements during Covid-19 Pandemic* found effective action had been taken to respond to the first peak of the pandemic. The governance arrangements at Board and Committee level were adapted appropriately to maintain Board oversight of the health board response and management reviewed the effectiveness of arrangements during the period and adapted them further where required. Advisory considerations were raised in a number of areas including record-keeping.

The subsequent advisory review of the *Covid-19 Mass Vaccination Programme* generated a positive report that recognised an agile approach to programme planning and delivery within the established health board command and control structure.

The two remaining papers issued were a briefing papers: one on the *Controlled Drugs Governance Framework* which recommended deferral of the audit but presented a status position following discussion with management; and a paper entitled *Limited Assurance 2019/20 Audits: Follow Up Position* summarising the outcomes of follow up work and detailing future planned work.

### **Strategic Planning, Performance Management & Reporting**

In respect of *Primary Care Cluster Plans & Delivery* we found the health board had supported the planning and alignment of Cluster plans alongside its own objectives. No high priority findings were highlighted but some recommended areas for further support were indicated.

During our *Vaccination & Immunisation (Follow Up)* review, our *Reasonable* assurance rating recognised actions taken across the majority of areas. However, we highlighted that there were a number of recommendations for which there was evidence of action commenced but not completed, or implementation only in part

where further action was necessary to ensure actions were taken to fully address risks.

The review of *Adjusting Services: Quality Impact Assessment* derived a *Reasonable* level of assurance, identifying that the process for reintroducing and adjusting services had an agreed structure and documentation designed to support review and approval. Guidance and responsibilities were clearly outlined, and there was compliance with the process in general, but we highlighted some exceptions and improvement recommendations.

### **Financial Governance and Management**

Our review of *Charitable Funds* reported *Substantial* assurance that arrangements to secure governance, risk management and internal control in respect of charitable funds were suitably designed and applied effectively. There were no high priority recommendations.

*Substantial* assurance was also reported in relation to *Welsh Risk Pool Claims* for reimbursement and no recommendations were made.

Our review of *Financial Delivery: High Level Monitoring* was a positive report deriving a *Reasonable* assurance rating, which recognised the arrangements in place to oversee financial performance during the year.

The audits of the payments systems provided by NWSSP, which we audit each year, concluded with positive assurances. The four primary care contractor payment systems were given *Substantial* assurance and the audits of Payroll and Accounts Payable received *Reasonable Assurance* opinion ratings.

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

*Reasonable* assurance was reported in respect of three audits in this domain:

The review of *Concerns (Serious Incidents)* identified well-documented procedures, good record-keeping and management oversight. Some recommendations were made for further improvement.

*Infection Control (Cleaning)* was assessed as deriving *Reasonable* assurance overall, but improvement recommendations were made in a number of areas, including cleaning audit processes.

*Safeguarding* arrangements identified a pro-active corporate safeguarding team, and a Safeguarding Committee that provided oversight through the review of standard reports from services. Recommendations were raised to improve assurance on staff training.

There were two areas that derived *Limited* assurance:

Our *WHO Surgical Safety Checklist (Follow Up)* recognised that while directions had been issued to address matters previously reported, they had not been fully implemented at service level. Alongside the completion of procedural

documentation, audits of checklist use and reporting to service and corporate level quality & safety groups remained outstanding.

The *Mortality Reviews* audit recognised the reporting of activity at committee level and the good performance of stage 1 reviews, but there is more to do to clarify how the outcomes from stages 2 and 3 of the mortality review process are used to provide assurance to the health board. Work was ongoing to consider this during our audit, alongside national developments.

Lastly, we undertook some data quality assurance work as part of our *Annual Quality Statement* review. This was not assurance-rated, but we fed back findings in real time to management to support improvements to information presented within the timescales for publication, so supporting greater assurance in the final figures.

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

An IM&T Control Risk Assessment was undertaken, identifying areas of good practice as well as those areas that required strengthening.

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

Our limited scope review of the *Integrated Care Fund: Banker Role* was not assigned a rating but has reported that payments of funds to partners have been made in accordance with agreed expenditure schedules, but some issues have been raised for attention.

#### **Workforce Management**

The *Nurse Staffing Level Act* audit followed up action agreed following our previous review of this area. The scope was limited to actions previously agreed only and the audit derived *Substantial* assurance that action had been completed as agreed.

Our review of use of the *Locum On-Duty* system has been reported as an advisory review recognising temporary changes made to its operation during the pandemic. A number of areas have been highlighted for consideration by management when reintroducing normal operations.

#### **Capital & Estates Management**

Our review of information presented within the *Environmental Sustainability Report* found that, overall, it was clear and presented in the format required. There was evidence of management review and figures sampled were consistent with supporting records.

Major Strategic Investment Programmes: ARCH Programme (in progress)

Water Safety derived a *Limited* level of assurance and a number of TBC recommendations were made to address the risks identified (draft).

