

Public Health Wales NHS Trust

HEAD OF INTERNAL AUDIT OPINION & ANNUAL REPORT 2020/21

June 2021

**NHS Wales Shared Services Partnership
Audit & Assurance Services**

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| Lead Executive: | Helen Bushell (Board Secretary and Head of the Board Business Unit) |
| Audit & Corporate Governance Committee: | May/June 2021 |

1. EXECUTIVE SUMMARY

1.1 Purpose of this Report


Public Health Wales NHS Trust's (the 'Trust' or the 'organisation') Board is collectively accountable for maintaining a sound system of internal control that supports the achievement of the organisation's objectives and is also responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system. A key element in that flow of assurance is the overall assurance opinion from the Head of Internal Audit.

This report sets out the Head of Internal Audit Opinion together with the summarised results of the internal audit work performed during the year. The report also includes a summary of audit performance and an assessment of conformance with the Public Sector Internal Audit Standards.

As a result of the continued impact of COVID-19 our audit programme has been subject to significant change during the year. In this report we have set out how the programme has changed and the impact of those changes on the Head of Internal Audit opinion.

1.2 Head of Internal Audit Opinion 2020/21

The purpose of the annual Head of Internal Audit opinion is to contribute to the assurances available to the Chief Executive as Accountable Officer and the Board which underpin the Board's own assessment of the effectiveness of the system of internal control. The approved Internal Audit plan is focused towards risk and therefore the Board will need to integrate these results with other sources of assurance when making a rounded assessment of control for the purposes of the Annual Governance Statement. The overall opinion for 2020/21 is that:

| | | |
|-----------------------------|---|---|
| Reasonable assurance |  <p>Yellow +</p> | <p>The Board can take Reasonable Assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p> |
|-----------------------------|---|---|

1.3 Delivery of the Audit Plan

Due to the considerable impact of COVID-19 on the Trust, 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 Trust, the plan has been delivered substantially in accordance with the agreed schedule and changes required during the year, as approved by the Audit & Corporate Governance Committee (the 'Committee'). In addition, regular audit progress reports have been submitted to the Committee. Although changes have been made to the plan during the year, we can confirm

that we have undertaken sufficient audit work during the year to be able to give an overall opinion in line with the requirements of the Public Sector Internal Audit Standards.

The Internal Audit Plan for 2020/21 year was initially presented to the Committee in April 2020, however as a result of the impact of the pandemic a revised version of the plan was prepared, with this version receiving approval at the Committee in January 2021. This Annual Report and Opinion is primarily based on the delivery of the January 2021 version of the annual plan, including the subsequent updates made to the plan that are reported to the Committee at each meeting.

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

Our External Quality Assessment (EQA), conducted by the Chartered Institute of Internal Auditors, and our Quality Assurance and Improvement Programme (QAIP) have both confirmed that our internal audit work 'generally conforms' to the requirements of the Public Sector Internal Audit Standards for 2020/21. For this year, our QAIP has considered specifically the impact that COVID-19 has had on our audit approach and programmes. We are able to state that our service 'conforms to the IIA's professional standards and to PSIAS.'

1.4 Summary of Audit Assignments

This report summarises the outcomes from our work undertaken in the year. In some cases, audit work from previous years may also be included and where this is the case, details are given. This report also references assurances received through the internal audit of control systems operated by other NHS Wales organisations (see Section 3).

The audit coverage in the plan agreed with management has been deliberately focused on key strategic and operational risk areas; the outcome of these audit reviews may therefore highlight control weaknesses that impact on the overall assurance opinion.

Overall, we can provide the following assurances to the Board that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively in the areas in the table below.

Where we have given Limited Assurance, management are aware of the specific issues identified and will agree action plans to improve control in these areas as the report is finalised. 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.

| Substantial Assurance | Reasonable Assurance |
|--|--|
| <ul style="list-style-type: none"> • Welsh Risk Pool Claims; • Data quality and integrity within performance reports; • Financial systems; • Annual Quality Statement (AQS); • Anonymised personal data; and • Sustainability reporting. | <ul style="list-style-type: none"> • IT Business continuity; • Management of alerts – follow up; and • My contribution – follow up. |
| Limited Assurance | Advisory & Non-Opinion |
| <ul style="list-style-type: none"> • Additional hours and overtime [Draft] | <ul style="list-style-type: none"> • Governance during the Covid-19 Pandemic; • Covid-19 Governance – follow up; and • NHS Collaborative - Management and governance of the implementation groups' funding allocations [Draft]. |
| No Assurance | |
| N/A | |

Please note that our overall opinion has also taken into account both the number and significance of any audits that have been deferred during the course of the year (see section 5.7) and also other information obtained during the year that we deem to be relevant to our work (see section 2.4.2).

