

# Rhydrafar Development

## Final Internal Audit Report

2025/26

Cardiff & Vale University Health Board



Reasonable Assurance

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### Review Reference

CVU-SSU-2526-35

### Fieldwork

January-February 2026

### Executive Sign Off

24th April 2026

### Audit Committee

19<sup>th</sup> May 2026

### Executive Lead

Catherine Phillips, Executive Director of Finance

### Audit Team

Huw Richards, Deputy Director, SSU  
Melanie Goodman, Audit Manager

# Executive Summary

## Purpose

This audit reviewed the delivery and management arrangements in place to progress the Pentyrch/Rhydlafar Branch Surgery Development. The audit was commissioned in accordance with the agreed Integrated Audit Plan provided within the approved Business Justification Case (BJC) for the project and is the first audit of the project.

## Overview

Pentyrch Branch Surgery has been operating from a temporary portacabin for the last 11 years, with the current site not fit for purpose, insufficient for increasing demand, and unsustainable noting that temporary planning permissions cannot be renewed. The relocation of the Branch Surgery to a new, purpose-built development at Rhydlafar Drive aims to expand and improve the range of services offered and accommodate increasing patient numbers in line with local development plans.

Progression of the project was initially delayed due to an external review of the engagement processes applied, with the appointed third-party developer subsequently withdrawing from the scheme in 2023 due to increased costs. The project is now being delivered via Welsh Government capital funding, with the Health Board subsequently purchasing the intellectual property rights for the work completed with the third-party developer.

We have concluded **reasonable assurance** at this review. The project was forecast to be completed within budget at the time of review, however, was three months behind schedule with the potential for further delays highlighted. Management controls have been assessed positively in all objective areas, with only a small number of matters requiring management attention, as follows:

- Key Performance Indicators had not been completed in line with Local Framework requirements.
- Planning conditions were not being centrally monitored or reported.
- A Project Bank Account was not implemented in accordance with Welsh Government policy.
- Errors have been noted in the reporting of project progress to Welsh Government.

Full details of matters arising are detailed within the Findings & Agreed Action Plan. The following opportunities for enhancement have been identified that do not impact the overall opinion and are highlighted for management information:

- Management should consider the recording and reporting of community benefits, including to Welsh Government via their reporting tool.
- The updated Communications & Engagement Sub-Group terms of reference should be reported back to the Project Team for approval.
- A potential error at the Bill of Quantities should be checked and corrected if necessary.

## Scope & Assurance Summary

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

	Related Findings	Assurance
1 <b>Project Performance:</b> Consideration of performance against project objectives at the current stage (e.g. time, cost, benefits, critical success factors etc.).	1	<b>Reasonable</b>
2 <b>Governance arrangements:</b> Assurance that adequate governance arrangements are in place, including appropriately defined roles and responsibilities, project governance structure, stakeholder engagement, information retention systems, and clearly defined accountability & delegation arrangements.	-	<b>Reasonable</b>
3 <b>Design Development:</b> A review of the arrangements to develop the design, including engagement with key stakeholders. That affordability is appropriately monitored and controlled. That derogations are appropriately managed. Assurance that planning approvals have been appropriately obtained, and conditions/requirements are complied with.	2	<b>Reasonable</b>
4 <b>Contractual:</b> To ensure that appropriate mechanisms have been applied at the appointment of the contractor and advisers, ensuring compliance with local and national protocols. Assurance that appropriate contractual documents, (including warranties, guarantees and in relation to the transfer of IP rights in relation to the design etc.) are in place.	-	<b>Substantial</b>
5 <b>Financial:</b> Adequate cost control and reporting systems are operated. Assessment of the ongoing arrangements for the review of risk and associated management of contingency funds. Appropriate operation of the project bank account.	3,4	<b>Reasonable</b>
6 <b>Technical:</b> Adequate processes and procedures are in place to validate the costs incurred in accordance with the requirements of the contract.	-	<b>Substantial</b>

### Management Actions

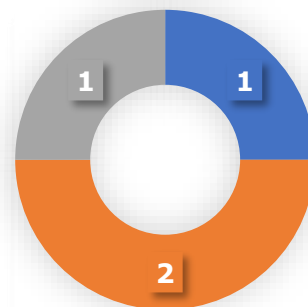


High Priority



Medium Priority

### Themes



- Finance Management & Control
- Performance Monitoring
- Reporting

### Risk Types

- Financial Loss
- Legal & Regulatory Non-Compliance
- Public Perception & Reputational Risk
- Quality or Safety Issues

# Findings & Agreed Action Plan

## Objective 1: Project Performance

Reasonable

### Overview / Summary of Observations

#### Time

Whilst the Business Justification Case (BJC) initially anticipated project completion by September 2025, the delayed approval and commencement effectively extended the forecast completion to July 2026 (as detailed at the latest project progress reports).