*Capital Systems* derived a *Reasonable* level of assurance, recognising the development and use of a capital projects control manual, but highlighting some areas within it for further clarity and a number of improvement recommendations.

*Fire Safety Management* derived a *Limited* level of assurance and a number of high and medium priority recommendations were made to address risks identified.

The *Informatics (Follow Up)* derived a *Substantial* level of assurance, noting all outstanding recommendations had been addressed.

*Estates Assurance (Follow Up)* reviewed progress of action across a number of previously audit Estates subject areas. While some progress was evident, the majority of actions had not been completed and a *Limited* assurance rating was derived.

*Capital Assurance (Follow Up)* reviewed progress of action across a number of previously audited Capital subject areas. Positive action had been taken to address the previously agreed audit recommendations and the majority of previously outstanding recommendations had been completed. Therefore a *Reasonable* assurance rating was derived.

### **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 or No 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.

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.

This year, 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.

From the specific follow up audits undertaken in 20/21, it was identified that: progress had been made by management in implementing recommendations from the reviews of:

- *Health & Safety Framework*
- *Human Tissue Act: Mortuary*

However, limited progress was seen with the progression of the recommendations associated with:

- *WHO Surgical Safety Checklist*
- *Capital Systems: Financial Safeguarding*
- *Follow Up: Estates Assurance*
- *Estates Assurance: Management of Contractors*

Management reports on the status of audit recommendations sponsored by the Director of Corporate Governance were a routine feature of Audit Committee agendas during 2019/20. However, due to the Covid-19 pandemic, the first report for 2020/21 was provided to the Committee in January 2021. The report presented statistical data for those audits for which actions remained outstanding, including:

- A bar graph displaying the proportions of recommendations completed, in progress or outstanding according to their priority rating;
- A table highlighting the audits with recommendations outstanding beyond the original targets for the longest, together with the overall audit opinion and Executive leads;
- A summary table, presenting figures for each Executive lead, with the status adapted to consider circumstances requiring revised targets; and
- A trend table summarising by Executive lead the change in outstanding recommendations since the previous status report (March 2020).

At the request of the Committee, a further report was provided in March 2021, which focused on limited assurance reports, providing detail on the original findings, recommendations, priorities and management responses, together with narrative notes provided by managers in support of progress.

Internal Audit issued a summary report collating the outcomes of work undertaken during the year to follow up on Limited assurance reports from 2019/20 and indicating those areas where further assurance activity is planned.

#### **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 2020/21 unless otherwise stated and reflect the condition of internal controls pertaining at the point of audit assessment.

The audit of Environmental Sustainability Reporting contained within the 2020/21 Internal Audit plan related to the health board's report produced in respect of the 2019/20 year.

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.

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

There are a number of pieces of work that Welsh Government has required previously that Internal Audit has reviewed each, where applicable. These pieces cover aspects of:

- Health & Care Standards, including the Governance, Leadership and Accountability standard;
- Annual Governance Statement;
- Annual Quality Statement;
- Environmental Sustainability Report; and
- Welsh Risk Pool.

Where appropriate, our work is reported in Section 5 – Risk based Audit Assignments and at **Appendix B**.

Please note that following discussions with Welsh Government we are not being mandated to audit these areas from 2021/22. Future work in these areas will be determined on the basis of risk or specific requests from the organisation.

## 2.6 Statement of Conformance

The Welsh Government determined that the Public Sector Internal Audit Standards (PSIAS) would apply across the NHS in Wales from 2013/14.

The provision of professional quality Internal Audit is a fundamental aim of our service delivery methodology and compliance with PSIAS is central to our audit approach. Quality is controlled by the Head of Internal Audit on an ongoing basis and monitored by the Director of Audit & Assurance. The work of internal audit is also subject to an annual assessment by the 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/Trust/Other in conformance with the Public Sector Internal Audit Standards for 2020/21.

Our conformance statement for 2020/21 is based upon:

- the results of our internal Quality Assurance and Improvement Programme (QAIP) for 2020/21 which will be reported formally in the Summer of 2021; 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 2020/21 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.

### **2.7.1 Health & Care Standards**

In November 2020, the Quality & Safety Committee (QSC) received a paper indicating that due to the issues associated with COVID-19, plans to review the health & care standards self-assessment process following the 2019/20 exercise had been put on hold until the COVID-19 pandemic had deescalated. The health board therefore set out to follow that of 2019-2020 broadly, with a reduction in meetings being held. A timeline was presented.

While the pandemic impacted on some of the scheduled meetings, we noted that a working group met to discuss requirements. Updates to the Quality & Safety Governance Group and Quality & Safety Committee were limited in nature during the process, but a draft HCS Assessment Report was added as an item to the agenda for the QSC in April 2021 ahead of the draft AGS submission target.