2. HEAD OF INTERNAL AUDIT OPINION

2.1 Roles and Responsibilities

The Board is collectively accountable for maintaining a sound system of internal control that supports the achievement of the organisation's objectives and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Annual Governance Statement is a statement made by the Accountable Officer, on behalf of the Board, setting out:

- how the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;
- the purpose of the system of internal control, as evidenced by a description of the risk management and review processes, including compliance with the Health & Care Standards; and
- the conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures, together with assurances that actions are or will be taken where appropriate to address issues arising.

The organisation's risk management process and system of assurance should bring together all of the evidence required to support the Annual Governance Statement.

In accordance with the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit (HIA) is required to provide an annual opinion, based upon and limited to the work performed on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is achieved through an audit plan that has been focussed on key strategic and operational risk areas and known improvement opportunities, agreed with executive management and approved by the Audit & Corporate Governance Committee, which should provide an appropriate level of assurance.

The opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based audit work formulated around a selection of key organisational systems and risks. As such, it is a key component that the Board takes into account but is not intended to provide a comprehensive view.

The Board, through the Audit & Corporate Governance 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 Public Health Wales NHS Trust which underpin the Board's own assessment of the effectiveness of the organisation's system of internal control.

This opinion will in turn assist the Board in the completion of its Annual Governance Statement, and may also be taken into account by regulators including Healthcare Inspectorate Wales in assessing compliance with the Health & Care Standards in Wales, and by Audit Wales in the context of both their external audit and performance reviews.

The overall opinion by the Head of Internal Audit on governance, risk management and control is a function of the risk-based audit programme and contributes to the picture of assurance available to the Board in reviewing effectiveness and supporting our drive for continuous improvement.

2.3 Assurance Rating System for the Head of Internal Audit Opinion

For 2020/21, the assurance rating framework for expressing the overall Head of Internal Audit annual opinion that was agreed in 2013/14 has been amended to formally remove the eight assurance 'domains based' approach to forming the opinion for health boards. The domains approach has been removed to ensure that work in 2020/21 reflected the significant change in the risk profile for NHS Wales' organisations due to the impact of COVID-19. There are no changes to the approach to forming the opinion for Trusts and other Health Bodies. The professional judgement of the Head of Internal Audit also remains key in determining the appropriate overall opinion. This change does not impact upon our assessment of our compliance with the requirements of PSIAS.

The assurance rating system based upon the colour-coded barometer and applied to individual audit reports remains unchanged. The descriptive narrative used in these definitions as clarified in 2013/14 has proven effective in giving an objective and consistent measure of assurance in the context of assessed risk and associated control in those areas examined.

This same assurance rating system is applied to the overall Head of Internal Audit opinion on governance, risk management and control as to individual assignment audit reviews. The assurance rating system together with definitions is included at **Appendix D**.

The individual conclusions arising from detailed audits undertaken during the year have been summarised by the assurance ratings received. The aggregation of audit results gives a picture of assurance to the Board and also provides a rational basis for drawing an overall audit opinion. However, please note that for presentational purposes we have shown the results using the eight assurance domains that were used to frame the audit plan at its outset (see section 2.4.2

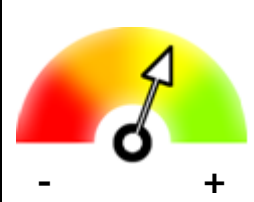
and Appendix B). We will consider whether changes need to be made to how we present our findings in this report for the 2021/22 Head of Internal Audit Opinion.

As in previous years, a quality assurance review process has been applied by the Director of Audit & Assurance and the Head of Internal Audit in the annual reporting process to ensure the overall opinion is consistent with the underlying audit evidence.

2.4 Head of Internal Audit Opinion

2.4.1 Scope of opinion

The scope of my opinion is confined to those areas examined in the risk-based audit plan which has been agreed with senior management and approved by the Audit & Corporate Governance 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 reports issued during the year and the significance of the recommendations made (of which there was one audit in 2020/21).

The audit work undertaken during 2020/21 and reported to the Audit & Corporate Governance Committee has been aggregated at **Appendix B**.

