

Cwm Taf Morgannwg University Health Board

HEAD OF INTERNAL AUDIT OPINION & ANNUAL REPORT 2020/21

June 2021

NHS Wales Shared Services Partnership

Audit & Assurance Services

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Audit & Risk Committee:	May/June 2021

1. EXECUTIVE SUMMARY

1.1 Purpose of this Report


Cwm Taf Morgannwg University Health Board's (the 'Health Board' or the 'organisation') 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	 <p>Yellow +</p>	<p>The Board can take Reasonable Assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p>
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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 Committee (the 'Committee'). In addition, regular audit progress reports have been submitted to the Committee. Although changes have been made to the plan during the year, we can confirm that we have undertaken sufficient audit work during the year to be able to give

an overall opinion in line with the requirements of the Public Sector Internal Audit Standards.

The Internal Audit Plan for 2020/21 year was initially presented to the 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 December 2020. This Annual Report and Opinion is primarily based on the delivery of the December 2020 version of the annual plan, including the subsequent updates made to the plan that are reported to the 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 Limited Assurance, management are aware of the specific issues identified and have agreed action plans to improve control in these areas. These planned control improvements should be referenced in the Annual Governance Statement where it is appropriate to do so.

In addition, and in part reflecting the impact of COVID-19, we also undertook a number of advisory and non-opinion reviews to support our overall opinion.

Figure 1: Summary of Audit Results

Substantial Assurance	Reasonable Assurance
<ul style="list-style-type: none"> • Annual Quality Statement (AQS); • Sustainability reporting; • Estates directorate – compliance review; • Prince Charles Hospital development project – Covid-19 related issues; and • Prince Charles Hospital development project – Validation of management actions. 	<ul style="list-style-type: none"> • Risk management; • Continuous improvement in response to targeted intervention • Financial systems; • Welsh Risk Pool (WRP) claims process; • Medical agency; • Estates directorate – workforce management arrangements; • Estates directorate – governance and risk management arrangements; • Estates directorate – performance and planning management arrangements; • CAMHS Clinical Service Group – performance and planning management arrangements; • CAMHS Clinical Service Group – compliance review; • Pathology directorate – follow up; • Digital response to Covid-19; • Facilities directorate – workforce follow up; • Clinical audit [Draft]; • Prince Charles Hospital development project – Governance; • Prince Charles Hospital development project – Financial management; and • Prince Charles Hospital development project – Technical compliance.

Limited Assurance	Advisory & Non-Opinion
<ul style="list-style-type: none"> • Patient pathway appointment management process – progress on the implementation of recommendations; • IT service management; • CAMHS Clinical Service Group – governance and risk management arrangements; and • CAMHS Clinical Service Group – workforce management arrangements. 	<ul style="list-style-type: none"> • Head and neck directorate follow up of governance recommendations; • IT baseline review; • Governance during the Covid-19 Pandemic; and • Covid-19 Governance – follow up.
No Assurance	
N/A	

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 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 and Risk 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 Cwm Taf Morgannwg 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

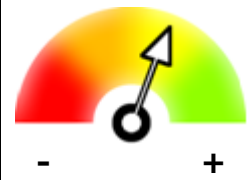
and Appendix B). We will consider whether changes need to be made to how we present our findings in this report for the 2021/22 Head of Internal Audit Opinion.

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 & Risk 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		<p>The Board can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p>
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This opinion will need to be reflected within the Annual Governance Statement along with confirmation of action planned to address the issues raised. Particular focus should be placed on the agreed response to any Limited Assurance opinions issued during the year and the significance of the recommendations made (of which there were four audits in 2020/21).

2.4.2 Basis for forming the opinion

The audit work undertaken during 202/21 and reported to the Audit & Risk 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 & Risk 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 opinions issued during the year, five were allocated Substantial Assurance, 17 were allocated Reasonable Assurance and four were allocated Limited Assurance. No reports were allocated a 'no assurance' opinion. We also issued four advisory or non-opinion reports. At the time of issuing our annual report there is work in progress for two reviews: sunnyside capital project; and fire safety. The outcome of these reviews will be included in the Head of Internal Audit opinion for 2021/22.

In addition, the Head of Internal Audit has considered residual risk exposure across those assignments where limited assurance was reported. Further, the Head of Internal Audit has considered the impact where audit assignments planned this year did not proceed to full audits following 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 & Risk Committee for consideration and approval. Notwithstanding that the opinion is restricted to those areas which were subject to audit review, the Head of Internal Audit has considered the impact of changes made to the plan when forming their overall opinion.

A summary of the findings in each of the domains as per the structure of the plan for 2020/21, is shown below, whilst noting the overall opinion for the Health Board is based on an overall aggregated position.