Each of the Service Groups submitted self-assessments against the seven key themes. Preliminary scrutiny of submissions was undertaken by the Head of Quality & Safety and his deputy. Self-assessment scores were tabulated within thematic summary cards for approval by Executive Leads. These presented:

- The current year's self-assessment scores alongside the previous year's unit scores
- The proposed score for each service group following scrutiny for review & approval by the Executive lead for the theme

- Supporting comments submitted by service groups in support of their assessments
- A section for Executive lead comments
- A section for the final overall theme score and approval by the lead Executive

At the end of April 2021, three themes had been completed, and four remained draft pending the receipt of further evidence at the request of the Executive lead.

The draft position was presented to the QSC in April 2021 within a Draft HCS Assessment Report for review and discussion. Appendices presented the draft & approved thematic summary cards.

The final assessment is planned for return to the QSC and Board in May 2021.

### **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;
- NHS Wales Informatics Service;
- 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:

<b>Audit</b>	<b>Opinion</b>	<b>Comments</b>
Accounts Payable	Reasonable	A summary report will be produced for the health board
Payroll	Reasonable	A summary report will be produced for the health board
Primary Care Services – Medical (GMS), Pharmaceutical (GPS), Dental (GDS), and Ophthalmic (GOS) Services	Substantial ( <i>draft</i> )	A summary report will be produced for the health board
Welsh Risk Pool	WIP	-
New PCS payment system – data migration & project management	N/A	Advisory support work on the implementation of the new PCS payment system.
Covid-19 financial governance	N/A	-

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.

The reports on Accounts Payable, Payroll, and Primary Care Services are also included in the table at Appendix B (as they have been in previous years).

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

As part of the internal audit programme at NHS Wales Informatics Service (NWIS), a hosted body of Velindre University NHS Trust in 2020/21, a number of audits were undertaken which are relevant to the health board. These audits derived the following opinion ratings:

<b>Audit</b>	<b>Opinion</b>	<b>Comments</b>
IT Cyber Security	Substantial	-
GDPR Follow-Up	Substantial	-
Operational Resilience	Reasonable	-
Supplier Management Follow-Up	Reasonable	-

Please note that other audits of NWIS activities are undertaken as part of the overall NWIS internal audit programme. All reports are received by the Velindre

University NHS Trust Audit Committee. No formal Head of Internal Audit Opinion is currently given for the work at NWIS.

For 2020/21, NWIS will become a Special Health Authority under the name of Digital Health and Care Wales and will have a separate Audit Committee, Internal Audit plan and annual Head of Internal Audit Opinion.

### **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:

<b>Audit</b>	<b>Opinion</b>	<b>Comments</b>
WHSSC - Women and Children Directorate	Substantial	-
WHSSC – financial systems	Substantial	-
EASC - Recruitment review	Reasonable	-

While these audits do not form part of the annual plan for health board, they are listed here for completeness as they do impact on the organisation's activities. The Head of Internal Audit has considered if any issues raised in the audits could impact on the content of our annual report and concluded that there are no matters of this nature.

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. NWIS audits are summarised in the Velindre University NHS Trust 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 & Risk Assurance Committee, subject to changes agreed as the year progressed. Regular audit progress reports have been submitted to the Audit & Risk Assurance Committee during the year.

The original 2020/2021 audit plan was approved by the Audit & Risk Assurance Committee in March 2020. Due to the health board's response to the pandemic, the plan was revised in June 2020 and the number of reviews reduced. Further changes to the plan have been approved by the Audit Committee during the year, with us therefore planning to deliver 32 audits.

The assignment status summary is reported at section 5 and **Appendix B**.

In addition, throughout the year we have responded to requests for advice and/or assistance across a variety of business areas. This advisory work undertaken in addition to the assurance plan is permitted under the standards to assist management in improving governance, risk management and control. This activity has been reported during the year within our progress reports to the Audit & Risk Assurance Committee.

### **4.2 Service Performance Indicators**

In order to be able to demonstrate the quality of the service delivered by Internal Audit, a range of service performance indicators supported by monitoring systems have been developed. The key performance indicators are summarised in Appendix C.