The evidence base upon which the overall opinion is formed is as follows:

- An assessment of the range of individual opinions and outputs arising from risk-based audit assignments contained within the Internal Audit plan that have been reported to the Audit & Corporate Governance Committee throughout the year. In addition, and where appropriate, work at either draft report stage or in progress but substantially complete has also been considered, and where this is the case then it is identified in the report. This assessment has taken account of the relative materiality of these areas and the results of any follow-up audits in progressing control improvements (see section 2.4.3).

- The results of any audit work related to the Health & Care Standards including, if appropriate, the evidence available by which the Board has arrived at its declaration in respect of the self-assessment for the Governance, Leadership and Accountability module.
- Other assurance reviews which impact on the Head of Internal Audit opinion including audit work performed at other organisations (see Section 3).
- Other knowledge and information that the Head of Internal Audit has obtained during the year including: cumulative information and knowledge over time; observation of Board and other key committee meetings; meetings with Executive Directors, senior managers and Non-Executive Directors; the results of *ad hoc* work and support provided; liaison with other assurance providers and regulators; and research. Cumulative audit knowledge of the organisation that the Head of Internal Audit considers relevant to the Opinion for this year.

As stated above, these detailed results have been aggregated to build a picture of assurance across the Trust.

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 reports issued during the year, six were allocated Substantial Assurance and three were allocated Reasonable Assurance. At the time of our annual report there was one report had been issued in draft with a Limited Assurance opinion. No reports had been issued with a No Assurance rating. In addition, three advisory & non opinion reports were issued.

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 & Corporate Governance Committee for consideration and approval. Notwithstanding that the opinion is restricted to those areas which were subject to audit review, the Head of Internal Audit has considered the impact of changes made to the plan when forming their overall opinion.

A summary of the findings in each of the domains as per the structure of the plan for 20/21, is shown below, whilst noting the overall opinion for the Trust is based on an overall aggregated position.

Corporate Governance, Risk Management and Regulatory Compliance

This year we have undertaken three reviews within this domain.

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

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

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

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

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

NHS Wales Health Collaborative – Management and governance of the implementation groups’ funding allocations - This advisory review looked at the governance process followed in relation to funding commitments and contractual arrangements inherited by the Collaborative to consider their alignment with its own procedures. While we identified that the Collaborative needed further documentation, it was working with the Trust and NHS Wales Shared Services Partnership Procurement to carry out further work in this area.

Our review of both the Annual Governance Statement and the Trust’s approach to Health & Care standards confirmed that on the whole they were consistent with our knowledge of the Trust through the work we performed in the Internal Audit plan and our review of other organisational documents.

Two audits were deferred from the original plan due to pressures as a result of the pandemic. These were risk management and culture. These are now in our 2021/22 programme of work.

Strategic Planning, Performance Management & Reporting

Data quality and integrity within performance reports – We identified two low priority recommendations and issued a substantial assurance report.

We have deferred our planned review of partner organisations, identified in our original plan, due to the pandemic. In addition, the start of our review of the operational plan process, has been delayed due to the impact of the pandemic. While we have started our planning of this review, it will be reported as part of our 2021/22 plan.

Financial Governance and Management

Financial Systems – We identified, two medium and two low priority recommendations. The medium priority recommendations related to the need to update the fixed asset procedure and to resolve some unallocated receipts. We issued a **substantial assurance** opinion.

The audits of Payroll and Accounts Payable, undertaken at NWSSP, received Reasonable Assurance.

Clinical Governance, Quality & Safety

Annual Quality Statement (AQS) - We gave **substantial assurance** to this review and note good engagement with stakeholders. We issued one low priority recommendation.

Management of alerts – follow up – The Trust had made progress against the original recommendations. At the time of our follow up fieldwork two medium priority recommendation were yet to be implemented. We issued a **reasonable assurance** report.

Our planned review of the microbiology stabilisation plan was deferred from the original plan due to the impact of the pandemic in this domain. Work within the microbiology area has been considered again as part of the annual audit planning process for 2021/22.

Information Governance & IT Security

Processing information under section 251 of the NHS Act 2006 – Our testing identified that the Trust's procedures in relation to section 251 approvals are complied with, and schedules of approvals held by the organisation are complete and correspond to published information. Historical section 251 applications conform to the necessary local review schedules. We issued a **substantial assurance** report.

IT business continuity - We identified a medium priority recommendation concerning testing of the Trust's failover and restore capabilities and appropriately recording successful tests on an auditable central register. We also identified four low priority recommendations which present some opportunities to enhance effectiveness of controls. Overall, we issued a **reasonable assurance** opinion.

Operational Service and Functional Management

Our planned directorate audit that was identified in our original plan was deferred during the year as a result of Covid-19 related service pressures. This has been included in our programmed of work for 2021/22.

Workforce Management

My contribution – follow up - The Trust had made progress towards implementing the recommendations from the previous audit including producing a detailed Action Plan to address the recommendations and reports on progress had been submitted to the Executive Team. At the time of our follow up work some recommendations were yet to be fully implemented, as such we issued a **reasonable assurance** report.

Additional hours and overpayments [Draft]- Staff worked additional hours and overtime during the pandemic to help meet the demand on the services of the Trust. Measures were put in place to capture this information, and a claim form was developed so that staff could record and claim the extra hours worked. Our review made high priority recommendations in relation to: the design of the Covid-19 claim form and the key spreadsheet used for monitoring and processing claims; the approval process; and the regular monitoring of additional hours. We also raised three medium priority, and one low priority recommendation. We issued a **limited assurance** opinion.

Capital & Estates Management

Sustainability reporting - The form and content of the sustainability report for 2019/20 complies with the required format set out in the HM Treasury guidelines. The information published within the report provides a reasonable, detailed and consistent account of the Trust's sustainability performance for 2019/20.

Our **substantial assurance** report identified good practice in relation to meeting the requirements of guidance published by the Welsh Government. We made one low priority recommendation.

2.4.3 Approach to Follow Up of Recommendations

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

In addition, audit committees monitor the progress in implementing recommendations (this is wider than just Internal Audit recommendations) through their own recommendation tracker processes. We attend all audit committee meetings and observe the quality and rigour around these processes.

This year, due to the impact of COVID-19, we are aware that it has been more difficult than usual for NHS organisations to implement recommendations to the timescales they had originally agreed. In addition, we also recognise that for new recommendations it may be more difficult to be precise on when exactly actions can be implemented by. However, it remains the role of audit committees to consider and agree the adequacy of management responses and the dates for implementation, and any subsequent request for revised dates, proposed by Management. Where appropriate, we have adjusted our approach to follow-up work to reflect these challenges.

Going forward, given that it is very likely that the number of outstanding recommendations will have grown during the course of the pandemic, audit committees will need to reflect on how best they will seek to address this position.

We have considered the impact of both our follow-up work and where there have been delays to the implementation of recommendations, on both our ability to give an overall opinion (in compliance with the PSIAS) and the level of overall assurance that we can give.

Our specific follow up audits undertaken in 2020/21, which are reported in section 2.4.2 above, identified that progress had been made by management in implementing recommendations.

We also reviewed the management of the internal audit action tracker during the year and confirmed that it is being appropriately monitored and scrutinised by the Audit and Corporate Governance committee. We tested a sample of completed agreed actions from the tracker and agreed with the conclusion reported to the committee in the tracker documentation.

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 Trust, audit work reported to draft stage has been included in the overall assessment, with all other work in progress rolled-forward and reported within the overall opinion for next year.

The majority of audit reviews will relate to the systems and processes in operation during 2020/21 unless otherwise stated and reflect the condition of internal controls pertaining at the point of audit assessment.

The audit of Environmental Sustainability Reporting contained within the 2020/21 Internal Audit plan related to the Trust's report produced in respect of the 2019/20 year.

Follow-up work will provide an assessment of action taken by management on recommendations made in prior periods and will therefore provide a limited scope update on the current condition of control and a measure of direction of travel.

There are some specific assurance reviews which remain relevant to the reporting of the organisation's Annual Report required to be published after the year end. Where required, any specified assurance work would be aligned with the timeline for production of the Trust's Annual Report and accordingly will be completed and reported to management and the Audit Corporate Governance Committee subsequent to this Head of Internal Audit Opinion. However, the Head of Internal Audit's assessment of arrangements in these areas would be legitimately informed by drawing on the assurance work completed as part of this current year's plan.

2.5 Required Work

There are a number of pieces of work that Welsh Government has required previously that Internal Audit has reviewed each, where applicable. These pieces cover aspects of:

- Health & Care Standards, including the Governance, Leadership and Accountability standard;
- Annual Governance Statement;
- Annual Quality Statement;

- Environmental Sustainability Report; and
- Welsh Risk Pool.

Where appropriate, our work is reported in Section 5 – Risk based Audit Assignments and at **Appendix B**.

Please note that following discussions with Welsh Government we are not being mandated to audit these areas from 2021/22. Future work in these areas will be determined on the basis of risk or specific requests from the organisation.

2.6 Statement of Conformance

The Welsh Government determined that the Public Sector Internal Audit Standards (PSIAS) would apply across the NHS in Wales from 2013/14.

The provision of professional quality Internal Audit is a fundamental aim of our service delivery methodology and compliance with PSIAS is central to our audit approach. Quality is controlled by the Head of Internal Audit on an ongoing basis and monitored by the Director of Audit & Assurance. The work of Internal Audit is also subject to an annual assessment by Audit Wales. In addition, at least once every five years, we are required to have an External Quality Assessment. This was undertaken by the Chartered Institute of Internal Auditors (IIA) in February and March 2018. The IIA concluded that NWSSP's Audit & Assurance Services conforms with all 64 fundamental principles and 'it is therefore appropriate for NWSSP Audit & Assurance Services to say in reports and other literature that it conforms to the IIA's professional standards and to PSIAS.'

The NWSSP Audit and Assurance Services can assure the Audit & Corporate Governance Committee that it has conducted its audit at the Trust in conformance with the Public Sector Internal Audit Standards for 2020/21.

Our conformance statement for 2020/21 is based upon:

- the results of our internal Quality Assurance and Improvement Programme (QAIP) for 2020/21 which will be reported formally in the Summer of 2021; and
- the results of the work completed by Audit Wales.

We have set out, in **Appendix A**, the key requirements of the Public Sector Internal Audit Standards and our assessment of conformance against these requirements. The full results and actions from our QAIP will be included in the 2020/21 QAIP report. There are no significant matters arising that need to be reported in this document.

2.7 Completion of the Annual Governance Statement

While the overall Internal Audit opinion will inform the review of effectiveness for the Annual Governance Statement, the Accountable Officer and the Board need to take into account other assurances and risks when preparing their statement. These sources of assurances will have been identified within the Board's own performance management and assurance framework and will include, but are not limited to:

- direct assurances from management on the operation of internal controls through the upward chain of accountability;
- internally assessed performance against the Health & Care Standards;
- results of internal compliance functions including Local Counter-Fraud, Post Payment Verification, and risk management;
- reported compliance via the Welsh Risk Pool regarding claims standards and other specialty specific standards reviewed during the period; and
- reviews completed by external regulation and inspection bodies including Audit Wales and Healthcare Inspectorate Wales.

3. OTHER WORK RELEVANT TO THE TRUST

As our internal audit work covers all NHS Wales organisations there are a number of audits that we undertake each year which, while undertaken formally as part of a particular health organisation’s audit programme, will cover activities relating to other Health bodies. These are set out below, with relevant comments and opinions attached, and relate to work at:

- NHS Wales Shared Services Partnership;
- NHS Wales Informatics Service;
- Welsh Health Specialised Services Committee; and
- Emergency Ambulance Services Committee.

Please note that, in response to COVID-19, we have altered our approach this year and undertaken additional testing on a number of the national NWSSP run systems and produced separate reports for each NHS Wales organisation where appropriate.

NHS Wales Shared Services Partnership (NWSSP)

As part of the internal audit programme at NHS Wales Shared Services Partnership (NWSSP), a hosted body of Velindre University NHS Trust, a number of audits were undertaken which are relevant to the Trust. These audits of the financial systems operated by NWSSP, processing transactions on behalf of the Trust, derived the following opinion ratings:

| Audit | Opinion | Comments |
|-------------------------------|------------|---|
| Accounts Payable | Reasonable | A summary report will be produced for the Trust |
| Payroll | Reasonable | A summary report will be produced for the Trust |
| Covid-19 financial governance | N/A | - |

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

The reports on Accounts Payable and Payroll are also included in the table at Appendix B (as they have been in previous years).

NHS Wales Informatics Service (NWIS)

As part of the internal audit programme at NHS Wales Informatics Service (NWIS), a hosted body of Velindre University NHS Trust in 2020/21, a number of audits were undertaken which are relevant to the Trust. These audits derived the following opinion ratings:

| Audit | Opinion | Comments |
|-------------------------------|----------------|-----------------|
| IT Cyber Security | Substantial | - |
| GDPR Follow-Up | Substantial | - |
| Operational Resilience | Reasonable | - |
| Supplier Management Follow-Up | Reasonable | - |

Please note that other audits of NWIS activities are undertaken as part of the overall NWIS internal audit programme. All reports are received by the Velindre University NHS Trust Audit Committee. No formal Head of Internal Audit Opinion is currently given for the work at NWIS.

For 2020/21, NWIS will become a Special Health Authority under the name of Digital Health and Care Wales and will have a separate Audit Committee, Internal Audit plan and annual Head of Internal Audit Opinion.

Welsh Health Specialised Services Committee (WHSSC) and Emergency Ambulance Services Committee (EASC)

The work at both the Welsh Health Specialist Services Committee (WHSSC) and the Emergency Ambulance Services Committee (EASC) is undertaken as part of the Cwm Taf Morgannwg internal audit plan. These audits are listed below and derived the following opinion ratings:

| Audit | Opinion | Comments |
|--|----------------|-----------------|
| WHSSC - Women and Children Directorate | Substantial | - |
| WHSSC - Financial systems | Substantial | - |
| EASC - Recruitment review | Reasonable | - |

While these audits do not form part of the annual plan for the Trust, they are listed here for completeness as they do impact on the organisation's activities. The Head

of Internal Audit has considered if any issues raised in the audits could impact on the content of our annual report and concluded that there are no matters of this nature.

Full details of the NWSSP audits are included in the NWSSP Head of Internal Audit Opinion and Annual Report and are summarised in the Velindre NHS Trust Head of Internal Audit Opinion and Annual Report. NWIS audits are summarised in the Velindre University NHS Trust Head of Internal Audit Opinion and Annual Report, and the WHSSC and EASC audits are summarised in the Cwm Taf Morgannwg University Health Board Head of Internal Audit Opinion and Annual Report.

4. DELIVERY OF THE INTERNAL AUDIT PLAN

4.1 Performance against the Audit Plan

The Internal Audit Plan has been delivered substantially in accordance with the schedule agreed with the Audit & Corporate Governance Committee, subject to changes agreed as the year progressed. Regular audit progress reports have been submitted to the Audit & Corporate Governance Committee during the year.

The revised audit plan approved by the Audit & Corporate Governance Committee in January 2021 contained 14 planned reviews. Since then, largely due to the effects of the second wave of the pandemic, one audit started later than planned, which will now form part of the 2021/22 annual report, with us therefore planning to deliver 13 review reports.

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

In addition, we may respond to requests for advice and/or assistance across a variety of business areas across the Trust. 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 & Corporate Governance Committee.

4.2 Service Performance Indicators

In order to be able to demonstrate the quality of the service delivered by Internal Audit, a range of service performance indicators supported by monitoring systems have been developed. The key performance indicators are summarised in Appendix C.

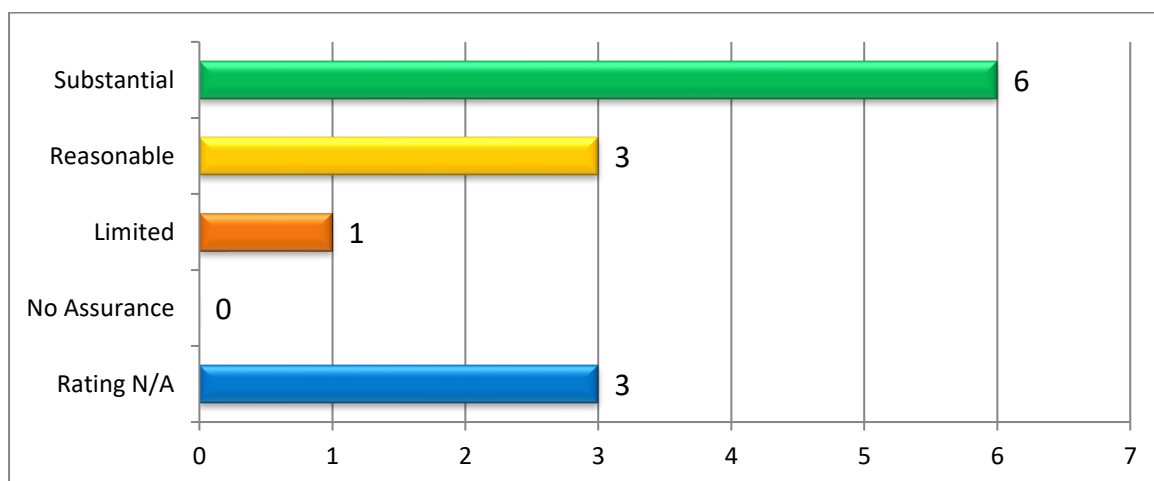
5. RISK-BASED AUDIT ASSIGNMENTS

The overall opinion provided in Section 1 and our conclusions on individual assurance domains is limited to the scope and objectives of the reviews we have undertaken, detailed information on which has been provided within the individual audit reports.

5.1 Overall summary of results

In total 13 audit reviews were reported during the year. Figure 1 below presents the assurance ratings and the number of audits derived for each.

Figure 1 Summary of audit ratings



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

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

5.2 Substantial Assurance



In the following review areas, the Board can take **substantial assurance** that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively. Those few matters that may require attention are compliance or advisory in nature with low impact on residual risk exposure.

| Review Title | Objective |
|--|---|
| Welsh risk pool claims reimbursement | The objective of the audit was to evaluate and determine the adequacy of the systems and controls in place for the management of claims reimbursement. |
| Data quality and integrity within performance reports | The overall objective of the review was to evaluate and determine the adequacy of the systems and controls in place within the Trust for the management of the data quality and integrity within performance reports. |
| Financial systems | This year our work on financial systems looked at the capital asset register, invoicing, and cash management. |
| Annual Quality Statement (AQS) | The overall objective of our review was to assist the Trust with accuracy checking, including the triangulation of data and evidence, before the publication of the AQS. |
| Processing information under section 251 of the NHS Act 2006 | The objective of this audit was to evaluate and determine the adequacy of systems and controls in place in relation to dealing with requests to process information under the section 251 exemption. |
| Sustainability reporting | The overall objective of our review was to assess the adequacy of management arrangements for the production of the sustainability report within the Trust's Annual Report. |

5.3 Reasonable Assurance



In the following review areas, the Board can take **reasonable assurance** that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively. Some matters require management attention in either control design or operational compliance and these will have low to moderate impact on residual risk exposure until resolved.

| Review Title | Objective |
|----------------------------------|--|
| IT Business continuity | The objective of the review was to provide assurance to the Trust that IT backup and continuity arrangements were in place and managed appropriately within its departments to ensure that the organisation has sufficient resilience and can maintain services in the event of an IT disruption caused by a major incident. |
| Management of alerts – follow up | The objective of this review was to provide the Trust with assurance regarding the implementation of the agreed management responses from the management of alerts review that was undertaken as part of our 2019/20 work programme. |
| My contribution – follow up | The overall objective of this review was to provide the Trust with assurance regarding the implementation of the agreed management responses from the original review that was undertaken as part of our 2019/20 work programme. |

5.4 Limited Assurance



In the following review areas, the Board can take only **limited assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with moderate impact on residual risk exposure until resolved.

| Review Title | Objective |
|---------------------------------------|--|
| Additional hours and overtime [Draft] | The objective of this review was to evaluate and determine the adequacy of the systems and controls in place within the Trust for the management of additional hours and overtime, with a specific focus |

5.5 No Assurance



There are no audited areas in which the Board has **no assurance** that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively, or where action remains to be taken to address the whole control framework with high impact on residual risk exposure until resolved.

5.6 Assurance Not Applicable

The following reviews were undertaken as part of the audit plan and reported or closed by correspondence without the standard assurance rating indicator, owing to the nature of the audit approach.

| Review Title | Objective |
|-------------------------------------|---|
| Governance During Covid-19 Pandemic | We assessed the adequacy and effectiveness of internal controls in operation during the Covid-19 outbreak, with particular regard to the Principles set out by the Welsh Government regarding maintaining financial governance. |

| Review Title | Objective |
|--|--|
| Governance During Covid-19 Pandemic – follow up | The overall objective of this review was to provide the Trust with an update position of the actions that management planned to undertake against the suggestions made in our original Covid-19 governance review. |
| NHS Collaborative – Management and governance of the implementation groups’ funding allocation | This advisory review looked at the governance process followed in relation to funding commitments and contractual arrangements inherited by the Collaborative to consider their alignment with its own procedures in order to ensure they satisfy financial transactions being made through the Collaborative and Public Health Wales. This may also allow the Collaborative to form a judgment in relation to the appropriateness of the continuation of existing contractual arrangements and commitments. |

5.7 Planned audits not completed

Subsequent to the approval of the updated plan in January 2021, one audit was delayed and will be reported as part of our 2021/22 annual plan.

| Review Title | |
|------------------|---|
| Operational plan | Delayed start due to pandemic – Will be included in 2021/22 work. |

6. ACKNOWLEDGEMENT

In closing I would like to acknowledge the time and co-operation given by directors and staff of the Trust to support the delivery of the Internal Audit assignments undertaken within the 2020/21 plan.

Paul Dalton

Head of Internal Audit

Audit & Assurance Services

NHS Wales Shared Services Partnership

June 2021

| ATTRIBUTE STANDARDS: | |
|---|--|
| 1000 Purpose, authority and responsibility | Internal Audit arrangements are derived ultimately from the NHS organisation’s Standing Orders and Financial Instructions. These arrangements are embodied in the Internal Audit Charter adopted by the Audit & Corporate Governance 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 & Corporate Governance Committee chair. |
| 1200 Proficiency and due professional care | Staff are aware of the Public Sector Internal Audit Standards and Code of Ethics. Appropriate staff are allocated to assignments based on knowledge and experience. Training and Development exist for all staff. The Head of Internal Audit is a professionally qualified. |
| 1300 Quality assurance and improvement programme | Head of Internal Audit undertakes quality reviews of assignments and reports as set out in internal procedures. Internal quality monitoring against standards is performed by the Head of Internal Audit and Director of Audit & Assurance. Audit Wales complete an annual assessment. An EQA was undertaken in 2018. |
| PERFORMANCE STANDARDS: | |
| 2000 Managing the internal audit activity | The Internal Audit activity is managed through the NHS Wales Shared Services Partnership. The audit service delivery plan forms part of the NWSSP integrated medium term plan. A risk-based strategic and annual operational plan is developed |

| | |
|---------------------------------------|---|
| | <p>for the organisation. The operational plan gives detail of specific assignments and sets out overall resource requirement. The audit strategy and annual plan is approved by Audit & Corporate Governance Committee.</p> <p>Policies and procedures which guide the Internal Audit activity are set out in an Audit Quality Manual. There is structured liaison with Audit Wales and LCFS.</p> |
| 2100 Nature of work | <p>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.</p> |
| 2200 Engagement planning | <p>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.</p> |
| 2300 Performing the engagement | <p>The Audit Quality Manual guides the performance of each audit assignment and each report is quality reviewed before issue.</p> |
| 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 & Corporate Governance 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 & Corporate Governance Committee. In addition, audit reports are followed-up by Internal Audit on a selective basis as part of the operational plan. |
| 2600 Communicating the acceptance of risks | If Internal Audit considers that a level of inappropriate risk is being accepted by management, it would be discussed and will be escalated to Board level for resolution. |

AUDIT RESULTS GROUPED BY ASSURANCE DOMAIN

| Assurance domain | Report Number | | Not rated | No | Limited assurance | Reasonable assurance | Substantial assurance |
|--|---------------|--|--|----|-------------------|---|----------------------------|
| Corporate governance, risk and regulatory compliance | 4 | | <ul style="list-style-type: none"> ● Covid-19 Governance ● Covid-19 Governance – follow up ● Collaborative review | - | - | - | ● Welsh Risk Pool |
| Strategic planning, performance management and reporting | 1 | | - | - | - | - | ● Data integrity |
| Financial governance and management * | 1 | | - | - | - | <ul style="list-style-type: none"> ▣ Payroll (NWSSP) ▣ Accounts Payable (NWSSP) | ● Financial systems |
| Clinical governance quality and safety | 2 | | - | - | - | ● Management of alerts – follow up | ● Annual Quality Statement |
| Information governance and security | 2 | | - | - | - | ● IT Business continuity | ● Anonymised personal data |

| Assurance domain | Report Number | | Not rated | No | Limited assurance | Reasonable assurance | Substantial assurance |
|---|---------------|--|-----------|----------|-----------------------------------|------------------------------|----------------------------|
| Operational service and functional management | - | | - | - | - | - | - |
| Workforce management | 2 | | - | - | ● <i>Additional hours [Draft]</i> | ● My contribution- follow up | - |
| Capital and estates management | 1 | | - | - | - | - | ● Sustainability Reporting |
| Total | 13 | | 3 | - | 1 | 3 | 6 |

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

Key to symbols:

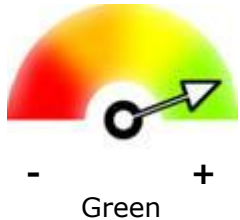
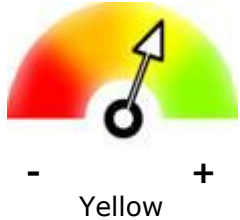
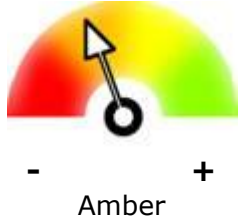
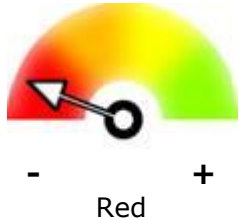
- Audit undertaken within the annual Internal Audit plan
- Italics* Reports not yet finalised but have been issued in draft
- Audits undertaken as per of the NWSSP Internal Audit Plan.

PERFORMANCE INDICATORS as at 2 June

| Indicator Reported to NWSSP Audit Committee | