

PCH Redevelopment:  
Validation of Management Action  
Final Internal Audit Report  
October 2022

Cwm Taf Morgannwg University Health Board

NWSSP Audit and Assurance

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Review reference:	SSU_CTMUHB_2223_05
Report status:	Final Report
Fieldwork commencement:	August 2022
Fieldwork completion:	October 2022
Draft report issued:	October 2022
Management response received:	October 2022
Final report issued:	October 2022
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Audit and Assurance Services conform with all Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Institute of Internal Auditors

### Acknowledgement

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

### Disclaimer notice - please note

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# Executive Summary

## Purpose

The audit sought to determine the status of agreed audit recommendations contained within previous PCH Redevelopment Audit Reports.

## Overview

Agreed actions from the prior reviews have been largely implemented with **20** recommendations closed and only **2** recommendations remaining to be fully addressed.

The key matters remaining are listed below.

Further audit assessments will be progressed in these areas as a part of the 2022/23 agreed Integrated Audit Plan. This will enable us to further consider and appraise the ongoing effectiveness of the actions taken by management.

## Report Classification



Few matters require attention and are compliance or advisory in nature.

**Low impact** on residual risk exposure.

## Assurance Summary

	High	Medium	Low	Total
Closed	-	16	4	<b>20</b>
Partially Implemented	-	2	-	<b>2</b>
Outstanding	-	-	-	-
<b>Total</b>	-	<b>18</b>	<b>4</b>	<b>22</b>

## Key Matters Remaining

		Control Design or Operation	Recommendation Priority
Validation of Management Action 1	Appropriate arrangements will be made to ensure that vacancies identified within the resource schedule are filled as a matter of priority.	Operation	Medium
Quality Assurance 1	The stakeholder engagement strategy will be defined.	Design	Medium

## 1. Introduction

1.1 This audit originated from the 2022/23 integrated audit plan for the Prince Charles Hospital (PCH) Redevelopment, agreed with management and approved by the Audit Committee.

The audit sought to determine the current status of agreed audit recommendations contained within previous PCH Redevelopment Audit Reports, namely:

- Validation of Management Action – September 2021.
- Governance Audit – February 2022.
- Financial Management Audit – May 2022.
- Quality Audit – June 2022.
- Technical Compliance Audit – June 2022.

1.2 The potential risks considered in the review were:

- Management control frameworks continue to exhibit weaknesses;
- Management may not have processes in place to review and action agreed audit recommendations; and
- Management may not have adequate recording systems to inform whether requisite actions have been undertaken and are therefore unable to evidence actions.

## Appendix A: Status of Previously Agreed Action

Ref	Recommendation	Responsibility & Timescale	Priority Rating	Updated Status/ Responsibility	Timescale/
<b>Validation of Management Action – September 2021</b>					
1	Appropriate arrangements will be made to ensure that vacancies identified within the resource schedule are filled as a matter of priority.	Responsible Officer, PCH Construction Programme November 2021	<b>Medium</b>	Partially Addressed  Interviews to be held 17/10/22 following a period where it was difficult to fill the post.	
<b>Governance Audit – February 2022</b>					
1	The terms of reference of Project Board should be reviewed to be consistent with other project management documentation.	Responsible Officer, PCH Construction Programme  Within three months of report	<b>Low</b>	Closed.  Terms of reference updated and agreed at June 2022 Project Board meeting.	
2	The PEP should be reviewed for consistency and updated as the primary reference document for the project.	Responsible Officer, PCH Construction Programme  Within three months of report	<b>Low</b>	Closed.  Updated PEP presented and agreed at June 2022 Project Board meeting.	
3	The project board arrangements should be reviewed to ensure that arrangements are sufficient during periods of significant competing pressures for staff.	Senior Responsible Officer	<b>Medium</b>	Closed.  Project Board attendance has not been an issue during the period.	

Ref	Recommendation	Responsibility & Timescale	Priority Rating	Updated Status/ Responsibility	Timescale/
		Within one month of report			
4	The existing action log will be extended to record resulting actions and decisions taken, to provide a comprehensive record.	Senior Responsible Officer Within one month of report	<b>Medium</b>	Closed. The action log is now supplemented by a decisions log.	
5	5.1 The Service Project Team will be held with sufficient frequency - albeit with reduced agenda during periods of significant pressure.  5.2 The Programme Director will determine an appropriate strategy to improve MCILG/ site group attendance.	Programme Director Within one month of report	<b>Medium</b>	Closed. On the few occasions where it has not been possible to hold meetings, enhanced reporting was provided to the weekly ILG meetings.  Closed. Meetings in the period were not cancelled due to poor attendance.	
<b>Financial Management Audit – April 2022</b>					
1	The VAT reclaim amount should be clearly defined subject to WG approval at the cost reporting.	Responsible Officer, PCH Construction Programme July 2022	<b>Medium</b>	Closed. The VAT recovery is now reported as less than anticipated, however associated risks are reported within the Project Manager and Cost Advisor report.	