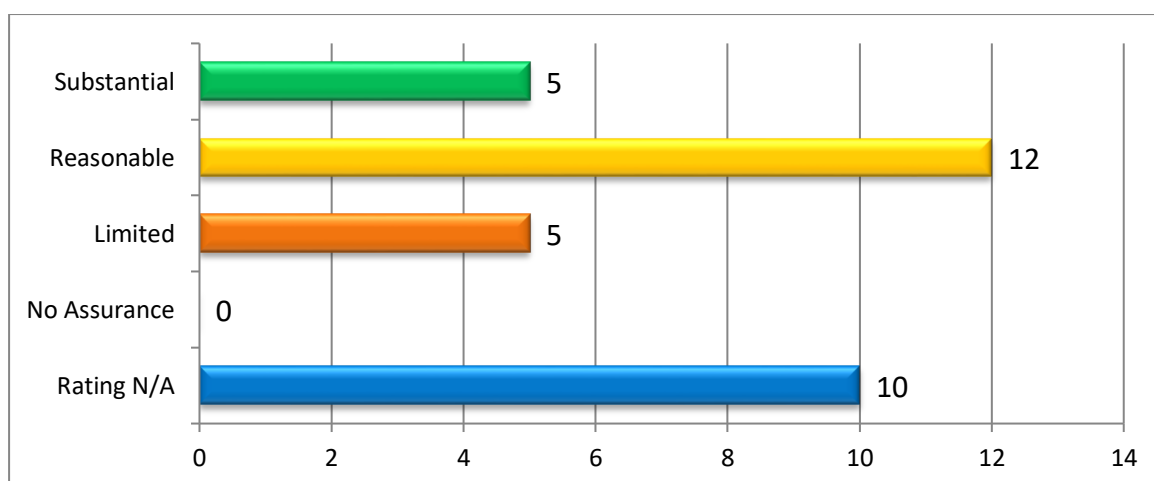
## 5. RISK-BASED AUDIT ASSIGNMENTS

The overall opinion provided in Section 1 and our conclusions on individual assurance domains is limited to the scope and objectives of the reviews we have undertaken, detailed information on which has been provided within the individual audit reports.

### 5.1 Overall summary of results

In total 32 audit reviews were reported during the year. Figure 2 below presents the assurance ratings and the number of audits derived for each.

**Figure 2 Summary of audit ratings**



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

In addition to the above, there were several audits which did not proceed following preliminary planning and agreement with management, as it was recognised that there was action required to address issues / risks already known to management and an audit review at that time would not add additional value. Such audits were replaced.

The following sections provide a summary of the scope and objective for each assignment undertaken within the year along with the assurance rating.

## 5.2 Substantial Assurance



In the following review areas, the Board can take **substantial assurance** that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively. Those few matters that may require attention are compliance or advisory in nature with low impact on residual risk exposure.

Review Title	Objective
Charitable Funds	The overall objective of the audit was to review arrangements in place to ensure that charitable donations are identified, recorded and accounted for, in accordance with the requirements of donors, relevant legislation, and the Charity Commission.
Welsh Risk Pool Reimbursement Claims	The overall objective of the audit was to review documentation supporting WRP reimbursement claims, in accordance with WRP requirements.
Nurse Staffing levels Act (Follow Up)	<p>The purpose of this 2020/21 review was to assess whether the health board has implemented the recommendations made following our review undertaken in 2019/20.</p> <p>The objective of the original audit was to review arrangements in place to ensure that the health board has appropriate processes in place to ensure that it is complying with the requirements of the Nurse Staffing Levels (Wales) Act 2016.</p>
Hosted Body: Operational Delivery Network (Major Trauma Network)	The overall objective of this audit was to review governance arrangements implemented within the health board for hosting the Operational Delivery Network of the Major Trauma Network.
Informatics (Follow Up)	<p>The audit sought to determine the current status of previous audit recommendations contained within the 2019/20 Informatics Follow Up (issued June 2020 – Reasonable Assurance), incorporating recommendations from the following prior reports:</p> <ul style="list-style-type: none"> <li>- Informatics Modernisation Programme – Wireless Infrastructure Project (issued July 2019 – Reasonable Assurance); and</li> <li>- Digital Strategy – Follow Up (issued April 2019 – Reasonable Assurance).</li> </ul>



### 5.3 Reasonable Assurance



In the following review areas, the Board can take **reasonable assurance** that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively. Some matters require management attention in either control design or operational compliance and these will have low to moderate impact on residual risk exposure until resolved.

Review Title	Objective
Risk Management	The overall objective of this audit was to review the health board risk management framework.
Health and Safety Framework (Follow Up)	<p>The original objective of the previous audit was to review arrangements in place to ensure compliance with Health &amp; Safety Regulations.</p> <p>The purpose of this audit review was to confirm that the health board has implemented those recommendations recorded as complete. The scope of this review does not provide assurance against the full review scope and objectives of the original audit. The 'follow-up review opinion' provides an assurance level against the implementation of the agreed action plan only.</p>
HTA Compliance: Mortuary (Follow Up)	<p>The overall objective of the original audit was to review the effectiveness of the arrangements in place to ensure the implementation of changes required to address issues arising from management self-assessment and Human Tissue Authority inspection, and to provide assurance regarding the same.</p> <p>The overall objective of this review was to confirm that action has been taken to address issues highlighted and the scope was limited to a review of action taken in response to key recommendations made in the original audit report.</p>
Primary Care Cluster Plans & Delivery	The overall objective of the audit was to review primary care cluster plans, their relationship with the health board annual plan, and arrangements in place to monitor their delivery.

Review Title	Objective
Vaccinations & Immunisations (Follow Up)	<p>The overall objective of the audit was to review action taken to improve arrangements following the 2018/19 internal audit review.</p> <p>The original overall objective of the previous audit was to review the health board's arrangements to monitor and promote the public uptake of vaccinations and immunisations.</p> <p>The scope of this follow-up review did not aim to provide assurance against the full review scope and objective of the original audit. The 'follow-up review opinion' provides an assurance level against the implementation of the agreed action plans only.</p>
Adjusting Services: QIA	The overall objective of this audit was to review the arrangements in place to assess & manage the potential impact on the quality & safety of patient care arising from adjustments proposed to service provision.
Financial Delivery: High Level Monitoring	The overall objective of this audit was to review high level controls operating corporately to monitor and manage financial delivery.
Concerns (Serious Incidents)	The overall objective of this audit was to review corporate arrangements in place to ensure serious incidents are managed in accordance with Welsh Government requirements and health board policies and procedures.
Infection Control: Cleaning	<p>The overall objective of the audit was to review arrangements in place to ensure adequate levels of cleanliness are maintained across the health board.</p> <p>While the state of repair of the environment has an impact on the effectiveness with which standards of cleanliness may be achieved, this was not reviewed as part of this audit, recognising separate audit work undertaken previously on the management of backlog maintenance. Our work focused on the activities of the domestic services function.</p>
Safeguarding (draft)	The overall objective of this audit was to review health board arrangements for the safeguarding of children and vulnerable adults.

Review Title	Objective
Capital Systems	<p>The review was undertaken to determine the adequacy of, and operational compliance with, the systems and procedures of the University Health Board (the UHB), taking account of relevant NHS and other supporting regulatory and procedural requirements, as appropriate.</p> <p>An objective of the audit was to evaluate the systems and controls in place within the UHB, with a view to delivering reasonable assurance to the Audit Committee that risks material to the objectives of the areas of coverage were appropriately managed.</p>
Follow up (Capital)	Follow up review

## 5.4 Limited Assurance



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

Review Title	Objective
WHO Checklist Compliance (Follow Up)	<p>The purpose of the 2020/21 follow up review was to confirm that the health board has implemented those recommendations recorded as complete. It does not provide assurance against the full review scope and objectives of the original audit.</p> <p>The 'follow-up review opinion' provides an assurance level against the implementation of the agreed action plan only.</p>
Mortality Reviews	The overall objective of the audit was to review arrangements in place to learn lessons following patient deaths and provide assurance to the Board.

Review Title	Objective
Fire Safety	<p>The audit sought to determine that effective mechanisms operated to provide management with appropriate assurance in relation to performance of required duties. The audit therefore reviewed the effectiveness of:</p> <ul style="list-style-type: none"> <li>• management information and control systems; and</li> <li>• appropriate actions; by</li> <li>• sample testing compliance with regulations.</li> </ul>
Estates Assurance Follow Up	<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>• Financial Safeguarding (issued November 2019 – Limited Assurance);</li> <li>• Control of Contractors (issued March 2020 – Limited Assurance); and</li> <li>• Estates Follow-Up (issued July 2020 – Limited Assurance) which includes: <ul style="list-style-type: none"> <li>o Control of Substances Hazardous to Health (issued February 2019 – Limited Assurance);</li> <li>o Backlog Maintenance (issued October 2017 – Limited Assurance)</li> <li>o Neath Port Talbot Operational PFI (issued July 2017 – Reasonable Assurance);</li> <li>o Health &amp; Safety – Primary Care Estates (issued March 2017 – Reasonable Assurance); and</li> <li>o Disability Discrimination Follow-Up (issued March 2015 – Reasonable Assurance).</li> </ul> </li> </ul>
Water safety (follow up plus additional testing) ( <i>draft</i> )	A follow up review including additional testing at UHB premises not incorporated within the original audit.

## 5.5 No Assurance



There are no audited areas in which the Board has **no assurance** that arrangements to secure governance, risk management and internal control are

suitably designed and applied effectively, or where action remains to be taken to address the whole control framework with high impact on residual risk exposure until resolved.

## 5.6 Assurance Not Applicable

The following reviews were undertaken as part of the audit plan and reported or closed by correspondence without the standard assurance rating indicator, owing to the nature of the audit approach.