Corporate Governance, Risk Management and Regulatory Compliance

This year we have undertaken five reviews within this domain.

Risk management – A significant amount of work has been undertaken within the last year to improve the risk management process within the Health Board despite the pandemic. Following our work, we issued a **reasonable assurance** opinion in relation to risk management. Our review identified one high priority finding, relating to the escalation of risk from clinical service groups, and also two medium priority and two low priority recommendations.

Covid-19 governance review – This work was advisory and so we did not issue an opinion. We reported observations made during our fieldwork and suggested priorities that could be considered by management for future peaks. Overall, the Health Board’s temporary governance arrangements operated effectively during the first peak of the pandemic, which is the period that our fieldwork covered. We also reported that the Health Board complied with the guidance and the principles issued by Welsh Government.

This review looked at the governance arrangements put in place across a range of functions. These arrangements have been considered across the domains within this section of our report. Specifically, the areas that we reviewed during the fieldwork were:

- Board and committee meetings
- Scheme of Delegation and decision-making arrangements
- Risk management
- Annual accounts and reporting
- Financial systems and processes
- Covid-19 expenditure (revenue and capital)
- Workforce
- Budget and savings
- Partnership arrangements
- Charitable funds
- Information governance

Covid-19 governance review – follow up - Our follow-up work confirmed that the Health Board has implemented almost all the priorities suggested in our original review. Where implementation has not fully been carried out, this is due to external factors, such as waiting for the outcome of national reviews.

Directorate reviews

During the year, we have undertaken two ‘directorate’ reviews. We looked at the Estates directorate and the Child and Adult Mental Health Services (CAMHS) Clinical Service Group, which replaced the CAMHS directorate following the introduction of the Health Board’s operating model in April 2020. These reviews have a wide scope that covers the key objectives and risks in relation to an areas’ management arrangements for:

- risk management and governance;
- performance and planning;
- financial governance; and

- workforce.

We have produced two reports for Estates and two reports for CAMHS, one focussing on compliance with financial governance arrangements, and one focussing on management arrangements that covered risk management and governance, performance and planning, and workforce, giving four separate opinions relating to the relevant domain areas. Our review of risk management and governance arrangements for Estates and CAMHS as part of the directorates' management arrangements audits resulted in a reasonable assurance opinion for Estates and limited assurance for CAMHS. Our key findings were:

Estates – We saw evidence of good practice with the key governance groups of the directorate having clearly mapped out relationships, we also note that the directorate had dedicated leads with responsibility for overseeing the risk register. We made four medium and one low priority recommendations in our report, and issued a **reasonable assurance** opinion.

CAMHS – We raised three high priority findings which related to governance arrangements for some of the groups and committees within the clinical service group. For example, terms of reference for some groups needed to be updated, and improvements were needed in relation to record keeping of the meetings. We also issued three medium priority and one low priority recommendation. While the clinical service group's risk register capturing key risks was monitored and reviewed, monitoring of smaller risks needed to be improved. Overall, we issued a **limited assurance** opinion.

Our review of both the Annual Governance Statement and the Governance, Leadership and Accountability Standard process highlighted that they were considered it to be on the whole consistent with our knowledge of the Health Board through the audit work performed in the Internal Audit plan and a review of other organisational documents.

Strategic Planning, Performance Management & Reporting

We have undertaken three reviews where the work lies within this domain. Two of these, relating to CAMHS and Estates, formed part of our directorate review work. The third review related to the continuous improvement in response to targeted intervention. The opinions in these areas were all **reasonable assurance**.

CAMHS – We raised one high and two medium priority recommendations. The high priority finding related to the submission of supporting financial and workforce planning information that should accompany the clinical service group's IMTP for Health Board review.

Estates – Whilst IMTPs were stood down this year due to the pandemic, we were unable to see evidence any early versions of the narrative IMTP which should have been prepared prior to the pandemic. We raised two related high priority findings.

Continuous improvement in response to targeted intervention (TI) - Our work indicated that the Health Board has developed good foundations and a

suitable approach to enable it to move out of its current TI status. While these continue to be revised and developed, the full implementation of the arrangements has been affected by pressures on the Health Board brought about by the pandemic. We raised a high priority finding in relation to documenting evidence, and a high priority recommendation where the documenting of TI risks need to be recorded more clearly. Our **reasonable assurance** report also identified four medium and for low priority findings.

One audit, relating to integrity of data from Swansea Bay, was deferred due to the impact of the pandemic.

Financial Governance and Management

As noted in the corporate governance, risk management and regulatory compliance section above, we considered financial governance in our Covid-19 governance review. We also undertook three reviews where the work related to financial governance and management and we issued an opinion.

