

PCH Redevelopment: Governance Arrangements Final Internal Audit Report February 2022

Cwm Taf Morgannwg University Health Board

NWSSP Audit and Assurance

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Acknowledgement

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Executive Summary

Purpose

The audit sought to determine the adequacy of the ongoing governance arrangements as observed at the PCH Redevelopment.

Overview

The programme continued to benefit from long-established governance arrangements. The Director of Finance continued as the lead executive and Senior Responsible Officer role and demonstrated active ownership and leadership of the programme.

Other key roles had been fully assigned and an appropriate supporting accountability/ reporting structure established.

The key themes of recommendations related to the need to:

- improve operational representation at the programme - recognising the other ongoing competing priorities of staff; and
- enhance the record of key decision making – demonstrating compliance with established delegation arrangements.

The governance arrangements were observed as operating effectively to assist project delivery, allowing a **reasonable assurance** to be determined.

Report Classification

Reasonable



Some matters require management attention in control design or compliance.

Low to moderate impact on residual risk exposure until resolved.

Assurance Summary

Assurance objectives	Assurance
1 Executive Ownership and Leadership	Substantial
2 Key Roles & Responsibilities	Substantial
3 Effectiveness of Project Board & Supporting Groups	Reasonable

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

Key Matters Remaining		Assurance Objective	Control Design or Operation	Recommendation Priority
1.1 & 2.1	Key project documentation should be reviewed to remove inconsistencies.	2	Operation	Low
3.1 & 5.2	Noting competing pressures are likely to continue, arrangements need to be determined to ensure governance arrangements/ operational representation.	3	Operation	Medium
4.1	Noting the size/ complexity of the project, the existing action log will be extended as a record of all decisions made at the project.	3	Design	Medium

1. Introduction

- 1.1 This audit originated from the 2021/22 integrated audit plan for the Prince Charles Hospital (PCH) Redevelopment, agreed with management and approved by the Audit & Risk Committee.

The audit sought to determine and assess the adequacy of the governance arrangements in place to deliver PCH Redevelopment project. At the time of this review, the programme status can be summarised as

- Phase 1a & 1b: Works on both of these phases were complete.
- Phase 2: The business case for Phase 2 was approved by Welsh Government in the sum of £220,060,000 (including variation of price inflation funding of £22.926m). Works on site commenced on the 30th of November 2020.
- Phases 3 & 4: The remaining phases remain at a high-level planning stage; costs being estimated at £38.073m and £4.547m for Phases 3 and 4 respectively.

Noting the impact of Covid-19, the delivery of this assignment included an increased element of remote working.

- 1.2 The potential risks considered in the review were that the arrangements do not support effective decision making, contributing to poor project management and the failure to achieve programme objectives.

2. Detailed Audit Findings

Project Performance: Summary of the achievement of the project's key delivery objectives (time, cost and quality) for the period from the date of the previous audit report.

Time:

- 2.1 The latest programme for Phase 2 is reported as follows:

	Contract Start Date	Contract Completion	Anticipated Completion
Section 1	30/11/20	23/12/21	25/02/22
Section 2	20/07/21	01/06/22	19/12/22
Section 3	05/11/21	28/03/24	-
Section 4	12/06/23	15/05/25	-
Section 5	01/11/24	19/06/26	-
Section 6	30/11/20	20/03/23	-
Overall	30/11/20	19/06/26	19/06/26

- 2.2 Delays noted at individual sections to date were not on the critical path of the overall programme and have no impact on the fire notice. Please note that this will

be subject to further scrutiny at the upcoming PCH: Technical Compliance audit report.

Cost:

2.3 The latest cost position is summarised below:

	BJC Approval	Forecast
Target Cost	129,789,879	128,789,879
PMIs		6,971,928
Anticipated Changes		926,110
Adjusted Target Cost	129,789,879	137,687,916
Fees	8,651,054	8,842,958
Non-works	1,507,079	1,507,079
Equipment	9,229,896	9,229,896
Provisional Sums	11,802,000	7,679,000
VAT Reclaim	(11,976,611)	(12,088,495)
Contingency	12,034,568	8,087,697
Total	194,774,813	194,774,812
Inflation	22,925,760	22,925,760

Phase 2 is currently being managed within the existing funding envelope, with a reasonable client contingency remaining in place. Please note that this will be subject to further scrutiny at the upcoming PCH: Financial Management audit report.

2.4 Quality

At the time of review, no issues were noted in respect of the quality of the design/works.

Executive Ownership & Leadership: To ensure that the Board were adequately informed and that the programme was afforded appropriate executive ownership and leadership.

2.5 The Director of Finance had been assigned the lead executive and Senior Responsible Officer role for the PCH Redevelopment Programme. The Senior Responsible Officer demonstrated active ownership and leadership of the programme, observed as regularly chairing the Project Board meetings.

2.6 The Project Board continues to receive regular updates and has overseen the continued delivery of the overall programme and reports onwards to the Capital Programme Board.

