

Environmental Infrastructure Modernisation Programme: Sub-Station 6

Final Internal Audit Report

May 2024

Swansea Bay University Health Board



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Review reference:	SSU-SBUHB-2324-03
Report status:	Draft
Fieldwork commencement:	8th January 2024
Fieldwork completion:	19 th April 2024
Draft report issued:	22 nd April 2024
Management response received:	14 th May 2024
Final report issued:	16 th May 2024
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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

The audit forms a part of a cycle of audits of the upgrade of the University Health Board's (UHB's) Environmental Infrastructure and is the fourth audit undertaken since June 2019.

The current audit focused on the completion of Phase 2 Stage 4 – sub-station 6 and associated works.

Overview

The previous audit was at a point seven weeks into construction, when a delay in the delivery programme of circa five weeks was anticipated.

The current audit was undertaken towards the close of the contract delivery programme. Significant delays in the delivery of the project had been experienced, extending the original 55-week contract delivery programme to 82.2 weeks (at the time of the current review). The delay was attributed primarily to global supply shortages associated with the specified generators, together with unforeseen ground conditions and other less significant issues. Whilst noting the same, the project was anticipated to be delivered within budget with an associated gain share distribution.

The audit has raised a small number of recommendations for management attention. The key issues relate to the operation of the risk register and the need to ensure an appropriate post project evaluation is undertaken to ensure that lessons may be learnt from the issues arising at the current project.

Whilst recognising the significant delays in the delivery of the project, **reasonable assurance** has been determined.

Report Classification

		Trend
 <p>Reasonable</p>	Some matters require management attention in control design or compliance.	2022/23 
	Low to moderate impact on residual risk exposure until resolved.	

Assurance summary ¹

Assurance objectives	Assurance
1 Project Performance	Reasonable
2 Previously Agreed Recommendations	Substantial
3 Project Governance	Substantial
4 Financial Monitoring	Reasonable
5 Contract Management	Substantial
6 Change Management	Reasonable
7 Quality	Substantial

¹ The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion

Key Matters Arising	Assurance Objective	Control Design or Operation	Recommendation Priority
2.2 The risk register should be fully populated, reviewed and updated at the Project Board meetings, including consideration of the available contingency provisions.	4	Operation	Medium
4 The post project evaluation will consider the adequacy of the initial site surveys undertaken and identified risk mitigating actions to ensure that lessons are learnt for any future developments on the site	4	Operation	Medium

1. Introduction

- 1.1 This audit was commissioned in accordance with the agreed audit plan provided within the approved Business Justification Case (BJC) for the project.
- 1.2 The Environmental Infrastructure Investment Strategic Outline Programme (SOP) was originally submitted to the Welsh Government in 2013, setting out a programme of environmental modernisation to support modern clinical models and future service requirements. The SOP identified an indicative funding requirement of £60m over the planned ten-year delivery programme. Welsh Government approval was granted in 2016, with funding to be separately agreed via individual project business cases submitted as the programme progressed.
- 1.3 This audit is the fourth undertaken since June 2019 of the Environmental Infrastructure Investment Programme.
- 1.4 Business Justification Case 1 (BJC1), approved in the sum of £7.768m, was completed in March 2018, and delivered 11 separate projects, aimed at addressing risk assessed environmental infrastructure elements across the Health Board.
- 1.5 Business Justification Case 2 (BJC2) sought to address electrical capacity risks at Morriston Hospital and proposed a new sub-station fully compliant with Welsh Health building and technical standards. Following discussions with Welsh Government, BJC2 was split into two phases:
 - Phase 1 - aimed to address the limitations of the existing sub-station 4 to facilitate Phase 2.
 - Phase 2 - Sub-station 6 and its associated works. The work comprises:
 - sub-station 6; two generators and associated High Voltage (HV) works;
 - a new oil line connecting the sub-station to oil tank storage;
 - a drainage system and pond;
 - footpaths, access, and six parking bays (including electric vehicle charge points); and
 - a new air handling plant for Morriston General Hospital Sterilisation Disinfectant Unit (HSDU).
- 1.6 Failure in either sub-station capacity or HSDU air handling were both assessed as high-risk issues to be addressed, e.g. with impact to theatres, radiology, and recovery units.
- 1.7 Welsh Government approved the business case (BJC2) in October 2022, and the contract commenced on 28th November 2022.
- 1.8 The current audit has reviewed both the implementation of previously agreed management actions from prior audits of the programme, and the subsequent progression of the project into Phase 2 Stage 4 – sub-station 6 and associated HSDU works.

1.9 The potential risks considered at the current review included:

- failure to achieve key project objectives;
- the UHB potentially breaches Welsh Government funding stipulations, UHB Standing Orders or Standing Financial Instructions;
- the target cost may not provide sufficient value for money; and
- significant cost escalation due to inadequate project controls.

2. Detailed Audit Findings

Project Performance: Summary of the achievement of the project’s key delivery objectives (time, cost and quality).

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

2.3 The contract commenced on 28th November 2022 with a programme duration of 55 weeks.

2.4 At the time of the audit fieldwork, the reported project programme was summarised as:

Figure 1: Project Performance

	October 2022 Business Case	15 January 2023 7 weeks into construction (previous audit)	15 April 2024 72 weeks into construction (current audit)
BJC approval	October 2022		
Contract Commencement Date:	28 November 2022	28 November 2022	28 November 2022
Construction Period/ Revised planned duration:	55 weeks	60 weeks	82.2 weeks
Planned Completion Date:	15 December 2023	8 January 2024	17 June 2024
Reporting against Accepted Programme Version:	N/A	L v2	S

- 2.5 There had been no significant changes to the project's objectives detailed at the BJC. The design requirements were approved at the July 2021 Project Board, with the specification agreed as part of the Business Justification Case approval process (and as specified within the works information contained within the contract).
- 2.6 A significant delay was experienced in the delivery of the project, which has been mainly attributed to a delay in the delivery of the standby generators. Management advised that the delay arose due to an increased global demand.
- 2.7 A dispute resolution agreement between the UHB and the main contractor was signed and dated 5th March 2024 in relation to the generator delivery delay. It was agreed that the contract period would be extended from the FBC contract completion date of 15th December 2023, to the 9th May 2024 by issue of a compensation event.
- 2.8 The agreement stated that the contractor would not pursue an increase to the total of the prices associated with this compensation event, however defined costs could be claimed through the monthly assessment process. As an extension of the contract period would be awarded the application of any Delay Damages would not apply. This proposed resolution also encompasses any concurrent delay of other activities.
- 2.9 Additional delay issues were attributed to unforeseen ground conditions and an issue with a chiller switch, and at the point of the audit no further delays were expected beyond the planned completion of 17 June 2024.
- 2.10 It was noted that the part of the project phasing relating to the work on the Hospital Sterilisation and Decontamination Unit (HSDU) was planned to complete in September 2023 and was delivered on time.

Cost

- 2.11 Morryston Hospital Infrastructure Modernisation (Phase 2 Stage 2) was awarded funding of £16,533,264 by the Welsh Government on 18th October 2022.
- 2.12 The forecast out-turn position reported at the last audit (January 2023) was £16,539,896, a forecast overspend of £6,632. At the time of the current review (Cost Report March 2024), the forecast out-turn position was reported as £16,528,138 i.e., a forecast underspend of £5,125 (this sum would be subject to gain share).

Figure 2: Cost Performance

Costs	WG Approvals £m	Forecast Outturn Dec 2022 £m	Forecast Outturn Dec 2023 £m
Works	11,862,942	11,862,942	11,862,942
Compensation Events		7,743	691,855
Revised Stage 4 Target	11,862,942	11,870,685	12,554,797
Anticipated Gain Share			75,000
Revised Stage 4 Final Account			12,479,797
Fees	1,059,613	1,073,175	1,078,821
Non-works	556,213	556,213	415,895
Equipment	10,000	10,000	19,898
Contingency	378,485	362,706	6,000
Inflation Forecast	134,179	134,179	0
VAT (incl. reclaim)	2,531,832	2,532,938	2,527,727
Total	16,533,264	16,539,896	16,528,138
Anticipated (over) / underspend		(6,632)	5,125

2.13 An anticipated gain share payment was expected to be paid, whilst 10.2 weeks from expected contract completion, contingency was still showing a balance of £6,000.

Quality

2.14 An NEC Supervisor was appointed to provide ongoing assurance of the delivery of the contract in accordance with the works information and had produced regular progress reports through construction.

2.15 Whilst recognising the delayed delivery of the scheme, **reasonable** assurance has been determined.

Previously Agreed Recommendations: *confirmation that previously agreed recommendations have been appropriately actioned by management (**Appendix B**).*

2.16 The table below provides an overview of progress in implementing the previously agreed management actions contained within the prior audit report.