Review Title	Objective
Annual Quality Statement (AQS)	<p>The overall objective of this assignment was to assist the health board with accuracy checking and triangulation of data and evidence before publication of the AQS.</p> <p>The scope of this audit review was limited to testing a sample of key data items in order to verify that the AQS is consistent with information already published and/or reported to the Board and its committees over the period. It did not audit the internal controls over data quality within the underlying information systems generating the data reported.</p>
Digital Technology Control & Risk Assessment	<p>The objective of the audit was to establish the processes and mechanisms in place for management of IG/ digital within the organisation. The review sought to provide a baseline picture of the organisation's status and provides suggestions for areas of improvement or future development.</p>
Integrated Care Fund: Banker Role ( <i>draft</i> )	<p>The overall objective of this focussed scope audit was to provide assurance that payments to partners from ICF funds were authorised by appropriate officers and in accordance with governance arrangements set out within the Written Agreement.</p>
Environmental Sustainability Reporting	<p>The overall objective of this audit was to review the production of the Sustainability Report within the Annual Report, in order to comment upon its compliance with Welsh Government minimum reporting requirements and its completeness and consistency with data collated during the year.</p>

Review Title	Objective
COVID-19 Governance Review	This advisory review assessed the adequacy and effectiveness of internal controls in operation during the Covid-19 outbreak, with particular regard to the Principles set out by the Welsh Government regarding maintaining financial governance.
COVID-19 - Mass Vaccination Programme (draft)	The overall objective of this audit was to review arrangements in place to deliver the Covid-19 mass vaccination programme.
Locum On Duty (draft)	The overall objective of this audit was to review progress with implementation of the <i>Locum on Duty</i> electronic system, and assess the extent to which the system of control as implemented via the electronic system addresses control weaknesses raised in the audit review of medical agency locums.  Noting changes implemented to processes during the pandemic it has been reported as an advisory review.
Controlled drugs framework (Briefing paper)	To review the implementation of the Health Board's Controlled Drug Governance Framework and the assurance it provides in respect of legislative compliance.
Follow Up of 2019/20 Limited Assurance Reports	The purpose of this report was to provide a summary position of the status of management action against those 2019/20 audits with Limited Assurance ratings followed up during 2020/21, and to indicate arrangements in place to follow up the remainder as part of future audit work.
Major Strategic Investment Programmes: ARCH Programme (WIP)	Dovetailing with internal audit, assessing the robustness of arrangements to deliver the ARCH Programme requirements

## 5.7 Deferred / Removed Audits

Subsequent to the approval of the updated plan in July 2020, the following audits were deferred or removed. The reason for deferment is outlined for each audit together with any impact noted on the Head of Internal Audit Opinion.

Review Title	Reason for Deferral/Removal
Controlled Drugs Governance Framework	Deferred due to limited progress with implementation of the Controlled Drugs Governance Framework. A briefing paper was issued setting out progress and next steps.
IMTP Development: Quality Impact Assessment (Follow Up)	A revised quality impact assessment process was not put in place in time for the development of the health board's draft annual plan for 2020/21. However, it was being adapted to use for the resetting of essential services and subsequent service adjustments in response to the pandemic. These subjects were replaced with the Adjusting Services: Quality Impact Assessment review.
Planned Care (Essential Services)	
Procurement & Tendering: No Purchase Order, No Pay (Follow Up)	Unplanned long-term absence amongst the management team delayed progress against the management action plan, so it was agreed to defer to allow more time for management to complete action.
Quality & Safety Governance Framework	Deferred to allow management time to complete the corporate quality & safety sub-group structure within the health board quality & safety framework.
Ward Quality Assurance Framework	Deferred in recognition that the Framework was not operating as designed due to the impact of the pandemic at ward level.
IT Application Systems	Deferred to allow more time for implementation of the system agreed for review.
Singleton & Neath Port Talbot Unit Governance	Deferred in recognition of recent changes in organisational structure and leadership, to allow governance arrangements to embed.
Primary Care Unit Governance (Follow Up)	Deferred in recognition of recent changes in organisational structure and leadership, to allow governance arrangements to embed.
Maternity Services	Deferred for future planning consideration recognising review of this area being performed by Healthcare Inspectorate Wales.
GP OOH Services (Follow Up)	Deferred in recognition that the resolution of issues previously highlighted was ongoing.
Agency Staff Management	Deferred recognising NHS Wales-wide discussion regarding changes to processes nationally with potential significant impact on health board systems.
Medical Recruitment	Deferred recognising counter fraud work undertaken on the pre-employment checking processes.

Review Title	Reason for Deferral/Removal
Environmental / Infrastructure Modernisation Programme	This review has commenced but due to work pressures within the health board this review will be completed and reported within the 2021/22 opinion.



## **6. ACKNOWLEDGEMENT**

In closing I would like to acknowledge the time and co-operation given by directors and staff of the health board to support the delivery of the Internal Audit assignments undertaken within the 2020/21 plan.

**Helen Higgs**

**Head of Internal Audit**

**Audit & Assurance Services**



**NHS Wales Shared Services Partnership**


**May 2021**

<b>ATTRIBUTE STANDARDS:</b>	
<b>1000 Purpose, authority and responsibility</b>	Internal Audit arrangements are derived ultimately from the NHS organisation's Standing Orders and Financial Instructions. These arrangements are embodied in the Internal Audit Charter adopted by the Audit Committee on an annual basis.
<b>1100 Independence and objectivity</b>	Appropriate structures and reporting arrangements are in place. Internal Audit does not have any management responsibilities. Internal audit staff are required to declare any conflicts of interests. The Head of Internal Audit has direct access to the Chief Executive and Audit Committee chair.
<b>1200 Proficiency and due professional care</b>	Staff are aware of the Public Sector Internal Audit Standards and Code of Ethics. Appropriate staff are allocated to assignments based on knowledge and experience. Training and Development exist for all staff. The Head of Internal Audit is a professionally qualified.
<b>1300 Quality assurance and improvement programme</b>	Head of Internal Audit undertakes quality reviews of assignments and reports as set out in internal procedures. Internal quality monitoring against standards is performed by the Head of Internal Audit and Director of Audit & Assurance. 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 WAO and LCFS.
<b>2100 Nature of work</b>	The risk-based plan is developed and assignments performed in a way that allows for evaluation and improvement of governance, risk management and control processes, using a systematic and disciplined approach.
<b>2200 Engagement planning</b>	The Audit Quality Manual guides the planning of audit assignments which include the agreement of an audit brief with management covering scope, objectives, timing and resource allocation.
<b>2300 Performing the engagement</b>	The Audit Quality Manual guides the performance of each audit assignment and each report is quality reviewed before issue.
<b>2400 Communicating results</b>	<p>Assignment reports are issued at draft and final stages. The report includes the assignment scope, objectives, conclusions and improvement actions agreed with management. An audit progress report is presented at each meeting of the Audit Committee.</p> <p>An annual report and opinion is produced for the Audit Committee giving assurance on the adequacy and effectiveness of the organisation's framework of governance, risk management and control.</p>
<b>2500 Monitoring progress</b>	An internal follow-up process is maintained by management to monitor progress with implementation of agreed management actions. This is reported to the Audit Committee. In addition audit reports are followed-up by Internal Audit on a selective basis as part of the operational plan.
<b>2600 Communicating the acceptance of risks</b>	If Internal Audit considers that a level of inappropriate risk is being accepted by management, it would be discussed and will be escalated to Board level for resolution.

## AUDIT RESULTS GROUPED BY ASSURANCE DOMAIN

Assurance domain	Reviews deferred	Indicative Overall rating	Not rated	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Corporate Governance, Risk and Regulatory Compliance  Total outputs - 8	● Controlled drugs framework		<ul style="list-style-type: none"> <li>● Controlled Drugs Governance Framework briefing paper</li> <li>● COVID-19 governance review</li> <li>● Follow up of previous 'limited' assurance reports</li> <li>● Mass vaccinations programme (<i>draft</i>)</li> </ul>			<ul style="list-style-type: none"> <li>● Risk Management</li> <li>● Health &amp; Safety Framework f/u</li> <li>● HTA Compliance: Mortuary f/u</li> </ul>	● Hosted Body: Operational Delivery Network (Major Trauma)
Strategic Planning, Performance Management and Reporting  Total outputs - 3	<ul style="list-style-type: none"> <li>● Annual planning</li> <li>● Digital Strategy</li> <li>● Performance management</li> </ul>					<ul style="list-style-type: none"> <li>● Primary Care Cluster Plans &amp; Delivery</li> <li>● Vaccinations &amp; Immunisations (f/u)</li> <li>● Adjusting services – Quality Impact</li> </ul>	

Assurance domain	Reviews deferred	Indicative Overall rating	Not rated	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
						Assessment (QIA)	
Financial Governance and Management <sup>1</sup>  Total outputs - 3	<ul style="list-style-type: none"> <li>● Delivery Framework</li> <li>● Procurement &amp; tendering</li> </ul>					<ul style="list-style-type: none"> <li>● Financial Delivery: High Level Monitoring</li> <li>● Accounts payable (NWSSP)<sup>1</sup></li> <li>● Payroll (NWSSP)<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>● Charitable Funds</li> <li>● Welsh Risk Pool Reimbursement Claims</li> <li>● Primary Care Services – Medical (GMS), Pharmaceutical (GPS), Dental (GDS), and Ophthalmic (GOS) Services (NWSSP)<sup>1</sup></li> </ul>

<sup>1</sup> This domain outcome also includes the six financial system audits undertaken through the audit of NWSSP as they include transactions processed on behalf of the health board.