Financial systems – This year our annual review of financial systems focused on the general ledger system, the capital asset register, and Covid-19 related charitable funds. Overall, we made two high, three medium and one low priority recommendations. The high priority recommendations, and one medium recommendation related to charitable funds where there had been relatively low levels of use of the fund at the time of our fieldwork. We also recommended that specific instructions related to donations are clearly communicated to the fund administrator.

One of the medium priority findings related to the capital asset register, and the other related to making sure staff that no longer require their access to the general ledger are removed in good time. We issued a **reasonable assurance** opinion for financial systems.

Estates directorate – compliance - Our testing confirmed that the directorate is complies with requirements set out in the Financial Control Procedures (FCPs) and the Scheme of Delegation. We issued a **substantial assurance** opinion in our report.

CAMHS clinical service group – compliance - We issued a **reasonable assurance** opinion in our report on compliance with requirements set out in the Financial Control Procedures (FCPs) and the Scheme of Delegation. We raised a high priority recommendation on improvement needed for budgetary control, and a high priority recommendation on the need to review service level agreements in relation to income. We issued a **reasonable assurance** opinion.

Our planned work in relation to financial efficiencies was impacted by the pandemic and was deferred until 2021/22.

The audits of the payment systems provided by NWSSP, which we audit each year to provide assurance to the Health Board. The four primary care contractor payment systems were each given substantial assurance, with the audits of Payroll and Accounts Payable receiving reasonable Assurance.

Clinical Governance, Quality & Safety

This year we have undertaken five reviews within this domain.

Welsh risk pool – concerns and compensation claims – We reviewed a sample of claims and confirmed that the Health Board’s claims reimbursement process complied with guidance. We issued a **reasonable assurance** report.

Annual Quality Statement – We issued a **substantial assurance** report for this review. The AQS was compliant with Welsh Government guidance and was completed in line with the timetable. We raised two low priority recommendations.

Clinical audit [Draft] – Our report made five medium priority and one high priority recommendation. The high priority recommendation related to capturing risks associated with clinical audit reviews. We issued a **reasonable assurance** report.

Patient pathway appointment management process – progress report – We confirmed that a significant amount of preparatory work had been undertaken to address the issues identified in our original audit report. Whilst the foundations had been established, due to the pausing of services as a result of the pandemic and the delay in providing refresher training, there has been little action taken to address the specific points in our previous recommendations. As such, the **limited assurance** opinion remained.

Medical agency usage – The review was started in 2019/20 but was delayed due to the onset of the pandemic. Our work focused on the A&E departments at the Royal Glamorgan hospital and Prince Charles hospital, and within the surgical services department at the Princess of Wales hospital. Overall, we issued a reasonable assurance opinion. We identified high priority recommendations in relation to the authorisation evidence trail for hourly rates above the pay cap, the need for updated operational guidelines, and the number of hours worked by a small number of doctors. We note good systems in place in terms of timesheet and invoice checking and monitoring.

We had planned to look at the quality and patient safety governance framework, but the implementation was delayed due to the pandemic. This deferred work is planned for Q3 of 2021/22.

Information Governance & IT Security

We have undertaken three reviews in this domain.

IT baseline review – As this was a baseline review, we did not issue an opinion, but observations and recommendations were provided to facilitate change and improvement, and to focus audit work in the future.

We scored the individual controls in place at the Health Board against the controls we would expect to be in place under each of the headings of the framework. The Health Board scored well under many of the headings, for example Information Governance and managed risk. However, there were areas requiring management attention such as continuity and strategy.

Digital response to Covid-19 – Our **reasonable assurance** report identified one high, two medium, and one low priority recommendation. Our high priority recommendation related to the digital skills and equipment needs of staff and patients, which was not routinely assessed as part of the roll out of digital solutions. Management are taking forward an assessment process.

IT service management - We issued a **limited assurance** opinion. We identified three high priority related to:

- no procedures for the operation of the service desk and no guidance for call handlers for logging, classifying and prioritising calls;
- Calls and incidents were not being recorded appropriately within the Service Point system; and
- there was no guidance for chasing or ensuring activity is maintained on calls / incidents.

We also identified seven medium priority, and two low priority recommendations.

Operational Service and Functional Management

While we have directly reported only two reviews within this domain in 2020/21, as reported in the corporate governance, risk management and regulatory compliance domain above, in agreement with management, our directorate reviews, which were historically reported in this domain, have expanded scopes covering objectives in relation to risk management and governance, performance and planning, and workforce and as such, we gave an assurance opinion in each of these domain areas.

Pathology directorate – follow up – We note that the pandemic has had an impact on the directorate’s ability to implement agreed actions, but also on the directorate’s ability to carry out ‘business as usual’. From April 2020 the Health Board introduced a new operating model and as such, the Pathology Service is managed as part of an Integrated Locality Group. As a consequence of these changes, some of the recommendations originally made, no longer fully apply. In these instances, we looked at the equivalent groups and committees that are now in place and applied the original recommendation.

Overall, we found the directorate’s systems are more robust than at the time of our original review in 2019 but improvements are still needed. We issued a **reasonable assurance** opinion.

Head and neck directorate follow up of governance recommendations - The implementation of the Health Board’s new operating model meant that the functions of the Head & Neck directorate have been transferred to Surgery Clinical Service Groups and were no longer within one directorate. These changes to governance arrangements meant that we considered the Health Board’s progress against the original recommendations that related to the Head & Neck directorate through separate audits during the year. While some original findings had been superseded recommendations that were still appropriate have been considered through our work on the Internal Audit action log tracker.

We have deferred one audit, relating to a review of Integrated Locality Group governance, within this domain as a result of service pressures.

Workforce Management

We have undertaken three reviews where the work lies within this domain.

Two of the opinions within workforce this year come from our directorate review work. The opinions in these areas are set out below:

- **Estates** - We identified four medium priority recommendations in relation to annual leave, mandatory training, recording sickness absence, and personal development reviews (PDR) compliance. We issued a **reasonable assurance** opinion.
- **CAMHS** – We issued a **limited assurance** opinion as we identified three high priority findings in relation to consultant job planning, sickness absence monitoring, and staff personal development reviews (PDR) compliance. We also identified one medium and two low priority recommendations.

Facilities directorate – workforce arrangements - follow up [Draft] – The Health Board has made progress implementing recommendations from our original review in 2018/19. Since the original report was issued the Audit & Risk Committee have been kept up to date with management’s progress against the original recommendations. Our work focused on portering services and its roster process. We issued a **reasonable assurance** follow up report and note that most the recommendations have been either fully, or partially implemented.

A number of workforce audits were deferred from the original due to Health Board operational pressures as a result of the pandemic. These will be considered again as part of the annual audit planning process.

Capital & Estates Management

This year we have completed reviews in six areas. At the time of issuing our final annual report our fieldwork for two reviews in relation to fire safety and the Health Board’s sunnyside capital project is ongoing. The outcome of these reviews will be reported in our 2021/22 annual report.

The number of reviews in this domain reflect that the Health Board has a large capital programme in relation to the redevelopment of Prince Charles Hospital (PCH). Our programme of work reflects this activity and the risks associated with large building projects.

We issued five opinions in respect of the Prince Charles Redevelopment Programme Integrated Audit Plan. These were:

- **PCH Redevelopment - Validation of Management Action** - This review sought to obtain assurance that appropriate management action had been taken to address the previously agreed audit recommendations. Good progress has been made by the Health Board with six of eight

recommendations fully implemented, including both 'High' priority recommendations. A **substantial assurance** assessment was determined.

- **Governance review:** While the project benefited from a well-defined and long-established governance structure, poor clinical attendance at Project Board remained an issue, albeit that the Covid-19 response will have impacted the period of review. We note that key project support roles identified at the Full Business Case had yet to be appointed, putting pressure on the existing resource. A **reasonable assurance** opinion was determined.
- **Financial management** - Sound financial reporting arrangements were observed at the project, including reporting to Welsh Government. Enhancements were recommended to the external cost adviser report, to streamline the reporting and to ensure dovetailing with internal reporting. We also recommended that the Health Board monitor key funding assumptions via the risk register (including retention of gain share, VAT recovery amounts and additional Covid-19 funding). An overall **reasonable assurance** assessment was determined.
- **Technical compliance** - General compliance with contractual and framework requirements was observed. All key contract and appointments had been executed, with the exception of the Asbestos adviser, which required formalisation as a matter of priority. Recommendations were also made in respect of the need to finalise the Project Bank Account arrangements in accordance with WG requirements and to establish more robust arrangements with NWSSP to ensure timely contractor payment (to avoid potential financing charges for late payments). An overall **reasonable assurance** was determined.
- **Covid-19 related issues** - The review focused on the systems and controls in place to appropriately manage the Covid-19 risks across the PCH Redevelopment site in accordance with Welsh Government and Health & Safety legislation. Robust procedures, risk assessments and compliance was noted in all aspects and **substantial assurance** was determined.

Sustainability report - We note that the Sustainability report for 2019/20 complied with the required format set out in the HM Treasury guidelines, and the information published within the report provides a reasonable, detailed and consistent account of the Health Board's sustainability performance for 2019/20. This year we issued a **substantial** assurance opinion and identified one low priority recommendation.

2.4.3 Approach to Follow Up of Recommendations

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

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.

The Health Board's recommendation tracking process continued during 2020/21, but the pandemic effected the ability of management to take forward recommendations in some areas. Where this has happened, we have scheduled a follow up audit to align with the revised timeline. These were: retention of staff; consultant job planning; and medical rostering. These reviews are reported in section 5.7.

Progress has been made against the recommendations that we identified during our pathology directorate managerial arrangements review in 2019/20. Our follow up work relating to governance arrangements within the Head and neck directorate identified that some recommendations had been superseded, while others had been transferred to other operational areas following the introduction of the new operating model. Where recommendations had transferred, we saw evidence of them being addressed.

This year, management have undertaken a review of the recommendation tracker process. The Health Board has engaged with Internal Audit and the executive team to review and update recommendations on the tracker document.

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 sustainability reporting contained with 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 and Risk 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 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 & Risk Committee that it has conducted its audit at Health Board 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.

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:

Audit	Opinion	Comments
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	A summary report will be produced for the health board
Welsh Risk Pool	Substantial	-
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:

Audit	Opinion	Comments
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:

Audit	Opinion	Comments
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 the 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 Committee, subject to changes agreed as the year progressed. Regular audit progress reports have been submitted to the Audit & Risk Committee during the year.

The revised audit plan approved by the Audit & Risk Committee in December 2020 contained 40 planned reviews. Since December, largely due to the effects of the second wave of the pandemic, changes have been made to the plan with one audit added, eight deferred, and one relating to health & care standards, where we observed and input into the process, with us therefore planning to deliver 32 review reports.

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

In addition, we may respond to requests for advice and/or assistance across a variety of business areas across the Health Board. This advisory work, undertaken in addition to the assurance plan, is permitted under the standards to assist management in improving governance, risk management and control. This activity is reported during the year within our progress reports to the Audit & Risk 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 30 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

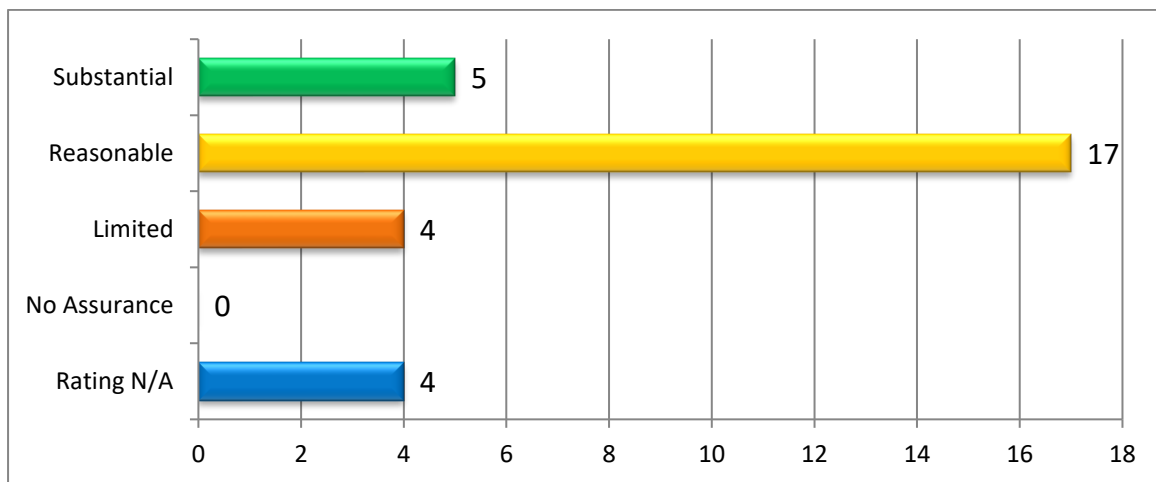


Figure 1 above does not include the audit ratings for the reviews undertaken at the two hosted bodies.

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 have been deferred and are documented in section 5.7.

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

5.2 Substantial Assurance



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
Annual Quality Statement (AQS)	The overall objective of our review was to assist the Health Board with accuracy checking, including the triangulation of data and evidence, before the publication of the AQS.
Sustainability reporting	The overall objective of the review was to assess the adequacy of management arrangements for the production of the Sustainability Report within the Annual Report.
Estates directorate – compliance review	The overall objective of the audit was to evaluate and determine the adequacy of the systems and controls in place in relation to compliance with key documents such as the financial control procedures. We also considered the directorate’s compliance with the Health Board’s scheme of delegation.
Prince Charles Hospital development project – Covid-19 site safety	The review was undertaken to determine the adequacy of, and operational compliance with, the Health Board’s systems and procedures, taking account of relevant Welsh Government, and other supporting regulatory and procedural requirements, as appropriate. We evaluated the systems and controls in place to appropriately manage the Covid-19 risks across the site.
Prince Charles Hospital development project – Validation of management actions	This review sought to provide validation in respect of previously agreed management actions contained within the PCH redevelopment audit reports issued in 2019/20.

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 evaluate and determine the adequacy of the systems and controls in place within the Health Board for risk management. Our focus included: the risk management strategy; training; the approach for escalation and de-escalation; and monitoring and reporting.
Continuous improvement in response to targeted intervention	The objective for the review was to consider the overarching approach that has been developed by the Health Board. We also looked at the plans to improve and the governance framework in place to support the improve assessments undertaken by the Health Board.
Financial systems	The overall objective of this audit was to evaluate and determine the adequacy of the systems and controls in place in relation to the Health Board's processes for Covid-19 related charitable funds, the general ledger and the capital asset register.
Welsh Risk Pool Claims process	The objective of the review was to ensure that the WRP Claims Management function within the Health Board is operating effectively.
Medical agency	Our objectives for this review related to the controls and process in place for the use of medical agency staff.

Review Title	Objective
<p>Estates directorate review – management arrangements – Workforce</p> <p><i>Note: the governance and risk, workforce, and planning and performance opinions were issued as a combined report.</i></p>	<p>The overall objective of our review was to assess the adequacy of management arrangements with a particular focus on workforce. We looked at annual leave, sick leave, training and performance monitoring for staff. We also considered future workforce planning arrangements.</p>
<p>Estates directorate review – management arrangements – Governance and risk</p> <p><i>Note: the governance and risk, workforce, and planning and performance opinions were issued as a combined report.</i></p>	<p>The overall objective of our review was to assess the adequacy of management arrangements with a particular focus on governance and risk. We considered governance structures, including the reporting lines through committees and groups. We also looked at risk management arrangements, with a focus on recording, assessing, monitoring and reporting risk.</p>
<p>Estates directorate review – management arrangements – Planning and performance</p> <p><i>Note: the governance and risk, workforce, and planning and performance opinions were issued as a combined report.</i></p>	<p>The overall objective of our review was to assess the adequacy of management arrangements with a particular focus on planning and performance. We considered the directorate’s arrangements to develop its Integrated Medium-Term Plan, its approach to budgeting, and the monitoring and reporting of performance measures. We also looked at demand and capacity arrangements.</p>
<p>CAMHS clinical service group review – management arrangements – Planning and performance</p> <p><i>Note: the governance and risk, workforce, and planning and performance opinions were issued as a combined report.</i></p>	<p>The overall objective of our review was to assess the adequacy of management arrangements with a particular focus on planning and performance. We considered the directorate’s arrangements to develop its Integrated Medium-Term Plan, its approach to budgeting, and the monitoring and reporting of performance measures. We also looked at demand and capacity arrangements.</p>
<p>CAMHS clinical service group review – Compliance</p>	<p>The overall objective of the audit was to evaluate and determine the adequacy of the systems and controls in place in relation to compliance with key documents such as the financial control procedures. We also considered the clinical service group’s compliance with the Health Board’s scheme of delegation.</p>

Review Title	Objective
Pathology directorate – follow up	The overall objective of this review was to provide the Health Board with assurance regarding the implementation of the agreed management responses from the Pathology Management Arrangements Directorate review that was undertaken as part of our 2019/20 work programme.
Prince Charles Hospital development project – Governance	This review sought to provide assurance in respect of the current programme governance arrangements operating.
Prince Charles Hospital development project – Financial management	This review considered the current financial management arrangements applied at the programme / project.
Prince Charles Hospital development project – Technical compliance	This review considered technical compliance with contractual and framework requirements.
Facilities directorate (Workforce arrangements) – Follow up [Draft]	The objective of this review was to provide the Health Board with assurance regarding the implementation of the agreed management responses from the Facilities Workforce Arrangements Directorate review that was undertaken as part of our 2018/19 work programme.
Digital response to Covid-19 pandemic	We looked at the controls and governance in place to manage the effective deployment of digital equipment and solutions to support the Health Board during the Covid-19 pandemic.
Clinical audit [Draft]	This review focused on three key areas of the clinical audit process: roles, responsibilities and resources; programme planning; and programme delivery and Board assurance.

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
Patient pathway appointment management process – progress on the implementation of recommendations	The overall objective of this review was to provide the Health Board with assurance regarding the implementation of the agreed management responses from the review that was undertaken as part of our 2019/20 work programme.
IT service management	The overall objective of the audit was to evaluate and determine the adequacy of the systems and controls in place for IT service management. Our review included the service desk provision, the design of IT services, and problem and incident management.
CAMHS Clinical Service Group review – management arrangements – Governance and risk <i>Note: the governance and risk, workforce, and planning and performance opinions were issued as a combined report.</i>	The overall objective of our review was to assess the adequacy of management arrangements with a particular focus on governance and risk. We considered governance structures, including the reporting lines through committees and groups. We also looked at risk management arrangements, with a focus on recording, assessing, monitoring and reporting risk.
CAMHS Clinical Service Group review – management arrangements – Workforce <i>Note: the governance and risk, workforce, and planning and performance opinions were issued as a combined report.</i>	The overall objective of our review was to assess the adequacy of management arrangements with a particular focus on nursing staff workforce arrangements. We looked at annual leave, sick leave, training and performance monitoring for staff. We also considered future workforce planning and consultant job planning arrangements.

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
Governance During Covid 19 Pandemic	We 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.
Governance During Covid 19 Pandemic – follow up	The overall objective of this review was to provide the Health Board with an update position of the actions that management planned to undertake against the suggestions made in our original Covid-19 governance review.
IT Baseline review	The objective of the audit was to establish the processes and mechanisms in place for management of IG/ ICT 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.
Head and neck directorate governance arrangements position statement	The overall objective of this review, was to provide the Health Board with assurance regarding the implementation of the management responses agreed against our original recommendations made in 2019/20.

5.7 Audits not undertaken

Subsequent to the approval of the updated plan in December 2020, the following audits were either not undertaken or deferred. The reason is outlined for each audit together with any impact on the Head of Internal Audit Opinion.

Review Title	Reason
Governance arrangements – committee review	We reviewed committee functions as part of our Covid-19 governance review.
Integrity of Swansea bay data transfer	Delayed start due to pandemic – Will be included in 2021/22 work.
Quality and patient safety governance framework	Deferred to 2021/22. Implementation of the framework was delayed due to the pandemic.
Integrated Locality Group (ILG) review	Delayed start due to pandemic – Will be included in 2021/22 work.
Recruitment	Deferred to 2021/22. Unable to start due to pressures from pandemic.
Retention of staff follow up	Deferred to 2021/22. Unable to start due to pressures from pandemic.
Consultant job planning – follow up	Deferred to 2021/22. Unable to start due to pressures from pandemic.
Medical rostering – follow up	Deferred to 2021/22. Unable to start due to pressures from pandemic.

In addition, at the time of this annual report there were two reviews that were 'work in progress'. These reviews are referenced in section 2.4.2.

5.8 Audits undertaken at WHSSC

We undertook the following reviews at WHSSC:

Review Title	Objective
Women and Children Services	The objective of the audit was to evaluate and determine the adequacy of the systems and control in place for the

	<p>women and children programme. We looked at areas of the service such as governance arrangements, risk management, specific policies, contracts and budget monitoring.</p> <p>We issued a substantial assurance opinion for this review.</p>
Financial systems	<p>The objective of this audit was to evaluate and determine the adequacy of the systems and controls in place for the management of the financial systems.</p> <p>We focused on policies and procedures, authorisation controls, income and timing of payments.</p> <p>We identified one medium and one low priority recommendation and issued a substantial assurance opinion for this review.</p>

5.9 Audits undertaken at EASC

We undertook the following reviews at EASC:

Review Title	Objective
Recruitment review [Draft]	<p>The objective of the audit was to evaluate and determine the adequacy of the systems and controls in place for WAST recruitment funded by EASC The review focused on the recruitment of posts aligned with the internal review of demand and capacity, and the monitoring and delivery of the recruitment programme.</p> <p>We identified two medium priority recommendations and issued a reasonable assurance opinion for this review.</p>

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.