Original Priority Rating	Number of Recommendations	Implemented	In progress	Outstanding
High	-	-	-	-
Medium	5	4	-	1
Low	1	1	-	-
Total	6	5	-	1

2.17 Due to the outstanding action (relating to ensuring all contracts are signed and dated before commencement of contract) not being demonstrable within this project, and in recognition of the actions taken by management to address previously agreed audit recommendations, **substantial assurance** has been determined.

Project Governance: *to obtain assurance that appropriate governance arrangements were in place for project progression including, supporting workstreams, and appropriate approvals.*

2.18 Project governance arrangements were defined within the Programme Execution Plan (PEP), which included the project objectives, structures, and key roles. The established governance structure included a Project Board supported by a Project Team to oversee operational delivery.

2.19 Governance arrangements included several regular meetings including Project Board and Progress Meetings. UHB representatives regularly met with the Supply Chain Partner (SCP). Project Board papers included reports by Project Management, SCP and from the external Cost Advisors, supplemented by Change Control Registers and Risk Registers. It was noted that across a four-month period sampled, a cohesive narrative existed across documents provided by all parties.

2.20 The Project Board benefitted from appropriate user representation, providing effective linkage to both the Executive and users. Whilst Project Board papers were easy to access, with well-written minutes, the following was noted:

- Despite the minutes noting the person involved in an action, there was no formal Action Log, or ownership for actions recorded. **MA 1**
- The Risk Register was attached to the Project Board agenda, however there was no summary of key issues. It is noted that the Project Board was generally appraised of high-risk items via the Project Manager’s report. **MA 2.1**

2.21 Noting strong user representation, and support of the Project Board by expert advisers, **substantial assurance** has been determined in relation to the project governance arrangements applied to the date of the current review.

Financial Monitoring and Reporting: *Assurance that appropriate financial controls operated including risk control and utilisation of a project bank account.*

2.22 The Cost Adviser's Report was a key document provided to the Project Board and reconciled to the figures reported within the UHB's internal capital and cashflow reporting.

2.23 Entries at the Cost Report were prudent in their presentation and commentary explaining variances within the same. Whilst commentary on cost variances were limited within the finance report presented to the Project Board, the Cost Adviser's attendance at the Project Board facilitated scrutiny and explanation as required.

MA 3

2.24 A well formatted Risk Register was in place, however despite noting mitigating actions, the completion status of these actions was unclear. The costed risk values remaining at the Register were considerably higher (£1.4m) than the remaining contingency (£6k) as of March 2024. Whilst this would normally cause concern, the proximity to the end of the contract and ambiguous nature of some items on the Risk Register indicated that the Risk Register, mitigating actions and associated cost profiles had not been regularly updated. **MA 2.2**

2.25 The highest risk included within the Risk Register at the point of the audit related to "Contaminated ground" or "Obstructions in the ground", with mitigating actions stated as "Ground investigations". Whilst noting the same, the significant proportion of Compensation Events arising at the project were associated with unforeseen ground conditions, which indicated a weakness in the identified actions.

MA 4

2.26 A Project Bank Account, established to ensure prompt payment to sub-contractors, was operating (however, its delayed implementation was noted).

2.27 Noting the clear presentation of financial reporting but noting that the Risk Register costings did not reflect the stage of the project, having not been updated accordingly, **reasonable assurance** has been determined in relation to the project's financial monitoring and reporting arrangements.

Contract Management: *Assurance of appropriate project control in accordance with the framework contracts, including management of utilities, and validation of costs to date.*

2.28 Formal contracts were in place for the SCP, Cost Adviser, and Project Manager.

2.29 It was noted that a change event relating to the provision of CCTV on the site still required formal tender invitations. The procurement process had been delayed due to a UHB-wide review of framework suppliers. Management confirmed that the delay would not adversely impact on project delivery.

- 2.30 A sample of payments were examined from the cumulative valuation between September 2023 and November 2023 (the most recently certified by the Cost Adviser at the time of audit), and were found to be appropriately progressed, and evidenced by the Cost Adviser.
- 2.31 Accordingly, while noting these matters **substantial assurance** has been determined in relation to contractual arrangements.

