

SPECIAL BOARD MEETING

Tue 14 June 2022, 14:30 - 16:30

Agenda

14:30 - 14:30 **1. Welcome & Introductions**

0 min

Ceri Phillips

14:30 - 14:30 **2. Apologies for Absence**

0 min

Ceri Phillips

14:30 - 14:30 **3. Declarations of Interest**

0 min

14:30 - 14:30 **4. Items for Approval / Ratification**

0 min

4.1. Introduction to the Annual Report and Accounts 2022-22

Catherine Phillips / Nicola Foreman

4.2. Audit Wales ISA 260 Report for 2021-22

Wales Audit

4.3. The Head of Internal Audit Opinion and Annual Report for 2021-22

Ian Virgil

 4.3 HIA Opinion Annual Report 21-22.pdf (36 pages)

4.4. The response to the audit enquiries of those charged with Governance and Management

Catherine Phillips

 4.4 Audit Wales enquiries letter - UHB response.pdf (17 pages)

4.5. The CVUHB Annual Report 2021-22 including the Annual Accountability Report, Performance Report and the Financial Statements

Catherine Phillips / Nicola Foreman

14:30 - 14:30 **5. Agenda for Private Board Meeting:**

0 min

Ceri Phillips

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14:30 - 14:30
0 min

6. Date and time of next Meeting

30 June 2022 (Special Board) - 11am

14:30 - 14:30
0 min

7. Declaration

Ceri Phillips

"To consider a resolution that representatives of the press and other members of the public be excluded from the remainder of this meeting having regard to the confidential nature of the business to be transacted, publicity on which would be prejudicial to the public interest [Section 1(2) Public Bodies (Admission to Meetings) Act 1960]"

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Head of Internal Audit Opinion & Annual Report 2021/2022

June 2022

Cardiff & Vale University Health Board

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|-----------------------------|----------------------------------|
| Report status: | Final |
| Draft report issued: | 26 April 2022 |
| Final report issued: | 31 May 2022 |
| Author: | Head of Internal Audit |
| Executive Clearance: | Director of Corporate Governance |
| Audit Committee: | 14 June 2022 |

Disclaimer notice - please note

This audit report has been prepared for internal use only. Audit and Assurance Services reports are prepared, in accordance with the agreed audit brief, and the Audit Charter as approved by the Audit & Assurance Committee.

Audit reports are prepared by the staff of the NHS Wales Audit and Assurance Services, and addressed to Independent Members or officers including those designated as Accountable Officer. They are prepared for the sole use of the Cardiff and Vale University Health Board and no responsibility is taken by the Audit and Assurance Services Internal Auditors to any director or officer in their individual capacity, or to any third party.

1. EXECUTIVE SUMMARY

1.1 Purpose of this Report


Cardiff and Vale University Health Board's (Health Board) Board is 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 2021-22

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 on 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 2021/22 is that:

| | | |
|-----------------------------|---|---|
| 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> |
|-----------------------------|---|---|

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 and Assurance 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 2021/22 year was initially presented to the Committee in April 2021. Changes to the plan have been made during the course of the year and these changes have been reported to the Committee as part of our regular progress reporting.

There are, as in previous years, audits undertaken at NWSSP, DHCW, WHSSC and EASC that support the overall opinion for NHS Wales health bodies (see section 3).

Our latest External Quality Assessment (EQA), conducted by the Chartered Institute of Internal Auditors (in 2018), and our own annual Quality Assurance and Improvement Programme (QAIP) have both confirmed that our internal audit work continues to 'generally conform' to the requirements of the Public Sector Internal Audit Standards for 2021/22. For this year, as in 2020/21, 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 (again, 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. A summary of the audits undertaken in the year and the results are summarised in table 1 below.

Table 1 – Summary of Audits 2021/22

| Substantial Assurance | Reasonable Assurance |
|---|--|
| <ul style="list-style-type: none"> • Core Financial Systems • Verification of Community Dialysis Sessions – Specialist Services CB • Health & Safety • Wellbeing Hub at Maelfa • COVID-19 Vaccination Programme - Phase 3 delivery • Welsh Risk Pool Claims • Recovery of Services and Delivery of the Annual Plan 2021-2022 (Draft) | <ul style="list-style-type: none"> • Legislative, Regulatory & Alerts Compliance • Healthy Eating Standards - Hospital Restaurant & Retail Outlets • Cancellation of Outpatient Clinics Follow-up - Mental Health CB • Theatres Utilisation – Surgery CB • Retention of Staff • Welsh Language Standards • Raising Staff Concerns (Whistle Blowing) • Development of Genomics Partnership Wales • Nurse Rostering: Children’s Hospital for Wales – Children & Women’s CB • Waste Management (Draft) • Risk Management (Draft) • Performance Reporting (Data Quality) (Draft) |
| Limited Assurance | Advisory & Non-Opinion |
| <ul style="list-style-type: none"> • Ultrasound Governance – CD&T CB • Clinical Audit • Five Steps to Safer Surgery • IT Service Management (ITIL) • Network and Information Systems (NIS) Directive • Nurse Bank (Temporary Staffing Department) • ChemoCare IT System | <ul style="list-style-type: none"> • Arrangements to support the delivery of Mental Health Services – Mental Health CB • Major Capital Scheme – UHW II • Development of Integrated Audit Plans |
| 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 Health Board'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 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 Health Board. 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 Assurance 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 Cardiff and Vale 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 results from 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

The overall opinion is based primarily on the outcome of the work undertaken during the course of the 2021/22 audit year. We also consider other information available to us such as our overall knowledge of the organisation, the findings of other assurance providers and inspectors, and the work we undertake at other NHS Wales organisations. The Head of Internal Audit considers the outcomes of the audit work undertaken and exercises professional judgement to arrive at the most appropriate opinion for each organisation.

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.

We take this approach into account when considering 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 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 B**.

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).

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 and Assurance 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> |
|-----------------------------|---|---|

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 seven audits in 2021/22).

2.4.2 Basis for Forming the Opinion

The audit work undertaken during 2021/22 and reported to the Audit and Assurance Committee has been aggregated at Section 5.

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 and Assurance 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

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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 inspectors; research; and 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, seven were allocated Substantial Assurance, twelve were allocated Reasonable Assurance and seven were allocated Limited Assurance. No reports were allocated a 'no assurance' opinion. In addition, three advisory or non-opinion reports were also issued.

At the time of producing the Annual Report, three audits were still work in progress but had not been sufficiently progressed to reliably determine the assurance rating. The outcomes for these audits will therefore feed into the Opinion for 2022/23.

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 and Assurance 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 is shown below. We have reported the findings using the 8 areas of the Health Board's activities that we use to structure both our 3-year strategic and 1-year operational plans.

Corporate Governance, Risk Management and Regulatory Compliance

We have undertaken four reviews in this area.

Legislative, Regulatory & Alerts Compliance – We identified that progress had been made in developing the Health Board's Legislative and Regulatory Tracker, but further work was required to enhance it as an effective assurance tool. An increased focus was also needed on assuring that actions arising from Welsh Health Circulars and Patient Safety Alerts have been fully completed. We issued a **reasonable** assurance opinion.

Welsh Language Standards – The Health Board has identified the actions required to achieve compliance with the Standards and developed an approach to tracking implementation. However, we identified a need for a review of roles and responsibilities in the implementation and delivery of the Standards and a revisit of the associated Policy, resources and risk management arrangements. We issued a **reasonable** assurance opinion.

Health & Safety – The Health Board is developing a Health and Safety Culture Plan 2022-25 which will enable effective implementation of the recommendations from the external review of Health & Safety. We only identified three low priority recommendations, which are best practice in nature and support the improvement journey of Health and Safety arrangements. We issued a **substantial** assurance opinion.

Risk Management [Draft] - The Healthboard has developed a comprehensive Risk Management Board Assurance Framework Strategy and Risk Management Procedures. Effective risk management processes are in place across Clinical Boards and corporate departments but the process for escalation of risk requires some improvement. There is scope to set up a Risk Management Working Group to enhance the risk management arrangements at Clinical Board/Corporate Level. Further risk management training should also be undertaken to ensure that risk registers are being updated and reviewed in a timely manner. We issued a **reasonable** assurance opinion.

A review of the draft Annual Governance Statement highlighted that it was generally consistent with our knowledge of the UHB 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 two reviews in this area.

Recovery of services and Delivery of Annual Plan 2021/22 [Draft] - Governance arrangements have been established which provide effective

oversight of development and delivery of the recovery and redesign portfolio. There are also systems and controls in place that are operating effectively around delivery of the Addendum to the Annual Plan. The Board Assurance Framework reflects the risk of delivery of the annual plan, although the gaps in control require updating. We issued a draft **substantial** assurance opinion.

Performance Reporting [Draft] - The Integrated Performance Report remains under development, but appropriate arrangements are currently in place to ensure timely compilation and the report is subject to effective oversight by the Management Executive Team and reporting to the Board. We identified a number of recommendations which will help to support the future development of the report. We issued a draft **reasonable** assurance opinion.

The initial plan was to undertake separate audits of Recovery of Services and Delivery of the Annual Plan, but these were combined into the one audit above to avoid potential overlap of scope.

Financial Governance and Management

We have undertaken two reviews in this area.

Core Financial Systems – We reviewed the Health Board’s General Ledger and Accounts Receivable processes and only identified two low priority findings around enhancements to the Financial Control Procedures and ensuring the removal of system access for leavers. We have issued a **substantial** assurance opinion.

Welsh Risk Pool (WRP) Claims - The Health Board has effective processes in place to ensure that the required forms and schedules are appropriately completed for all claims, and these are submitted to the WRP within the stipulated timescales. We have issued a **substantial** assurance opinion

The audits of the payment systems provided by NWSSP, which we undertake each year to provide assurance to the Health Board all concluded with positive assurance. The four primary care contractor payment systems were given Reasonable or Substantial Assurance, with the audits of Payroll and Accounts Payable both receiving Reasonable Assurance.

The Post Contract Audit of DHH Costs was on-going at the time of producing the Annual Report but had not been sufficiently progressed to determine the assurance rating. The outcome will therefore feed into the Opinion for 2022/23.

The planned work on Financial Plan / Reporting was Deferred to the 22/23 Plan, due to Covid related pressures on the Health Board. We note that elements of the Health Board’s financial planning and reporting arrangements were covered by Audit Wales as part of their Structured Assessment, which provided the Health Board with a level of assurance. **1**

Quality & Safety

We have undertaken Four reviews in this area.

Healthy Eating Standards - Hospital Restaurant & Retail Outlets –

We found that the Health Board's Standards were clearly documented and provide clear guidance for restaurant and retail outlets to follow. The basis of effective governance and audit arrangements were in place but would benefit from further review and enhancement to assist in raising the profile and position of the standards. We issued a **reasonable** assurance opinion.

Clinical Audit – Significant enhancements are required to the Health Board's Clinical Audit structures and governance arrangements. The key areas to be addressed related to the development and introduction of a Clinical Audit Strategy, Policy and Procedures, and the development of resources and systems to effectively monitor all Clinical Audit activity. We issued a **limited** assurance opinion.

Five Steps to Safer Surgery – The Health Board has processes in place to ensure that aspects of the five steps are undertaken. However, we identified inconsistencies in the application of the Safer Surgery Checklist and there was also a lack of information available to evidence completion of all steps. The Health Board needs to improve staff engagement with the five steps and also develop the mechanisms for recording, monitoring and reporting compliance levels. We issued a **limited** assurance opinion.

Theatres Utilisation – Surgery CB – We identified that systems and processes were in place to facilitate the use of theatre resource, but further work was needed to ensure the completeness of Theatreman and that theatre utilisation is being maximised. Effective governance arrangements are in place but, as part of the Recovery and Redesign Portfolio there is a need for the arrangements to be agile. The Health Board would also benefit from having a clearly defined Policy and Procedure to direct operating theatre scheduling, cancellation and utilisation. We issued a **reasonable** assurance opinion.

The planned work on the Q&SE Governance arrangements was deferred due to pressures on acute service areas during the pandemic.

The planned work on the ALNET Act was deferred as work is still on-going to embed processes within the Health Board.

Information Governance & Security

We have undertaken three reviews in this area.

IT Service Management (ITIL) - Overall, there were poor controls in place over the IT Service Desk function. We acknowledged that management are planning major improvements by implementing a new call handling system, restructuring the service desk department, and

introducing new ways of working based on the ITIL Framework. However, based on the situation at the time of audit we issued a **limited** assurance opinion. The significant matters which required management attention included; the lack of an IL Framework for the delivery of services; the lack of documented guidance for call handlers; Inaccurate call classification and prioritisation of calls; and high levels of 'open' calls with a lack of monitoring.

Network & Information Systems (NIS) Directive – We identified a number of significant matters including; the submitted Cyber Assessment Framework (CAF) was partially complete resulting in an incomplete self-assessed position; No retention of the supporting information provided to the Cyber Resilience Unit as part of the CAF assessment; Improvement actions had not been identified and a plan had not yet been developed; and the Corporate cyber security risk had not been updated to include NIS Regulations. We issued a **limited** assurance opinion.

ChemoCare IT System - There is a framework for control over the ChemoCare system and there were areas of good practice. However, the controls have not been fully enacted. We identified that out-of-date versions of Windows server and SQL Server database are in use and generic accounts exist with system administrator privileges. There is also a lack of formal supplier's performance monitoring mechanism and we noted weaknesses within the Business Continuity Plan, Hosting and Backup arrangements and password policy. We issued a **limited** assurance opinion.

The planned work on the IM&T Control & Risk Assessment was Deferred as the last assessment was only finalised in May 22 and the agreed actions are being monitored through the Health Board's tracker.

The Planned work on the Digital Strategy Roadmap was deferred to the 22/23 plan and will be included in the scope of the Digital Strategy audit.

The three reviews undertaken within the Information Governance and Security area all received limited assurance ratings. The deferment of the Digital Strategy audit has also impacted on the level of assurance we are able to provide within this area. The Health Board will need to ensure that going forward there is appropriate investment and development within this area to address the identified issues.

Operational Service and Functional Management

We have undertaken six reviews in this area.

Ultrasound Governance, CD&T CB – We identified significant issues relating to the design and implementation of the revised Medical Ultrasound Risk Management Policy and Procedure. Governance arrangements were found to be lacking and required review to effectively direct and oversee the implementation of the requirements prescribed by the revised policy and procedure. We issued a **limited** assurance opinion

Cancellation of Outpatient Clinics Follow-up, Mental Health CB – We identified that significant work had been undertaken towards implementing the recommendations in the original limited assurance audit report. We were able to verify that the control design had been improved, but the implementation of the controls required a further period to become embedded. We issued a **reasonable** assurance opinion

Verification of Community Dialysis Sessions, Specialist Services CB - Effective governance, reporting and monitoring arrangements were in place for the provision of dialysis sessions. We only identified one key matter which related to the accessibility of key documents that support the monthly verification exercise. We issued a **substantial** assurance opinion.

Arrangements to support the delivery of Mental Health Services, Mental Health CB - This was an advisory review to evaluate and support the Clinical Board to list their services, capturing the means of delivery and any associated risks and challenges. We identified that management within the Clinical Board have a good understanding of the risks and challenges facing mental health services. We identified opportunities which, if taken forward, would enable the Clinical Board to enhance the arrangements to support the delivery of Mental Health Services.

Nurse Rostering: Children’s Hospital for Wales, Children & Women’s CB) - The Health Board has acknowledged that there is a need to advance the nurse rostering process with the introduction of a new rostering system, HealthRoster. A number of the issues that we have identified through this review have the potential to be resolved through the introduction of the new system. We made recommendations which related to documented approval and dissemination of rosters and the management of rosters, including the documentation and approval of make up shifts, overtime, and shift changes. We issued a **reasonable** assurance opinion.

COVID-19 Vaccination Programme - Phase 3 delivery – We identified that the Health Board had effective planning processes in place to ensure delivery of phase 3 of the vaccination programme and the plan was subject to robust governance and oversight. We issued a **substantial** assurance opinion.

The planned audit of the QS&E Governance Framework within the Medicine CB was deferred because management and staff within the Clinical Board were fully focused on dealing with the pandemic.

The planned separate audit of Primary Care Vaccinations within the PCIC Clinical Board was combined with the wider audit of the Covid 19 Vaccination Programme.

The planned audit of Medical Equipment & Devices was deferred to 22/23 due to pressures on HB.

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Workforce Management

We have undertaken three reviews in this area.

Retention of Staff – The Health Board has a People and Culture Plan in place with specific actions and initiatives for retention of staff. However, we noted that the ability to deliver is challenging in the current climate and a review of capacity would be beneficial. We issued a **reasonable** assurance opinion

Raising Staff Concerns (Whistleblowing) - The Health Board's approach to responding to staff concerns through its Freedom to Speak Up (F2SU) process aligns with the All-Wales Procedure for Staff to Raise Concerns. However further work was required around communication of the process, recording of concerns and governance arrangements. We issued a **reasonable** assurance opinion.

Nurse Bank (Temporary Staffing Department) - There was a lack of resilience within the current structure of the Temporary Staffing Department, which impacts the operational effectiveness of the Nurse Bank. We identified issues around recruitment to the Nurse Bank, payment to agencies, and a general lack of engagement with service users. We issued a **limited** assurance opinion.

The audit of the Management of Staff Sickness Absence was on-going at the time of producing the Annual Report but had not been sufficiently progressed to determine the assurance rating. The outcome will therefore feed into the Opinion for 2022/23.

The planned audit of the Medical & Dental Staff Bank was deferred to 22/23 due to the pressures on the Health Board. This is a relatively new service so the delay will allow further time for processes to bed in.

Capital & Estates Management

We have undertaken five reviews / outputs in this area.

Development of Genomics Partnership Wales - A robust project team structure was operating and there was appropriate engagement with users and stakeholders. An accelerated FBC development approach was agreed at the project, but despite this, targeted FBC dates were not achieved due to slippage in the Welsh Government OBC approval timeline. Contract negotiations, following FBC approval, further delayed the commencement of works on site. The FBC target cost has increased, post approval, by £450k following further design development and market testing. At the time of the audit, the increase was being managed within the £1.2m project contingency. We issued a **reasonable** assurance opinion.

Wellbeing Hub at Maelfa - A robust project team structure was operating with supporting workstreams, continued liaison with external advisers and routine reporting to the Project Team and Delivery Group. The construction

programme was being effectively managed, and the project was forecast to be delivered on time. The latest Project Manager's report indicated that a projected underspend of £8,233 was anticipated. The key matters arising related to enhancements to the practices of the supporting workstreams and improved timeliness of contractual payments at the project. We issued a **reasonable** assurance opinion.

Waste Management [Draft] - We identified a number of issues around the need to review the Waste Management Policy contents/guidance; Further development and embedding of Budget and Risk Management processes; The preparation of a training needs assessment; Enhancement of contractual/payment processes; Further development of waste minimisation Initiatives to reduce waste and Enhanced monitoring and reporting arrangements. We issued a draft **reasonable** assurance opinion.

For the UHW II major capital scheme, we provided an on-going observer role with proactive input, and overview of the progression through the period.

Advice and support were also provided to the Health Board through the year in relation to the future development of integrated audit plans.

The audit of Capital Systems Management was on-going at the time of producing the Annual Report but had not been sufficiently progressed to determine the assurance rating. The outcome will therefore feed into the Opinion for 2022/23.

The planned audit of Decarbonisation was deferred to the 2022/23 plan reflecting the fact that the Health Board was not requirement to publish its Action Plan until March 2022, and the timing of expenditure of the initial capital allocations provided by Welsh Government.

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. We also undertake some testing on the accuracy and effectiveness of the audit recommendation tracker.

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.

For the second year in a row, 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.

From the specific follow up audit undertaken in 2021/22, it was identified that progress had been made by management in implementing recommendations from the Mental Health Cancellation of Outpatient Clinics Limited Assurance audit, with an improved rating of substantial assurance given.

The Health Board has continued to develop its recommendation tracking process during 2021/22. Despite the on-going effects of the pandemic, the Corporate Governance team has continued to review all outstanding recommendations with management and the outcomes have been reported to each meeting of the Audit & Assurance Committee.

The Corporate Governance team has also carried out additional work with relevant Executive leads to review and re-assess outstanding recommendations within the tracker from 2018/19. The outcomes of this process have been reported to the Audit and Assurance Committee and reflected within the tracker.

We have worked with the Corporate Governance team through the year to review and provide feedback on the tracker prior to its submission to each meeting of the Committee. We have also undertaken work towards the end of the year to validate the stated position for a sample of recommendations within the tracker. We were able to confirm the recorded position for the majority of the sampled recommendations and therefore provide the Audit Committee with additional assurance around the accuracy of the tracker.

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 2021/22 unless otherwise stated and reflect the condition of internal controls pertaining at the point of audit assessment.

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 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.

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2.5 Required Work

Please note that following discussions with Welsh Government we were not mandated to audit any areas in 2021/22.

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 and Assurance Committee that it has conducted its audit at the Health Board in conformance with the Public Sector Internal Audit Standards for 2021/22.

Our conformance statement for 2021/22 is based upon:

- the results of our internal Quality Assurance and Improvement Programme (QAIP) for 2021/22 which will be reported formally in the Summer of 2022; 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 2021/22 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;
- Digital Health & Care Wales;
- Welsh Health Specialised Services Committee; and
- Emergency Ambulance Services Committee.

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 | Outline Scope |
|------------------|------------|--|
| Accounts Payable | Reasonable | The purpose of the audit review was to evaluate and determine the adequacy of the systems and controls in place over the management of the NWSSP Procure to Pay (P2P) service. |
| Payroll | Reasonable | The overall objective of this audit was to evaluate and determine the adequacy of the systems and controls in place for the management of Payroll Services. |

| | | |
|--|-------------|---|
| Primary Care Services – Medical (GMS), Pharmaceutical (GPS), Dental (GDS), and Ophthalmic (GOS) Services | Substantial | The overall objective of the review was to evaluate and determine the adequacy of controls in place to administer timely and accurate payments to primary care contractors. |
|--|-------------|---|

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.

Digital Health & Care Wales (DHCW)

As part of the internal audit programme at DHCW, a Special Health Authority that started operating from 1 April 2021, a number of audits were undertaken which are relevant to the Health Board. These audits derived the following opinion ratings:

| Audit | Opinion | Outline Scope |
|---|-------------|---|
| <i>Welsh Radiology Information System</i> | Reasonable | To provide assurance over the adequacy of the processes in place in DHCW for the management of the WRIS and the data within it. |
| Data Centre Transition | Substantial | To evaluate and determine the adequacy of the processes in place in DHCW for the management of the Data Centre move and the current Data Centre Service. |
| Data Analytics | Reasonable | To provide assurance to DHCW that arrangements are in place to enable NHS Wales to maximise the use of analytics in an appropriate and secure manner. |
| System Development | Reasonable | To provide assurance over the adequacy of the processes in place in DHCW for securely developing and maintaining applications for NHS Wales. |
| GP System Procurement Project | Substantial | To provide assurance over the GP System Procurement project to ensure that appropriate project governance is in place, that stakeholders are fully engaged and that there is clarity over costs and benefits. |

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Please note that other audits of DHCW activities are undertaken as part of the overall DHCW internal audit programme. The overall Head of Internal Audit Opinion for DHCW is Reasonable Assurance.

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 | Outline Scope |
|--|-------------|---|
| WHSSC – Risk management | Reasonable | To evaluate and determine the adequacy of the systems and controls in place in relation to risk management. |
| WHSSC – Cancer and blood services | Substantial | To evaluate and determine the adequacy of the systems and controls in place for the Cancer and Blood Programme. |
| WHSSC – All Wales Positron Emission Tomography (PET) Service | Reasonable | To evaluate the oversight and delivery of the PET programme and to determine the adequacy of the systems and controls put in place by WHSSC. The audit also examined the arrangements in place at WHSSC to obtain assurances from the resulting projects. |
| EASC – Governance arrangements | Reasonable | To evaluate and determine the adequacy of the governance arrangements in place with a focus on the governance framework and the mechanisms of committees and groups. |

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. DHCW audits are summarised in the DHCW 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 and Assurance Committee, subject to changes agreed as the year progressed. Regular audit progress reports have been submitted to the Audit and Assurance Committee during the year. Audits that remain to be reported but are reflected within this Annual Report will be reported alongside audits from the 2022/23 operational audit plan.

The audit plan approved by the Committee in April 2021 contained 44 planned reviews. Changes have been made to the plan with 12 audits deferred/cancelled. All these changes have been reported to and approved by the Audit Committee. A further 3 reviews were not completed in time to inform the 2021/22 opinion. As a result of these agreed changes and on-going work, we have delivered 29 reviews.

The assignment status summary is reported at section 5.

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 and Assurance Committee.

4.2 Service Performance Indicators

In order to monitor aspects of the service delivered by Internal Audit, a range of service performance indicators have been developed. The key performance indicators are summarised as follows:

| Indicator Reported to Audit and Assurance Committee | Status | Actual | Target | Red | Amber | Green |
|--|----------|-------------|------------|------------|------------|------------|
| Operational Audit Plan agreed for 2021/22 | G | April 2021 | By 30 June | Not agreed | Draft plan | Final plan |
| Total assignments reported against adjusted plan for 2021/22 | A | 88% (29/33) | 100% | v>20% | 10%<v<20% | v<10% |
| Report turnaround: time from fieldwork completion to draft reporting [10 working days] | G | 100% | 80% | v>20% | 10%<v<20% | v<10% |
| Report turnaround: time taken for management | A | 70% | 80% | v>20% | 10%<v<20% | v<10% |

| | | | | | | |
|---|----------|------|-----|-------|-----------|-------|
| response to draft report [15 working days] | | | | | | |
| Report turnaround: time from management response to issue of final report [10 working days] | G | 100% | 80% | v>20% | 10%<v<20% | v<10% |

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 29 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

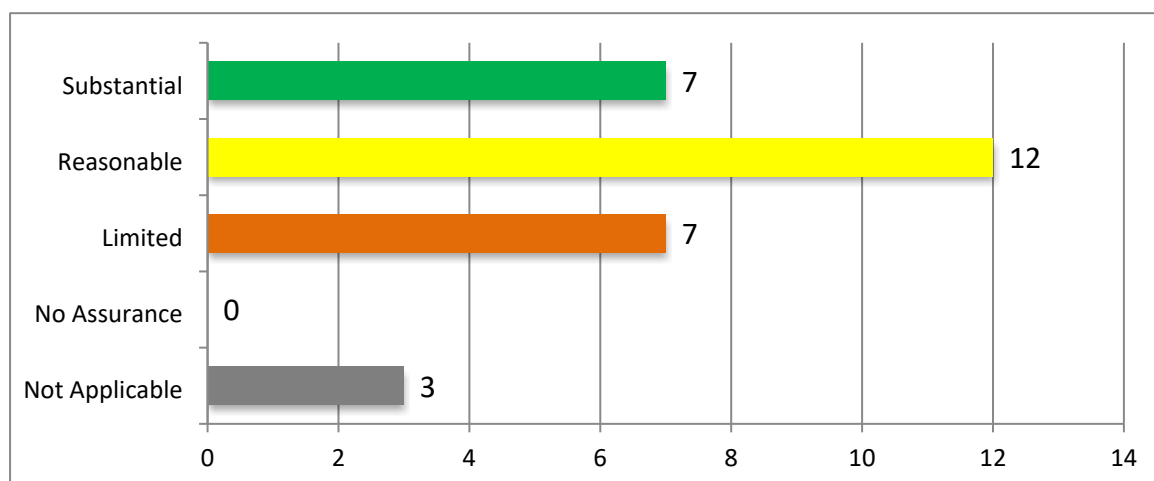


Figure 2 above does not include the audit ratings for the reviews undertaken at NWSSP and DHCW.

The assurance ratings and definitions used for reporting audit assignments are included in **Appendix B**.

In addition to the above, there were several audits which did not proceed following preliminary planning and agreement with management. In some cases, the impact of COVID-19 was the reason for the deferral or cancellation and in other cases, it was recognised that there was action required to address issues and/or risks already known to management and an audit review at that time would not add additional value. These audits 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 (Green)



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 |
|--|---|
| Core Financial Systems | To establish if the Health Board has appropriate processes in place to ensure the effective management of the General Ledger and Accounts Receivable financial systems. |
| Verification of Community Dialysis Sessions – Specialist Services CB | To evaluate and determine the adequacy of the systems and controls in place within the Nephrology and Transplant Directorate for the verification of community dialysis sessions provided by external suppliers |
| Health & Safety | To establish if the Health Board has developed appropriate plans to implement the recommendations from the external review of Health & Safety. |
| Wellbeing Hub at Maelfa | To evaluate the progression and delivery of the project against the key business case objectives and to assess the adequacy of the systems and controls in place to support the successful delivery of the project. |
| COVID-19 Vaccination Programme - Phase 3 delivery | To evaluate and determine the adequacy of the systems and controls in place within the Health Board in relation to the delivery of Phase 3 of the Covid 19 Vaccination Programme |
| Welsh Risk Pool Claims | To provide assurance that the claims reimbursement process is in compliance with the requirements of the Welsh Risk Pool Standard and claims are accurate. |
| Recovery of Services and Delivery of the Annual Plan 2021-2022 (Draft) | To review the processes in place for monitoring development and delivery of the Recovery & Redesign portfolio and delivery against the agreed Annual Plan for 21/22. |

5.3 Reasonable Assurance (Yellow)



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 |
|---|---|
| Legislative, Regulatory & Alerts Compliance | To establish if effective processes are in place to ensure that the Health Board complies with legislative / regulatory requirements, alerts, safety notices and other communications |
| Healthy Eating Standards - Hospital Restaurant & Retail Outlets | To establish if the standards are clearly documented and communicated, with effective governance and audit processes in place. |
| Cancellation of Outpatient Clinics Follow-up - Mental Health CB | Provide assurance against the implementation of the agreed management actions in response to issues raised in the original Limited Assurance report. |
| Theatres Utilisation – Surgery CB | To determine if adequate systems and controls are in place to ensure that theatre resources are efficiently and effectively utilised. |
| Retention of Staff | To establish if the Health Board has effective strategies, policies and plans in place to ensure appropriate retention of staff. |
| Welsh Language Standards | To evaluate and determine the adequacy of the actions the Health Board has taken to assess the impact and achieve compliance with the Welsh Language Standards. |
| Raising Staff Concerns (Whistle Blowing) | To evaluate and determine the adequacy of the systems and processes in place for managing staff concerns. |
| Development of Genomics Partnership Wales | To evaluate the progression and delivery of the project against the key business case objectives and to assess the adequacy of the systems and |

| Review Title | Objective |
|--|---|
| | controls in place to support the successful delivery of the project. |
| Nurse Rostering: Children's Hospital for Wales – Children & Women's CB | To evaluate and determine the adequacy of the systems and controls in place for the rostering arrangements within the Children's Hospital for Wales, in advance of moving across to HealthRoster. |
| Waste Management (Draft) | To determine the adequacy of, and operational compliance with, the UHBs systems and procedures, taking account of relevant NHS and other supporting regulatory and procedural requirements. |
| Risk Management (Draft) | To review the on-going development and implementation of the Risk Management Strategy and Procedure. |
| Performance Reporting (Data Quality) (Draft) | To evaluate and determine the adequacy of the systems and controls in place in relation to the 'Integrated Performance Report' and the processes in place for its production and reporting. |

5.4 Limited Assurance (Amber)



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 |
|---------------------------------|--|
| Ultrasound Governance – CD&T CB | To evaluate the design, implementation and compliance with ultrasound governance arrangements as outlined within the Health Board's Ultrasound Risk Management Policy and Procedure. |

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| Review Title | Objective |
|---|---|
| Clinical Audit | To evaluate and determine the adequacy of the systems and controls in place within the Health Board in relation to Clinical Audit. |
| Five Steps to Safer Surgery | To establish if effective arrangements are in place to ensure all stages of the five steps to safer surgery checklist are consistently undertaken. |
| IT Service Management (ITIL) | To provide assurance that a process is in place for ensuring IT services are provided in an efficient and secure manner and that reflect the needs of the organisation. |
| Network and Information Systems (NIS) Directive | To establish if the organisation is compliant with the NIS Regulations, has appropriate measures to protect, detect and respond to cyber incidents, and has accurately completed the self-assessment. |
| Nurse Bank (Temporary Staffing Department) | To review the effectiveness of the process and controls operating within the Health Board's Nurse Bank. Establish the level of efficiency and effectiveness of service provided to the Clinical Boards. |
| Chemocare IT System | To provide assurance that data held within the Chemocare IT System is accurate, secure from unauthorised access and loss, and that the system is used fully. |

5.5 No Assurance (Red)



No reviews were assigned a 'no assurance' opinion.

5.6 Assurance Not Applicable (Grey)



The following reviews were undertaken as part of the audit plan and reported without the standard assurance rating indicator, owing to the nature of the audit approach. The level of assurance given for these reviews

are deemed not applicable – these are reviews and other assistance to management, provided as part of the audit plan, to which the assurance definitions are not appropriate but which are relevant to the evidence base upon which the overall opinion is formed.

| Review Title | Objective |
|---|---|
| Arrangements to support the delivery of Mental Health Services – Mental Health CB | to evaluate and support the Clinical Board to list their services, capturing the means of delivery and any associated risks and challenges |
| Major Capital Scheme – UHW II | To provide an observer role, proactive input, and an overview of the progression through the period. |
| Development of Integrated Audit Plans | Integrated Audit Plans will be developed for inclusion within the respective business case submissions for relevant major projects/ programmes. |

5.7 Deferred Audits

Additionally, the following audits were deferred for the reasons outlined below. We have considered these reviews and the reason for their deferment when compiling the Head of Internal Audit Opinion.

| Review Title | Reason for Deferral |
|-------------------------------------|---|
| ALNET Act | The Director of Therapies and Health Sciences requested Deferral to the 22/23 plan as work is on-going to embed processes within Health Board. |
| Consultant Job Planning Follow-up | Removed as assurance level increased to Reasonable after the 20/21 follow-up |
| Clinical Board's QS&E Governance | QS&E Governance arrangements were reviewed by Audit Wales and a new Framework is also being introduced within the Health Board. |
| Estates Assurance - Decarbonisation | The Health Board is not required to publish its Decarbonisation Action Plans until March 2022, and the timing of expenditure of the initial capital allocations provided by Welsh Government. |
| IM&T Control & Risk Assessment | The last assessment was only finalised in May 22 and the agreed actions are being monitored through the Health Board's tracker. |

| Review Title | Reason for Deferral |
|---|--|
| Medical & Dental Staff Bank | Relatively new service so delay would allow further time for processes to bed in. The audit of the Nurse Bank provided coverage of temporary staffing arrangements. |
| Medicine CB – QS&E Governance Framework | The on-going pressures on the Clinical Board through the pandemic meant that they were unable to engage with the audit. |
| Financial Plan / Reporting | Elements of financial planning / reporting covered by Audit Wales as part of their Structured Assessment, which provided the Health Board with a level of assurance. |
| Delivery of 21/22 Annual Plan | Combined with audit of Recovery of Non-Covid services due to potential overlap of scope. |
| Medical Equipment and Devices | The on-going pressures faced by key service areas including the Emergency Unit. |
| PCIC CB – Primary Care Vaccinations | Combined with the wider audit of the Covid 19 Vaccination Programme - Phase 3 delivery. |
| Digital Strategy Roadmap | Deferred to 22/23 plan due to pressure on IM&T service and will be included in scope of Digital Strategy audit. |

5.8 Work in Progress

At the time of producing the Annual Report, the following audits were still work in progress and the assurance ratings had not been determined. The outcomes of these audits will therefore feed into the HIA Opinion for 2022/23.

| Review Title | Objective |
|--------------------------------------|--|
| Capital Systems Management | To determine the adequacy of, and operational compliance with, the Capital systems and procedures, taking account of relevant NHS and other supporting regulatory and procedural requirements. |
| Management of Staff Sickness Absence | To Review the systems in place for the analysis and reporting of staff sickness absence rates and supporting poor performing areas. |

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| Review Title | Objective |
|----------------------------------|---|
| Post Contract Audit of DHH Costs | To carry out a review of the costs related to the Dragons Heart Hospital, as per the Welsh Government recommendation following the independent assurance review undertaken by KPMG. |

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 delivery of the Internal Audit assignments undertaken within the 2021/22 plan.

Ian Virgill
Head of Internal Audit
Audit and Assurance Services
NHS Wales Shared Services Partnership
April 2022

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Appendix A

| 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 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 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 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 for the organisation. The operational plan gives detail of specific assignments and sets out overall resource requirement. The audit |

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| | |
|---------------------------------------|--|
| | <p>strategy and annual plan is approved by Audit 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, HIW 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 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 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 Committee. In addition audit reports are followed-up by Internal Audit on a selective basis as part of the operational plan. |

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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.

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Appendix B - Audit Assurance Ratings

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

| | | |
|--|--|---|
| | <p>Substantial assurance</p> | <p>Few matters require attention and are compliance or advisory in nature. Low impact on residual risk exposure.</p> |
| | <p>Reasonable assurance</p> | <p>Some matters require management attention in control design or compliance. Low to moderate impact on residual risk exposure until resolved.</p> |
| | <p>Limited assurance</p> | <p>More significant matters require management attention. Moderate impact on residual risk exposure until resolved.</p> |
| | <p>No assurance</p> | <p>Action is required to address the whole control framework in this area. High impact on residual risk exposure until resolved.</p> |
| | <p>Assurance not applicable</p> | <p>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.</p> |

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NHS Wales Shared Services Partnership
4-5 Charnwood Court
Heol Billingsley
Parc Nantgarw
Cardiff
CF15 7QZ
Website: [Audit & Assurance Services - NHS Wales Shared Services Partnership](#)

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Catherine Phillips
Director of Finance
Cardiff and Vale UHB

24 Cathedral Road / 24 Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ
Tel / Ffôn: 029 2032 0500
Fax / Ffacs: 029 2032 0600
Textphone / Ffôn testun: 029 2032 0660
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

By email.

Date issued: 2 March 2022

Dear Catherine,

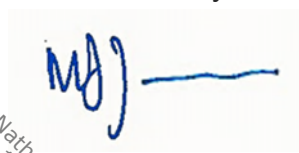
Cardiff and Vale University Health Board's 2021-22 financial statements: audit enquiries to those charged with governance and management

As your external auditors we are responsible for obtaining reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. This letter formally seeks responses on a number of governance areas that are relevant to our audit of the financial statements. These considerations are relevant to management, and the Board who are deemed to be those charged with governance.

I would be grateful if you could contact the relevant Health Board personnel as necessary and complete and return the attached tables in Appendices 1 to 3. Your responses should be formally considered and communicated to us on behalf of both management and those charged with governance.

I would like a reply by 8 April, but please do get in touch if you consider that date to be a problem. If you queries, please contact me via Teams, on 07748 181679, or by e-mail.

Yours sincerely,



Mark Jones

Saunders, Nathan
06/13/2022 14:19:19

Audit Manager

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Appendix 1

Matters in relation to fraud

International Standard for Auditing (UK and Ireland) 240 covers auditors' responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both management, and 'those charged with governance', which for the Health Board is the Board itself. Management, with the Board, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by the Board.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

What are we required to do?

As part of our risk assessment procedures we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- the intentional misappropriation of assets; or
- the intentional manipulation or misstatement of the financial statements.

We also need to understand how the Board exercises oversight of management's processes. We are also required to make enquiries of both management and the Board as to their knowledge of any actual, suspected or alleged fraud and for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

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Enquiries of management - in relation to fraud

| Question | Response |
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| 1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons? | The assessed risk that the financial statements are materially misstated due to fraud is extremely low. Management are not aware of any fraud or potential fraud that would materially impact on the financial statements. This assessment is made on the basis of robust and comprehensive counter fraud and internal audit services. All potential fraud cases are rigorously investigated and pursued by the Health Board's counter fraud service. Internal Audit also undertake a detailed annual review of the main financial systems from which the financial statements are prepared. |
| 2. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements? | The Health Board has a well established year-end accounts closure process. This includes an analytical review which aims to mitigate against the risks of any financial misstatements. The Health Board's internal auditors also annually review the fundamental financial systems upon which the financial statements are based. The risks around fraud are mitigated by a robust and well-resourced counter fraud programme. In addition there is a Post Payment Verification |

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| | <p>Panel which evaluates and monitor 'errors' with claims that have been submitted to Primary Care Services by the individual GP Practices and Opticians. All senior staff in the Finance Department must be professionally qualified accountants whose professional institutes have strong codes of conduct and professional ethics. Any deliberate mis-statements would likely result in the individual being stuck off from their professional body.</p> |
| <p>3. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> | <p>The Audit and Assurance Committee agrees a Counter Fraud Work Plan at the start of the year. It then receives regular Counter Fraud progress reports at all of its normal business meetings. It also receives an annual counter fraud report which details the work that has been undertaken during the year under the Government Functional Standards GOVS013 Counter Fraud.</p> |
| <p>4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?</p> | <p>All staff have access to the Standards of Behaviours Framework Policy via the Intra and Internet plus this is included upon recruitment and at induction. Consultant Medical and Dental Staff are reminded of the need to declare interests etc, when completing their job plans. Board members are made aware of the</p> |

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policy on recruitment and are also prompted to complete a declaration on an annual basis. This requires them to confirm that they have read and understood the policy. 'Declarations of Interest' is also a standing item on the agenda of all Board and Committee meetings.

In addition, the Standards of Behaviours Framework policy has been circulated across the Health Board via Internet, Intranet and Email communications. These communications have highlighted the need to comply with the policy at key times of the year, including Christmas, during key sporting events and at the start of the new financial year.

This has been done to make sure that expectations of ethical governance and standards of conduct and behaviour are being communicated to all professional staff and not only to Medical and Dental staff. This policy and process is being Audited by Welsh Audit Office this year and it is hoped that the assurance rating will be strengthened this year.

5. Are you aware of any instances of actual, suspected or alleged fraud since 1 April 2021?

Yes, this is fully reported to the Audit and Assurance Committee at its regular business meeting in its private session via a counter fraud progress report. Also, as part of their private meetings, the Board receives minutes from the private meeting of the Audit and Assurance Committee, which include reference

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and any significant points highlighted in the Counter Fraud Progress Reports.

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Enquiries of those charged with governance – in relation to fraud

| Question | Response |
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| <p>1. How does the Board exercise oversight of management's processes for identifying and responding to the risks of fraud within the audited body and the internal control that management has established to mitigate those risks?</p> | <p>The Board has delegated the review and monitoring of management processes for identifying and responding to fraud risks to the Audit and Assurance Committee. This monitoring is supported by the work of the Audit and Assurance Committee and by the internal audit and counter fraud services for which the Finance Director is the lead Executive Director. The Audit and Assurance Committee receives regular reports on counter fraud matters and on the adequacy of internal controls that exist within the Health Board and on the actions being taken to mitigate these risks. The Chair of the Audit and Assurance Committee is an Independent Member of the Board and reports back to the Health Board on these matters and the minutes of both the public and private meetings of the Audit and Assurance Committee are included in the meeting papers of the Board in its open and private meetings.</p> |

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2. Are you aware of any instances of actual, suspected or alleged fraud since 1 April 2021?

Yes, as part of their private meetings, the Board receives minutes from the private meeting of the Audit and Assurance Committee, which includes any significant points highlighted in the Counter Fraud Progress Reports

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Appendix 2

Matters in relation to laws and regulations

International Standard for Auditing (UK and Ireland) 250 covers auditors' responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance, (the Board), is responsible for ensuring that the Fund's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements; and
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

What are we required to do?

As part of our risk assessment procedures we are required to make inquiries of management and the Board as to whether the Fund is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance, we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

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Enquiries of management – in relation to laws and regulations

| Question | Response |
|---|---|
| <p>1. How have you gained assurance that all relevant laws and regulations have been complied with?</p> | <p>Assurances are gained via the appropriate Board Committees where these issues are discussed. Where relevant these are linked to the Corporate Risk and the Health Boards, Board Assurance Framework.</p> <p>The Corporate Governance team have strengthened its management of Regulatory Compliance and achieved a reasonable assurance report which was an improvement following the previous years limited rating. The Health Board has continued to develop this area and has invested in staff resources to further strengthen its compliance with Laws and Regulations.</p> |
| <p>2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2021, or earlier with an ongoing impact on the 2021-22 financial statements?</p> | <p>There is one known non-compliance in respect of a fire notice received that could result in a fine and therefore could impact upon the financial statements. This is subject to ongoing</p> |

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| | discussions with the South Wales Fire and Rescue Service. |
| 3. Are there any potential litigations or claims that would affect the financial statements? | There are some Employment Tribunal cases involving the Health Board and these have been accounted for within the financial statements. |
| 4. Have there been any reports from other regulatory bodies, such as HMRC which indicate non-compliance? | Whilst no reports have been issued, a review of the Health Board by HRMC is ongoing in respect of compliance with VAT regulations. Non compliance fines have already been levied and settled and an assessment of further liability, whilst not yet agreed, has been accounted for in the financial statements. |

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Enquiries of those charged with governance – in relation to laws and regulations

| Question | Response |
|---|---|
| 1. How does the Board, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with? | Assurances are gained via the appropriate Board Committees where these issues are discussed. Where relevant these are linked to the Corporate Risk Register and the Board Assurance Framework for the Health Board. |
| 2. Are you aware of any instances of non-compliance with relevant laws and regulations? | Yes, we have received a fire compliance notice. |

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Appendix 3

Matters in relation to related parties

International Standard for Auditing (UK and Ireland) 550 covers auditors' responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

What are we required to do?

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

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Enquiries of management – in relation to related parties

| Question | Response |
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| <p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none">– the identity of any related parties, including changes from the prior period;– the nature of the relationships with these related parties; and– details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions. | <p>Yes, these are all disclosed to the auditor.</p> |
| <p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p> | <p>Staff are required to make declarations in accordance with the Standards of Behaviour Framework Policy, incorporating Gifts, Hospitality and Sponsorship. All Board members are asked to make a declaration on an annual basis, which is then recorded and published in the Declarations of Board Members' Interests. Where a Board Member's interests change during the year, they have a personal responsibility to declare this and inform the Board Secretary.</p> |

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These related party transactions are identified in the annual accounts and their materiality quantified.

For all Committees and Board meetings we have a standing agenda item at the beginning of each meeting, 'Declaration of Interest', in relation to items on the agenda.

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Enquiries of those charged with governance – in relation to related parties

| Question | Response |
|--|--|
| <p>1. How does the Board, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?</p> | <p>The Audit Committee receives a report at each of its meetings relating to compliance with the policy and the Gifts, Hospitality and Sponsorship Register. It also scrutinises the Annual Accounts which contain details of related party transactions.</p> <p>The Corporate Governance Team maintain the Gifts, Hospitality and Sponsorship Register. The Register is monitored in conjunction with the Health Board's Counter Fraud Team who flag staff members that appear on the National Fraud Database. Any adverse findings against staff members are reported to appropriate managers, executives and Board Committees as necessary.</p> |

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