Paul Dalton

Head of Internal Audit

Audit & Assurance Services

NHS Wales Shared Services Partnership

June 2021

ATTRIBUTE STANDARDS:	
1000 Purpose, authority and responsibility	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 & Risk Committee on an annual basis.
1100 Independence and objectivity	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 & Risk Committee chair.
1200 Proficiency and due professional care	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.
1300 Quality assurance and improvement programme	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.
PERFORMANCE STANDARDS:	
2000 Managing the internal audit activity	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

	<p>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 & Risk Committee.</p> <p>Policies and procedures which guide the Internal Audit activity are set out in an Audit Quality Manual. There is structured liaison with Audit Wales and LCFS.</p>
2100 Nature of work	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.
2200 Engagement planning	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.
2300 Performing the engagement	The Audit Quality Manual guides the performance of each audit assignment and each report is quality reviewed before issue.
2400 Communicating results	<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 & Risk Committee giving assurance on the adequacy and effectiveness of the organisation's framework of governance, risk management and control.</p>

2500 Monitoring progress	An internal follow-up process is maintained by management to monitor progress with implementation of agreed management actions. This is reported to the Audit & Risk Committee. In addition, audit reports are followed-up by Internal Audit on a selective basis as part of the operational plan.
2600 Communicating the acceptance of risks	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	Report Number		Not rated	No	Limited assurance	Reasonable assurance	Substantial assurance
Corporate governance, risk and regulatory compliance	5		<ul style="list-style-type: none"> ● Covid-19 Governance ● Covid-19 Governance – follow up 	-	<ul style="list-style-type: none"> ● CAMHS Clinical Service Group 	<ul style="list-style-type: none"> ● Estates directorate ● Risk management 	-
Strategic planning, performance management and reporting	3		-	-	-	<ul style="list-style-type: none"> ● Estates directorate ● CAMHS Clinical Service Group ● <i>Continuous improvement in response to TI</i> 	-
Financial governance and management *	3		-	-	-	<ul style="list-style-type: none"> ● Financial system ● CAMHS Clinical Service Group ▣ Payroll (NWSSP) ▣ Accounts Payable (NWSSP) ▣ Primary Care Services Medical (GMS), Pharmaceutical (GPS), Dental (GDS), and Ophthalmic (GOS) (NWSSP) 	<ul style="list-style-type: none"> ● Estates directorate

Assurance domain	Report Number		Not rated	No	Limited assurance	Reasonable assurance	Substantial assurance
Clinical governance quality and safety	5		-	-	● Patient pathway appointment management process – progress	● Welsh risk pool ● Medical agency usage ● <i>Clinical audit [Draft]</i>	● Annual Quality Statement
Information governance and security	3		● IT Baseline review	-	● IT Service management	● Digital response to Covid-19 pandemic	-
Operational service and functional management	2		● Head and neck directorate – follow up of governance recommendations	-	-	● Pathology directorate – follow up	-
Workforce management	3		-	-	● CAMHS Clinical Service Group	● Estates directorate ● <i>Facilities management – workforce arrangements – follow up [Draft]</i>	-
Capital and estates management	6		-	-	-	● PCH - Governance ● PCH – Financial management ● PCH – Technical compliance	● Sustainability Reporting ● PCH – Covid-19 related issues ● PCH – Validation of management actions
Total	30		4		4	17	5

* This domain includes the outcome of two financial system audits undertaken through the audit of NWSSP as they include transactions processed on behalf of the Health Board.

Key to symbols:





- Audit undertaken within the annual Internal Audit plan
- Italics* Reports not yet finalised but have been issued in draft
- Audits undertaken as per of the NWSSP Internal Audit Plan.

PERFORMANCE INDICATORS as at 1 June 2021

Indicator Reported to Audit and Risk Committee	Status	Actual	Target	Red	Amber	Green
Operational Audit Plan agreed for 2020/21	G	April 2020 and December 2020	By 30 June	Not agreed	Draft plan	Final plan
Total assignments reported against adjusted plan for 2020/21	G	94% (30/32)	100%	v>20%	10%<v<20%	v<10%
Report turnaround: time from fieldwork completion to draft reporting [10 working days]	G	93%	80%	v>20%	10%<v<20%	v<10%
Report turnaround: time taken for management response to draft report [15 working days]	G	78%	80%	v>20%	10%<v<20%	v<10%
Report turnaround: time from management response to issue of final report [10 working days]	G	100%	80%	v>20%	10%<v<20%	v<10%

Key: v = percentage variance from target performance

2020/21 Audit Assurance Ratings

RATING	INDICATOR	DEFINITION
Substantial Assurance	 <p style="text-align: center;">- + Green</p>	<p>The Board can take substantial assurance 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 low impact on residual risk exposure.</p>
Reasonable Assurance	 <p style="text-align: center;">- + Yellow</p>	<p>The Board can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p>
Limited Assurance	 <p style="text-align: center;">- + Amber</p>	<p>The Board can take 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.</p>
No Assurance	 <p style="text-align: center;">- + Red</p>	<p>The Board has no assurance 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 high impact on residual risk exposure until resolved.</p>

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.

In the event that, pursuant to a request which the client has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify the Head of Internal Audit promptly and consult with the Head of Internal Audit and Board Secretary prior to disclosing such report.

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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