Change Management: *To review the control and reporting of any project changes, including the potential time and cost impact.*

- 2.32 The change control process for the scheme was outlined within the NEC form of contract applied and the associated management processes documented within the Programme Execution Plan. In a sample of 38 compensation events (CEs), the following was observed:
- 1 had been retracted;
 - 2 had been disallowed/ completed by sub-contractors;
 - 26 had been quoted and agreed by the Project Manager;
 - 6 had been subject to a revised quote being accepted by the PM; and
 - 3 were recent and still being processed/ quoted.
- 2.33 The Compensation Event and Project Management Instruction Registers clearly identified the response times and status of quotes and was in accordance with the contract. All CEs sampled were authorised within the delegated authority limits identified for the project.
- 2.34 An Early Warning Notice was issued by the Project Manager on 19 June 2023 in relation to the delay in the provision of the standby generators (due to a global shortage of the specified generators). Whilst alternative generator options were considered, the UHB requested that the original specification and suppliers be maintained. The contractual dispute resolution process was applied to resolve the time/cost implications associated with the same (agreeing the extended programme and any associated costs). The dispute resolution agreement was agreed by the Project Board and an agreed Compensation Event was issued to address the same and no delay damages were applied.
- 2.34 It was noted that one unconventional compensation event was raised to enable a fee payment for an S278 licence application. The payment was expected to be made by the UHB/ Contractor but was paid by a sub-contractor for expediency. Whilst this is outside of normal usage of a CE, it demonstrated active management and avoidance of a potential delay.
- 2.35 The description on the aforementioned change form lacked detail and was ambiguous in explaining which party had made the final payment; this necessitated further investigation to ensure that it did not, in fact, present a position where UHB

costs were being augmented inappropriately, which could have been avoided with a clearer description. **MA 5**

- 2.36 Noting a range of appropriate controls including change control authorisations, **reasonable assurance** has currently been determined in relation to the change management arrangements applied at the project.

Quality: *Operation of appropriate client arrangements for quality assurance in accordance with the contract, including effective performance management and operation of the Supervisor role.*

- 2.37 The appointed NEC Supervisor produces a detailed report containing a balance of risk and performance information, including photographic progress reporting. The reports are provided to the Project Board meetings Papers and compliments the SCP Progress Reports.

- 2.38 The NEC Supervisor's report clearly reports against the critical success factors outlined within the BJC. At the current (construction) stage of the development this is largely focused on quality issues with a clear site report highlighting issues, target dates for resolution, evidence of Health Board engagement and community involvement related to training schemes. Specific KPI's relating to the BJC critical success factors were not observed, however, it was noted that these mainly relate to post completion impacts. Building for Wales KPI's had been completed at appropriate intervals.

- 2.39 Accordingly, while noting the delay caused by the generator is largely uncontrollable in nature, a **substantial assurance** has been determined in relation to this objective.

Appendix A: Management Action Plan

Matter Arising 1: Governance – Action Log (Design)		Impact
<p>For ease of review and to evaluate progress of actions taken, it is best practice to maintain an action log stating:</p> <ul style="list-style-type: none"> • the action that is required, • who will complete it, • a target date for completion, • any specific resources required to complete the action, • the status of the action (complete/ incomplete/ an update on progression). <p>Despite minutes detailing actions and stating involvement by individuals, there is no Project Board Action Log accompanying the Project Board minutes, which would encourage a more structured discussion within the Project Board and ensure that actions were being adequately progressed.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> • Lack of accountability, and failure to implement agreed actions leading to lack of progress or increased costs to the Health Board.
Recommendations		Priority
<p>1.1 A Project Board Action Log will be implemented at projects (aligned to the Project Board Minutes) to detail ownership of action, target completion date, resources required to complete and progress etc., since the previous Project Board.</p>		<p>Low</p>
Agreed Management Action	Target Date	Responsible Officer
<p>1.1 Agreed – Action log to be implemented on future Project Board meetings where required.</p>	<p>31/04/2024</p>	<p>Project Director</p>

Matter Arising 2: Risk Register (Design)	Impact
<p>A Project Board role is to ensure that project risks are appropriately monitored and managed through the project delivery programme. The Project Board was generally appraised of progress and issues via the Project Manager’s monthly Project Progress Report (including the Project Risk Register).</p> <p>Management confirmed that Project Board members were fully appraised of the keys risks and discussion was encouraged during the meetings.</p> <p>The 5th January 2024 Project Board minutes, identified programme delivery issues relating to a contaminated pond, a fuel line, and a generator delivery delay. The associated risks were substantially reduced or were removed entirely from the register at its update on the 12th January 2024. Whilst noting the same, neither the minutes or the risk register reflected or documented the reasoning behind the changes.</p> <p>Any changes in the movement of risk values, probability, risk ratings, mitigating/ management actions, the removal of risks and the associated reasons, were not clearly identifiable within the updated risk register. The inclusion of these issues within the available comments sections (currently incomplete) would provide the project board with increased assurance on management actions and afford the increased ability to scrutinise and challenge.</p> <p>At the time of the audit fieldwork (December 2023 to February 2024), the risk register identified risks remaining totalling £2.837m (reduced to £88.8k due to potential mitigating actions/ probability), whereas the cost report indicated circa £12k of contingency remaining, i.e. inadequate remaining contingency to fund the potential risks remaining at the project. No comments were provided within the cost report (as seen at other UHB projects), risk register or project board minutes, considering the level of risk exposure and additional funding requirements/options etc. associated with the risk liability.</p>	<p>Potential risk that:</p> <ul style="list-style-type: none"> • Key risks are not identified for discussion at Project Board meetings. • Mitigative actions are not implemented, failing to reduce identified risks

Recommendations		Priority	
2.1	The Project Board minutes should adequately reflect the risk assessment and document approved changes to the risk register.	Low	
2.2	The Project Risk Register should be regularly reviewed and updated where necessary at each Project Board. The register should be fully populated (e.g. including comments and highlighting changes since the previous iteration). The register should be reviewed against the available contingency provision (provided at the monthly cost reports), to ensure the level of risk exposure and any additional funding options required are appropriately considered. This should provide the Project Board with increased assurance on management actions and afford the increased ability to scrutinise and challenge.	Medium	
Agreed Management Action	Target Date	Responsible Officer	
2.1	Agreed – Minutes will be reviewed to ensure detailed discussions within the project board are adequately captured to show the PB review the red risks as a minimum, monthly.	31/04/2024	Project Director
2.2	As per 2.1, this will be captured as appropriate going forward	31/04/2024	Project Director

Matter Arising 3: Financial Reporting Variance Analysis (Design)		Impact	
<p>The Cost Adviser’s cost report (and associated supporting information) was examined at the current review. It was noted that entries in the cost report were prudent in their presentation and commentary explaining variances, ratified entries.</p> <p>Commentary on variances was however limited within the finance report presented at the Project Board meetings, although it was noted that attendance at the Project Board Meetings by the Cost Advisor facilitated scrutiny and explanation as required.</p> <p>The inclusion of commentary (a comments section) at the issued budget cost report, would facilitate increased scrutiny and Project Board understanding of key cost variances. This would also enhance the delivery of the informed client role.</p>		<p>Potential risk that:</p> <ul style="list-style-type: none"> • Failure to scrutinise or challenge the finance reporting. • Failure to make appropriate decisions because of lack of information or understanding of the financial position. 	
Recommendations		Priority	
3.1	<p>Variances to budget shown within Project Cost Reports provided to the Project Board should be accompanied by appropriate commentary explaining key variables and any associated contributing factors.</p>	Low	
Agreed Management Action		Target Date	Responsible Officer
3.1	<p>Agreed - This is captured in the main report that the external project manager goes through. We will look at implementing a summary on a page going forward with all external PM’s and where practicable to do so, internal PMs on smaller schemes, where project boards are required. Information on smaller schemes, internal PM’s provide highlight reports.</p>	31/03/2024	Project Director

Matter Arising 4: Mitigative actions related to risk not actioned adequately (Operation)	Impact
<p>The highest risk on the Risk Register at the point of the audit related to "Contaminated ground" or "Obstructions in the ground", with a mitigating action stated as "Ground investigations".</p> <p>It is acknowledged that the nature of the works and the site would inevitably mean additional issues being identified as work progressed. A large number of Compensation events were raised in connection with obstructions/asbestos etc. identified on site i.e.</p> <p>EWN 1: Asbestos remnants found during ground clearance (CE)</p> <p>EWN 2: Unexpected oily residue in ground (CE)</p> <p>EWN 3: Ground obstructions HV Works (no CE)</p> <p>EWN 4: Ground obstructions A-B HV Works (CE)</p> <p>EWN 7: Asbestos found in oil tank area (CE)</p> <p>EWN 11: Ground obstructions B-C HV Works (CE)</p> <p>EWN 19: Unknown services obscuring gantry bases (No CE)</p> <p>EWN 20: Asbestos found in HSDU areas (CE)</p> <p>EWN 23: Asbestos found in ductwork (CE)</p> <p>EWN 25: Concrete ducts found in HV trenching (CE not stated)</p> <p>EWN 32: Ground obstructions C-D HV Works (CE)</p> <p>EWN 33: Ground obstructions B-C HV Works (CE)</p> <p>EWN 34: Ground obstructions B-C HV Works (CE)</p> <p>EWN 43: Asbestos found in Sub 6 service duct (CE)</p> <p>EWN 46: Ground obstructions G-H HV Works (CE)</p> <p>EWN 47: Ground obstructions main entrance (not CE)</p>	<p>Potential risk that:</p> <ul style="list-style-type: none"> • Failure to scrutinise or challenge the finance reporting. • Failure to make appropriate decisions because of lack of information or understanding of the financial position.

EWN 49: Gas main found in road crossing (CE not stated)		
EWN 50: Medical grade waste found on excavation site (CE not stated)		
Noting the number of Compensation Events and the associated mitigating action at the project risk register, consideration should be given to the adequacy of the initial site surveys undertaken and identified risk mitigating actions at the post project evaluation.		
Recommendations		Priority
4.1	The post project evaluation will consider the adequacy of the initial site surveys undertaken and identified risk mitigating actions to ensure that lessons are learnt for any future developments on the site.	Medium
Agreed Management Action	Target Date	Responsible Officer
4.1	Agreed. During the lesson learned meeting, all factors will be considered and discussed at the appropriate time following scheme handover.	31/07/2024 Project Director

Matter Arising 5: Change Control Registers and Forms (Operation)		Impact	
<p>One unconventional compensation event was raised at the project.</p> <p>The compensation event was raised to enable a fee being paid for an S278 licence application. The payment was initially expected to be made directly by the Health Board/ Contractor but was paid by a sub-contractor for expediency. Whilst this is outside of the normal usage of a CE, it demonstrated ongoing management and avoidance of potential delays.</p> <p>It was noted that the description on the change form lacked detail and was ambiguous in explaining which party had made the final payment; this necessitated further investigation to ensure it did not, in fact, present a position where Health Board costs were being augmented inappropriately.</p> <p>A review of the Early Warning Notice Registers, PMI Register and Change Event Registers, also showed that whilst items on each register cross referenced each other (numerate references), the written description of the item was often more ambiguous and lacked detail.</p>		<p>Potential risk that:</p> <ul style="list-style-type: none"> • Low level of detail prevent ability to understand and scrutinise change events, leading to poor decision making. • The Health Board may be exposed to increased risk/liabilities. 	
Recommendations		Priority	
5.1	The adequacy of item descriptions provided on Change Control Registers and forms should be reviewed at the PPE, e.g. to ensure the records of future projects identify the item and parties involved in CE's without having to rely on unique identifiers	Low	
Agreed Management Action		Target Date	Responsible Officer
5.1	Agreed - Descriptions noted within change control documentation are to be reviewed in future, if required.	31/05/2024	Project Director




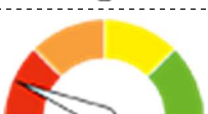

Appendix B: Progress against previously agreed actions

Ref	Area	Previously Agreed Action	Current Status	Revised Responsibility & Timescale	Original Priority
1	Cost Reporting	The key Heath Board roles and responsibilities of Senior Responsible Owner, Capital Planning Lead, and Project Director, should be fully defined and approved by the Project Board.	Complete	N/A	Low
2	Governance	Target Cost reporting should be reviewed by the Health Board for appropriate content.	Complete	N/A	Medium
3.1	Project Bank Account	Management should confirm operation of a Project Bank Account in accordance with Welsh Government directions.	Complete	N/A	Medium
3.2	Project Bank Account	Pending operation of a Project Bank account the Health Board should obtain assurances that the Supply Chain Partner is making prompt payment to sub-contractors (e.g., by the Cost Adviser notifying the Health Board of any undue delays).	Complete	N/A	Medium
4	Contracts	Contracts should be completed ahead of commencement of performance.	To be actioned in future projects	Project Director (when relevant)	Medium
5	Risk Management	The costed risk register should be updated to inform monthly comparison to residual contingency.	Complete	N/A	Medium

Appendix C: Assurance opinion and action plan risk rating

Audit Assurance Ratings

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

	Substantial assurance	Few matters require attention and are compliance or advisory in nature. Low impact on residual risk exposure.
	Reasonable assurance	Some matters require management attention in control design or compliance. Low to moderate impact on residual risk exposure until resolved.
	Limited assurance	More significant matters require management attention. Moderate impact on residual risk exposure until resolved.
	Unsatisfactory assurance	Action is required to address the whole control framework in this area. High impact on residual risk exposure until resolved.
	Assurance not applicable	Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are not appropriate. 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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