Assurance domain	Reviews deferred	Indicative Overall rating	Not rated	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Clinical Governance, Quality and Safety  Total outputs - 6	● Quality & Safety Framework		● Annual Quality Statement		● WHO Checklist Compliance (f/u)  ● Mortality Reviews	● Concerns & Redress ● Infection control - cleaning ● Safeguarding ( <i>draft</i> )	
Information Governance and Security  Total outputs - 1	● IT Application Systems	N/A	● IM&T Control & Risk Assessment				
Operational Service and Functional Management  Total outputs - 1	● Service group governance arrangements ● GDS	N/A	● ICF expenditure ( <i>draft</i> )				
Workforce Management  Total outputs - 2	● Agency Staff Management		● Locum On Duty ( <i>draft</i> )				● Nurse Staffing levels Act
Capital and Estates  Total outputs - 8	● Singleton Hospital Replacement Cladding		● Environmental Sustainability Reporting  ● Major Strategic		● Fire Safety ● Follow up (Estates Assurance) ● Water Safety (Follow Up and	● Follow up (Capital) ● Capital Systems	● Informatics Follow Up

Assurance domain	Reviews deferred	Indicative Overall rating	Not rated	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
	<ul style="list-style-type: none"> <li>● Informatics SOP</li> <li>● Environment/Infrastructure Modernisation Programme</li> </ul>		Investment Programmes: ARCH ( <i>WIP</i> )		Additional site Testing) ( <i>draft</i> )		

Key:

●●●●●● = an audit undertaken within the annual SBUHB Internal Audit Plan, or deferred / not completed

Notes:

- Commentary following audit work on *Governance, Leadership and Accountability* is reported within the Head of Internal Audit Annual Report. Commentary in respect of the draft *Annual Governance Statement* is provided directly to the Director of Corporate Governance. Neither are included in the above.

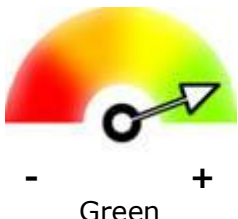

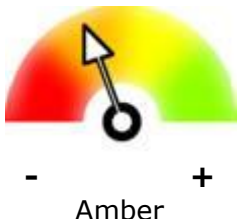
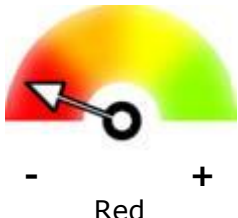
### **PERFORMANCE INDICATORS**

Indicator Reported to NWSSP Audit Committee	Status	Actual	Target	Red	Amber	Green
Operational Audit Plan agreed for 2020/21	<b>G</b>	March 2020 and June 2020	<i>By 30 June</i>	<i>Not agreed</i>	<i>Draft plan</i>	<i>Final plan</i>
Total assignments reported against adjusted plan for 2020/21	<b>A</b>	81%	100%	$v > 20\%$	$10\% < v < 20\%$	$v < 10\%$
Report turnaround: time from fieldwork completion to draft reporting [10 working days]	<b>A</b>	85%	80%	$v > 20\%$	$10\% < v < 20\%$	$v < 10\%$
Report turnaround: time taken for management response to draft report [15 working days]	<b>R</b>	75%	80%	$v > 20\%$	$10\% < v < 20\%$	$v < 10\%$
Report turnaround: time from management response to issue of final report [10 working days]	<b>G</b>	100%	80%	$v > 20\%$	$10\% < v < 20\%$	$v < 10\%$

Key: v = percentage variance from target performance



## 2020/21 Audit Assurance Ratings

RATING	INDICATOR	DEFINITION
Substantial Assurance		The Board can take <b>substantial assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with <b>low impact on residual risk</b> exposure.
Reasonable Assurance		The Board can take <b>reasonable assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with <b>low to moderate impact on residual risk</b> exposure until resolved.
Limited Assurance		The Board can take <b>limited assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with <b>moderate impact on residual risk</b> exposure until resolved.
No Assurance		The Board has <b>no assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Action is required to address the whole control framework in this area with <b>high impact on residual risk</b> exposure until resolved.

## **Confidentiality**

This report is supplied on the understanding that it is for the sole use of the persons to whom it is addressed and for the purposes set out herein. No persons other than those to whom it is addressed may rely on it for any purposes whatsoever. Copies may be made available to the addressee's other advisers provided it is clearly understood by the recipients that we accept no responsibility to them in respect thereof. The report must not be made available or copied in whole or in part to any other person without our express written permission.

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

## **Audit**

The audit was undertaken using a risk-based auditing methodology. An evaluation was undertaken in relation to priority areas established after discussion and agreement with the Health Board. Following interviews with relevant personnel and a review of key documents, files and computer data, an evaluation was made against applicable policies, procedures and regulatory requirements and guidance as appropriate.

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding the achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Where a control objective has not been achieved, or where it is viewed that improvements to the current internal control systems can be attained, recommendations have been made that if implemented, should ensure that the control objectives are realised/ strengthened in future.

A basic aim is to provide proactive advice, identifying good practice and any systems weaknesses for management consideration.

## **Responsibilities**

Responsibilities of management and Internal Auditors:

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we may carry out additional work directed towards identification of fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, cannot ensure fraud will be detected. The organisation's Local Counter Fraud Officer should provide support for these processes.



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