Following the start on site in March 2025, contractual progress was reported as:

Milestone	Original Contract Completion Date	Revised Contract Completion Date	Planned Completion (Programme Rev 5)
Development Completion	27 <sup>th</sup> March 2026	22 <sup>nd</sup> June 2026	5 <sup>th</sup> June 2026

The Contractual Completion Date has been extended by contractually agreed Compensation Events of 12 weeks. The programme has been impacted by the removal of a live gas main and incorrect measurement of brick and blockwork within the Bill of Quantities.

Whilst Planned Completion was reported to be ahead of Contractual Completion at Programme Rev. 5, the latest Project Manager's report noted that work was currently behind programme due to inclement weather. Latest forecasts now anticipate completion in July 2026. Further risks to completion have been reported, including the impact of any potential delays in works to be undertaken by third parties such as Welsh Water, which is outside the direct control of the Health Board.

#### Cost

The latest cost position presents a forecast break-even position, as reported in the January 2026 cost report as follows:

	Approved Budget (£)	Forecast Outturn (£)	Variance (£)
Construction cost	3,256,565	3,658,772	402,207
Client direct costs	342,000	317,000	-25,000
Equipment	30,000	30,000	0
Professional Fees & Surveys	688,541	415,708	-272,833
Contingency	225,000	120,626	-104,374
VAT	908,421	908,421	0
VAT recovery on Fees	-106,882	-106,882	0
<b>Total project costs</b>	<b>5,343,645</b>	<b>5,343,645</b>	<b>0</b>

Recognising an underspend on professional fees, the sum of £272,834 had been reallocated to contingency, and the updated position will be presented within the next cost report.

Noting the delays to the project programme outlined above, the Health Board's Capital Resource Limit profile has been adjusted to reflect contractual payments running into 2026/27. Welsh Government have been appropriately informed of the position via the bi-monthly Project Progress Reporting and Capital Resource Meetings.

## Quality

The appointed Supervisor had not raised any defect notifications to date in respect of the quality of works.

Whilst the Local Framework requires Key Performance Indicators (KPIs) to be completed on a 6-monthly basis, these had not been compiled at this project (see *Key Finding 1* below). We recognise however that no performance issues had been noted to date within the project reports or discussions at Project Team.

Whilst no contractual community benefit targets were set, the Health Board had described a number of activities undertaken in the community by the contractor. The Welsh Government funding approval letter (3 December 2024) stated "*Please report any community benefits achieved by you through your use of the Funding and/or any third party procured by you in connection with the Purposes using the Welsh Government's Community Benefits Measurement Tool. A copy of the Measurement Tool is available at [www.prp.wales.gov.uk/toolkit/](http://www.prp.wales.gov.uk/toolkit/)*". We were advised that this has not been undertaken to date. As a low priority point (not raised as a formal Key Finding), management should consider recording and reporting community benefits both via the above link and internally through the project governance structure / Local Framework management process.

Key Findings	Risk & Impact	Agreed Management Action
<p>1 <b>Key Performance Indicators</b></p> <p>The C&amp;VUHB Local Framework requires contractor Key Performance Indicators (KPIs) to be completed every six months.</p> <p>KPIs had not been completed to date for this project.</p> <p>In addition to ensuring these are now captured, the team may wish to review arrangements for ensuring KPIs are submitted at the required intervals across its live projects, to support central monitoring as intended.</p> <p>We note that provision was also not made for KPIs at the adviser appointments. The UHB should consider whether this would be beneficial at future projects.</p>	<p>Poor performance at either project or Framework level is not identified and reported.</p> <p>Future framework decisions / adviser appointments are not sufficiently informed.</p>	<p><b>Agreed Action:</b></p> <p>It has been agreed with NWSSP Procurement team that a formal KPI review meetings will be carried out with each appointed Contractor on the Framework.</p> <p>The review meeting for this project is planned for May 2026 with the review for all other projects being complete by the end of June 2026. This project review will also encompass external advisors on Capital Schemes.</p> <p><b>Expected Evidence of Implementation:</b></p> <p>Framework review meetings to be recorded and documented by NWSSP Procurement and CEF Team.</p>
<p><b>Theme:</b> Performance Monitoring</p>	<p><b>Medium Priority</b></p> <p>Control Operation</p>	<p><b>Officer:</b> Interim Head of Capital Planning</p> <p><b>Target Implementation Date:</b> May 2026</p>

**Overview / Summary of Observations**

The project benefited from a well-represented Project Team, led by the Project Director and attended by the deputy Senior Responsible Officer, which had met monthly during the period under review. Each meeting received the Capital Highlight Report, presenting the capital finance and construction progress position, with the risk register also routinely discussed.

The Project Team reported to the Capital Management Group for executive oversight of key delivery risks, and we have evidenced scrutiny of the project's key risks at recent meetings observed.

The project also reported to the Regional Partnership Board Capital Delivery Group (which has replaced the Shaping Our Future Wellbeing: In Our Community Programme Board within the Health Board's project governance structure). It does not have a dedicated Project Board. The need to review and better define governance arrangements for Primary Care projects within this structure has been discussed at the recent Park View Wellbeing Hub audit report (see *Key Finding 1*), and the agreed management actions at that report will also apply to this project.

Stakeholder engagement was managed through the Communications and Engagement Sub-Group, chaired by the Chief Executive, which regularly reported its activities to the Project Team. Whilst the Terms of Reference were initially shared with the Project Team for review, there were queries as to the title and role of the Sub-Group, but an updated version does not appear to have been returned for approval. The version shared with Audit remained in draft. It should be ensured the Terms of Reference is agreed and finalised. This is classed as a low priority point and therefore a Key Finding has not been raised.

Whilst recognising no Key Findings have been raised at this objective, assurance is reduced at this time recognising the previously reported need to review and better define the governance arrangements at this and other projects.

**Overview / Summary of Observations**

The project was being delivered via a traditional contract route, with the design separate from construction and the design team directly appointed by the Health Board. The Contractor was not therefore responsible for the design, only for delivery, with the Health Board bearing the risk of design errors and coordination between the design team and Contractor.

Recognising the history of the project, which was originally to be delivered by a third-party developer, the design had already been developed and accepted by users prior to the Health Board taking over responsibility for delivery. The Intellectual Property rights were purchased from the third-party developer to protect the Health Board in this regard. The current design team were appointed by the Health Board to deliver the Stage 4 technical design and were retained for continuity during construction.

We were advised that the building design had largely remained unchanged from the original design, with Planning Permission already in place. Good practice was recognised in the re-signoff of the design by users during Stage 4, ensuring requirements had not changed.

Whilst pharmacy space is included within the building design, the service provision has not yet been determined, and this would be subject to the wider pharmacy provision decisions taken within C&V UHB and Welsh Government. Current plans are to temporarily utilise the vacant space for other purposes e.g. admin / community staff until a decision is made. The status has been discussed at the Communications and Engagement Sub-Group, along with wider ongoing engagement with stakeholders.

Arrangements for the completion of lease agreements between the Health Board and General Practitioners were in progress, with only a small number of final issues to be resolved, with legal advice obtained. Progress was monitored by the Project Team.

Planning permission was granted in October 2021, with a number of associated conditions. Construction commenced within the required 5-year window. Whilst a Planning Tracker was initially prepared by the project Architect to log and monitor conditions, an up-to-date version was not evidenced.

SuDS-SAB approval (for sustainable drainage systems) was outstanding, having been held up by delays with Welsh Water undertaking trial bore holes, but the application was now progressing. The timeline may still pose a risk to project progression if approval is delayed.

Key Findings	Risk & Impact	Agreed Management Action
<p>2 <b>Planning Tracker</b></p> <p>Whilst the project Architect prepared a Planning Tracker in 2021, to log and monitor the status of planning conditions, an updated version was not evidenced.</p> <p>Whilst we have observed the discussion of individual planning conditions within project reports and meetings, a central record which can be periodically shared with the UHB would provide assurance that conditions were being appropriately monitored and achieved.</p>	<p>The UHB does not receive sufficient assurance that planning conditions are being met.</p>	<p><b>Agreed Action:</b></p> <p>Project Architect to provide an updated Tracker document to Health Board on a monthly basis presented during the monthly scheme progress meeting.</p> <hr/> <p><b>Expected Evidence of Implementation:</b></p> <p>Updated tracker to be provided during next progress meeting being held on the 29<sup>th</sup> April 2026.</p>

		<b>Medium Priority</b>	<b>Officer:</b> Interim Head of Capital Planning
	<b>Theme:</b> Performance Monitoring	Control Operation	<b>Target Implementation Date:</b> 27 <sup>th</sup> April 2026

**Overview / Summary of Observations**

The contractor was appointed from the Health Board's Local Framework via mini-competition, with the NWSSP: Procurement report outlining a process compliant with Standing Financial Instructions and Procurement Regulations. Procurement approvals were appropriately obtained in line with delegated authorities, including Board approval to enter into contract.

The NEC Option B (Priced Contract with Bill of Quantities) form of contract was used for the works, noting a Bill of Quantities was already in place from the earlier third-party developer arrangements. The contract was appropriately executed and made appropriate provisions for delay damages. Insurances had been confirmed centrally by the Local Framework manager. As mentioned at the prior objective, contractual arrangements were also in place for the transfer of Intellectual Property rights from the third-party developer to the Health Board for the design work completed to date.

The appointed advisers were also appropriately procured, again with NWSSP Procurement support. The Project Manager, Cost Adviser and Architect were appointed from the SBS Framework, with Service Level Agreements (SLAs) in place. Whilst we have raised at prior audits the benefits of implementing NEC Professional Services Contracts over SLAs, we recognise at this project the relative simplicity and lower value of the project that may not necessitate the stronger controls provided by the NEC contract.

**Overview / Summary of Observations**

The Health Board received monthly reports from the external Cost Adviser, with a financial summary also presented by the external Project Manager. This information, along with the internally monitored financial position, was consolidated into the internal capital highlight report, as presented to the Project Team. The Capital Management Group also received a high-level appraisal of the project's financial position.

The Cost Adviser's cost report was out of date in respect of the balance of contingency available, noting additional funds had recently been transferred from the Fees budget. Management confirmed that this had already been identified and would be updated at the next cost report.

A Project Bank Account had not been implemented at this project, which is non-compliant with current Welsh Government requirements. The position had not been reported (as required) to Welsh Government via the bi-monthly Project Progress Report.

We also identified some other discrepancies at the Project Progress Report, and whilst noting these were relatively minor in nature, these had also been identified at a number of other Health Board audits in recent years. The Health Board may benefit from reviewing its quality control and sign off arrangements before the Progress Reports are shared with Welsh Government.

The Construction Risk Register, updated in February 2026, provided a costed risk position for open client risks totalling £160,500, which was within the remaining contingency.

**Key Findings****Risk & Impact****Agreed Management Action****3 Project Bank Account**

Welsh Government Procurement Policy Note (WPPN) 010 requires the use of Project Bank Accounts for all construction projects that receive Welsh Government funding. There are three cases for exemption, none of which are met by this project.

Standing Financial Instructions (section 15.4.8) also state that *"The Director of Finance shall ensure, for each capital project over £2m, that the Welsh Government Project Bank Accounts policy is applied unless there are compelling reasons not to do so. The Director of Finance should apply to Welsh Government officials for exemption from use of Project Bank Accounts, setting out the compelling reasons"*.

The BJC approved by the Board and Welsh Government stated *"The Health Board ... can confirm that a Project Bank Account (PBA) will be prepared as the project exceeds the Welsh Government value threshold for the mandatory use of Project Bank Accounts."*

Non-compliance with Welsh Government policy.

Non-compliance with SFIs.

Non-compliance with the approach set out in the approved business case.

Risk to the prompt-payment of sub-contractors.

**Agreed Action:**

Head of Capital Planning to ensure Project Bank accounts will be in place as per Welsh Government funding requirements on all future Capital Schemes.

Head of Capital Planning to ensure all Bi-monthly project progress returns include status of PBA.

**Expected Evidence of Implementation:**

<p>Following approval of the BJC, the main contractor stated their intention to “opt-out” of the Project Bank Account process, referencing factors including the project’s scale and duration, and supply chain structure. It is noted none of these factors meet the criteria for exemption in WPPN 010.</p> <p>We also note that the Project Bank Account status had not been reported to the Welsh Government via the bi-monthly Project Progress Returns, as required under section 18.</p>		<p>Bi-monthly WG project progress returns that will be issued in May 2026 and on all future projects.</p>
<p><b>Theme:</b> Finance Management &amp; Control</p>	<p><b>Medium Priority</b></p> <p>Control Operation</p>	<p><b>Officer:</b> Interim Head of Capital Planning <b>Target Implementation Date:</b> May 2026</p>
<p>4 <b>Welsh Government Project Progress Reporting</b></p> <p>The Health Board are required to report project progress to Welsh Government on a bi-monthly basis via the Project Progress Report (PPR).</p> <p>At the most recent return (January 2026), several aspects were incorrectly presented, including:</p> <ul style="list-style-type: none"> <li>• Section 10 ‘Activity Dates’ were not updated to reflect the current forecast completion.</li> <li>• Section 11 ‘Overall Financial Performance’ was out of date.</li> <li>• Section 18 ‘Project Bank Account’ had not been completed (see <i>Key Finding 3</i> above).</li> </ul> <p>Accuracy of Project Progress Reports has been raised at prior audits, including most recently, UHW Lift Modernisation (2024/25), Mortuary Refurbishment (2024/25) and UHL Endoscopy (2023/24). The Health Board should review its processes for quality control and sign off to ensure improvements are made in the accuracy of information submitted to Welsh Government.</p>	<p>Inaccurate information is shared with Welsh Government.</p> <p><b>Medium Priority</b></p> <p>Control Operation</p>	<p><b>Agreed Action:</b></p> <p>Individual Project Progress reports to be reviewed and signed off as being accurate by Head of Capital Planning.</p> <p>Financial Performance on PPR’s to be reviewed against Monitoring Return sheet prior to issue.</p> <p><b>Expected Evidence of Implementation:</b></p> <p>All future Project progress Reports.</p> <p><b>Officer:</b> Interim Head of Capital Planning <b>Target Implementation Date:</b> 22<sup>nd</sup> April 2026</p>
<p><b>Theme:</b> Reporting</p>		

**Overview / Summary of Observations**

As above, NEC Option B (Priced Contract with Bill of Quantities) is utilised at this project, and the monthly valuation and payment process was assessed against contract requirements.

Application no. 9 in the cumulative sum of £1,167,125, with a monthly payment of £224,225, was reviewed for the audit. The payment had been appropriately determined, certified by the Project Manager and paid in a timely manner in line with the contractual time frame.

We identified one potential error in the sub-total calculations at the Bill of Quantities. A potential sum of £29,681.29 has been double counted at worksheet 32 (internal wall opening, page 32/4). Whilst recognising this is not a material error (being less than 1% of the contract sum), has not impacted payments to date nor would it have any impact on the Health Board's liability for future payments, it should be checked and confirmed with figures updated accordingly. This may provide additional funds to the Health Board contingency, by reducing the recorded contract sum.

# Appendix A

## Assurance Opinion

	<b>Substantial</b>	Few matters require attention and are compliance or advisory in nature. <b>Low impact</b> on residual risk exposure.
	<b>Reasonable</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</b>	More significant matters require management attention. <b>Moderate impact</b> on residual risk exposure until resolved.
	<b>Unsatisfactory</b>	Action is required to address the whole control framework in this area. <b>High impact</b> on residual risk exposure until resolved.
	<b>Advisory</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 Findings

Priority	Explanation
<b>High</b>	Significant risk to achievement of a system objective OR evidence present of material loss, error, or misstatement. Poor system design OR widespread non-compliance.
<b>Medium</b>	Some risk to achievement of a system objective. Minor weakness in system design OR limited non-compliance.

Website: [Audit & Assurance Services - NHS Wales Shared Services Partnership](#)

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Audit work undertaken by NHS Wales Audit and Assurance Services conforms with the International Standards for the Professional Practice of Internal Auditing and associated Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Chartered Institute of Public Finance & Accountancy in April 2023.