2.7 Given the above is a proposed enhancement of existing reporting arrangements, **substantial** assurance has been observed in this objective area.

Key Roles & Responsibilities: Assurance that key roles and responsibilities were appropriately assigned, and sufficient resource assigned to discharge each role effectively.

2.8 Terms of reference were observed for all groups reviewed – a minor recommendation has been made to update the project board terms of reference

as they referred to a prior accountability arrangement to the Planning, Performance & Finance Committee (see **recommendation 1**).

- 2.9 All key roles and responsibilities had been revisited to account for changes in individuals and accountabilities. The Project Execution Plan (December 2021) included several updated roles & responsibilities, but these had not been consistently updated throughout the document.
- 2.10 A Project Execution Plan had been prepared by the external Project Manager outlining the project scope, management, and overall success criteria for reference during the project progression. It was last updated in December 2021; however, the changes/ updates had not been consistently applied throughout the document. Accordingly, the document required review and update (see **recommendation 2**).
- 2.11 In support of the defined roles and responsibilities, the programme had an approved scheme of delegation from the outset – this was subsequently updated in April 2020 for major projects.
- 2.12 A **substantial** assurance has been determined.

Project Board & Supporting Groups: Assurances that the project board (and supporting groups) operates effectively, with sufficient regularity and key attendances, to support effective and timely decision making.

- 2.13 The project continued to progress during the period of the Covid-19 response – whilst observing the requirement for social distancing, remote working and the competing pressure of the Covid-19 response on senior staff.

Project Board

- 2.14 The Project Board was chaired by the Senior Responsible Officer and continued to operate as previously observed at prior audits. The Project Board had successfully overseen the conclusion of Phase 1b and ongoing delivery of Phase 2.
- 2.15 The Project Board regularly received appropriate and adequate information, and the minutes were sufficiently detailed to record key scrutiny and decisions made. The timing of Project Board had been aligned with the Financial Review Group and WG return dates to ensure that information considered was current/consistent.
- 2.16 Management previously identified the addition of the attendance of the Acute Services General Manager (PCH) as a key appointment for onward linkage to services/ clinicians, however the individual has only attended four of the eleven Project Board meetings in the period. It is inevitable that this was impacted initially by the introduction of new structures in the Health Board and latterly from pressures created by the Covid-19 response (see **recommendation 3**).
- 2.17 At the time of review, the Independent Member on the Project Board had raised concerns on attendance and the Executive Director of Strategy and Transformation had agreed to escalate the matter with the other Executives.
- 2.18 It was observed that the various reports would note the decisions required by the Project Board and any resulting dialogue would be noted within the corresponding minutes. The trail of approvals was accordingly difficult to follow in all instances.

It has been recommended that the existing action log is enhanced to include details of the action take/ decision made, to be definitive record of key decisions at the project (see **recommendation 4**).

Service Project Team

- 2.19 The Service Project Team was chaired by the Programme Director and was responsible for supporting the Project Board in the timely achievement of all service-related aspects as specified at the business cases.
- 2.20 The team met monthly but had not met since October 2021, highlighting pressures from the ongoing Covid response and handovers/ moves in the period. It is recommended that the meetings should continue in the periods, albeit the meeting and agenda may be shortened (see **recommendation 5.1**).
- 2.21 The Service Project Team consisted of core team members and wider members – whilst the core team were consistently well represented, only one of the wider group members consistently attended these meetings (see **recommendation 5.2**).

Progress Meetings

- 2.22 These meetings were chaired by the Project Manager and were focused on the contract and construction delivery. The Meetings were attended by the UHB, relevant personnel from the SCP, CDM principal designer and other external advisers. These were well attended, held with sufficient frequency and included appropriate coverage.

Financial Review Group

- 2.23 The group was chaired by the Deputy Senior Responsible Officer and attended by the Capital Planning Manager and external advisers providing financial scrutiny and reconciling internally and externally generated financial cost information. The group operated effectively with oversight of financial cost monitoring.
- 2.24 Given the general observations above, a **reasonable assurance** is determined.

Appendix A: Management Action Plan

Matter Arising 1: Committee Reporting		Impact
<p>The terms of reference of the Project Board (issued May 2020) outlines that the Project Board is accountable to the Planning, Performance and Finance Committee.</p> <p>The latest Project Execution Plan outlines that the Project Board is accountable to the Capital Programme Board.</p> <p>From a review of the minutes, and as confirmed with management, the Project Board is actually accountable to the Executive Capital Management Group.</p>		<p>The accountability and reporting structures are not clearly defined.</p>
Recommendations		Priority
<p>1.1 The terms of reference of Project Board should be reviewed to be consistent with other project management documentation.</p>		<p>Low</p>
Agreed Management Action	Target Date	Responsible Officer
<p>Accepted and will be addressed.</p>	<p>Within three months of report</p>	<p>Responsible Officer for PCH Construction Programme</p>

Matter Arising 2: Project Execution Plan		Impact
<p>A Project Execution Plan (PEP) had been prepared by the external Project Manager outlining the project scope, management, and overall success criteria for reference during the project progression. It was last updated in December 2021.</p> <p>Being an extensive document (77 pages in total), the document was observed as having been updated in certain key sections but these changes not being made throughout e.g.</p> <ul style="list-style-type: none"> • Changes in the Project Accountants for capital and revenue; • Update of membership of Project Board, Project Team and Financial Review Group; • The 'Document Approvals' highlights Project Director as key approver – e.g. Request for Change Approval / Direction, Early Warning, Work Package Approval; and • Clarification on Project Team, Service Project Team and Technical Project Team. 		The guidance for project staff is inconsistent.
Recommendations		Priority
2.1 The PEP should be reviewed for consistency and updated as the primary reference document for the project.		Low
Agreed Management Action	Target Date	Responsible Officer
Accepted and will be addressed.	Within three months of report	Responsible Officer for PCH Construction Programme

Matter Arising 3: Project Board Attendance		Impact
<p>The Project Board membership was defined within the terms of reference.</p> <p>Good attendance was observed from the core members as follows:</p> <ul style="list-style-type: none"> • SRO (11 out of 11 meetings); • IM attendance (7 of 11 meetings); • Core Team (11 of 11 meetings); and • Finance (11 of 11 meetings). <p>Management previously identified the addition of the attendance of the Acute Services General Manager (PCH) as a key appointment for the project for onward linkage to services/ clinicians, however the individual has only attended four of the eleven Project Board meetings sampled.</p> <p>Following concerns raised by the Independent Member at the January 2022 Project Board relating to attendance, the Executive Director of Strategy and Transformation had agreed to escalate the matter with the other Executives.</p>	<p>Not all stakeholders are adequately represented at the Project Board.</p>	
Recommendations		Priority
<p>3.1 The project board arrangements should be reviewed to ensure that arrangements are sufficient during periods of significant competing pressures for staff.</p>		<p>Medium</p>
Agreed Management Action	Target Date	Responsible Officer
<p>Accepted and will be addressed.</p>	<p>Within one month of report</p>	<p>Senior Responsible Officer</p>




Matter Arising 4: Decision Making/ Quoracy		Impact
<p>Quoracy of the Project Board is defined within the agreed terms of reference as:</p> <p style="padding-left: 40px;">"In order that the Project Board meetings be quorate two Executive Directors (or their nominated deputies) must be present."</p> <p>Of the 11 meetings in the period since the last audit, 4 meetings were correctly identified as not being quorate. The meetings continued; however, it was accepted that key decisions could not be made.</p> <p>In this period, for example, decisions were obtained outside of the Project Board:</p> <p style="padding-left: 40px;">'Project Board noted that correspondence associated with ratification and endorsement of advancing fire evacuation lift had been received and ENDORSED, after last Project Board 24th September 2021, due to quorum not being achieved'.</p> <p>Similarly, whilst decision required were listed within the various reports and resulting discussions were recorded within the minutes, the trail was difficult to follow given the volume of documentation.</p> <p>As observed within the wider Health Board, the programme may benefit from a decisions log – this would formally record key decisions made.</p>	<p>Compliance with delegated authority/ approval mechanisms is clearly demonstrated.</p>	
Recommendations		Priority
<p>4.1 The existing action log will be extended to record resulting actions and decisions taken, to provide a comprehensive record.</p>		Medium
Agreed Management Action	Target Date	Responsible Officer
Accepted and will be addressed.	Within one month of report	Senior Responsible Officer

Matter Arising 5: Project Team		Impact
<p>The Service Project Team is responsible for service and planning related matters.</p> <p>It met monthly and had defined terms of reference. In the period of review 3 of the 11 meetings were cancelled – primarily attributed to Covid pressures and handovers/ moves. In this period, management advised that planning groups were held directly with the service leads that were moving.</p> <p>The meetings were generally well attended by the core project team members. Whilst all the meetings held were quorate, attendance from the MCILG / site group members (9 members in total) was generally low, with only one of the nine individuals listed attending more than half of the meetings in the sample period.</p> <p>To compensate, the Programme Director attends the ILG weekly Bronze meeting for a standing agenda item to provide updates and answer questions.</p>		<p>Not all stakeholders are engaged/ informed.</p>
Recommendations		Priority
<p>5.1 The Service Project Team will be held with sufficient frequency - albeit with reduced agenda during periods of significant pressure.</p> <p>5.2 The Programme Director will determine an appropriate strategy to improve MCILG/ site group attendance.</p>		<p style="text-align: center;">Medium</p>
Agreed Management Action	Target Date	Responsible Officer
<p>Accepted and will be addressed.</p>	<p>Within one month of report</p>	<p>Programme Director</p>

Appendix B: Assurance opinion and action plan risk rating

Audit Assurance Ratings

We define the following levels of assurance that 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.
	No 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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