Ref	Recommendation	Responsibility & Timescale	Priority Rating	Updated Status/ Responsibility	Timescale/
2	<p>2.1 The Project Board should affirm (or otherwise) their approval of the higher value unsigned changes issued to date - based on existing schemes of delegation.</p> <p>2.2 The change tracker should be updated to include the source of funding for each change (e.g. contingencies, provisional sums, other).</p> <p>2.3 Provisional sums should be monitored against their allocations – to allow benchmarking of costs.</p>	<p>Responsible Officer, PCH Construction Programme</p> <p>July 2022</p>	<b>Medium</b>	<p>Closed.</p> <p>All changes were retrospectively signed-off via the PIF process.</p> <p>Closed.</p> <p>A column has been added to the tracker for funding source.</p> <p>Closed.</p> <p>Provisional sums are reported separately.</p>	
3	<p>3.1 Advisers will be requested to demonstrate greater quality assurance at issued reports.</p> <p>3.2 The Project Board reporting should be streamlined to cover key aspects.</p>	<p>Responsible Officer, PCH Construction Programme</p> <p>July 2022</p>	<b>Medium</b>	<p>Closed.</p> <p>The Responsible Officer now reviews submitted reports prior to submission to Project Board.</p> <p>Closed.</p> <p>The Project Board was consulted on the breadth of information provided, whilst some reports have been abbreviated, the Project Board</p>	




Ref	Recommendation	Responsibility & Timescale	Priority Rating	Updated Status/ Responsibility	Timescale/
				elected to maintain the current level of reporting.	
4	At the next formal review of the risk register, key financial risks should be reviewed to determine whether they can be proportionately reduced to reflect works completed to date.	Responsible Officer, PCH Construction Programme July 2022	<b>Medium</b>	Closed. The register was reviewed in May 2022 and the associated costs were reduced.	
5	Lessons learnt from the experiences of the Capital Resource Limit (CRL) for 2021/22 should be demonstrated in determining the 2022/23 CRL.	Actioned	<b>Medium</b>	Closed. The 2022/23 CRL was agreed with Welsh Government and the current forecast remains as anticipated.	
6	6.1 All signed deeds should be obtained; and  6.2 Resolution is required on under-claimed costs and anomalies to date.	Responsible Officer, PCH Construction Programme July 2022	<b>Medium</b>	Closed  Whilst all significant parties have signed deeds to participate in the project bank account, formal deeds remain outstanding for three Supply Chain Members. The total value of these contracts being less than £200k represents minimal risk to the UHB.  Closed.  A full review was concluded of amounts remaining in the account and the issue was fully resolved.	
<b>Technical Compliance Audit – June 2022</b>					

Ref	Recommendation	Responsibility & Timescale	Priority Rating	Updated Status/ Responsibility	Timescale/
1	The risk register should include details of the residual risk to reflect the mitigating action taken to date.	Responsible Officer, PCH Construction Programme August 2022	Medium	Closed.  The risk register now includes 'likely cost' representing the residual risk cost.	
2	Consideration should be given to reducing the level of checking based on a sampling/ risk-based approach.	Responsible Officer, PCH Construction Programme August 2022	Low	Closed.  This was formally reported to the advisors and a way forward agreed.	
3	All parties should be reminded of their obligation to make prompt payments to avoid incurring unnecessary interest charges.	Responsible Officer, PCH Construction Programme August 2022	Medium	Closed.  The issue was raised and escalated within NWSSP.	
<b>Quality Assurance Audit – June 2022</b>					
1	The stakeholder engagement strategy will be defined.	Programme Director/ Responsible Officer, PCH Construction Programme August 2022	Medium	Partially Addressed.  The Project Execution Plan has been adapted to include the stakeholder engagement requirements. This draft is to be shared at next Project Board.	
2	The Request for Information reporting to Project Board will include the date of response to assist the Project Board in overseeing UHB responsiveness.	Responsible Officer, PCH Construction Programme August 2022	Low	Closed.  A column has been added to the RFI tracker to record the date response received.	

## 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:

	<b>Substantial assurance</b>	Few matters require attention and are compliance or advisory in nature. <b>Low impact</b> on residual risk exposure.
	<b>Reasonable assurance</b>	Some matters require management attention in control design or compliance. <b>Low to moderate impact</b> on residual risk exposure until resolved.
	<b>Limited assurance</b>	More significant matters require management attention. <b>Moderate impact</b> on residual risk exposure until resolved.
	<b>No assurance</b>	Action is required to address the whole control framework in this area. <b>High impact</b> on residual risk exposure until resolved.
	<b>Assurance not applicable</b>	Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are not appropriate. These reviews are still relevant to the evidence base upon which the overall opinion is formed.

### Prioritisation of Recommendations

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

Priority level	Explanation	Management action
<b>High</b>	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*
<b>Medium</b>	Minor weakness in system design OR limited non-compliance. Some risk to achievement of a system objective.	Within one month*
<b>Low</b>	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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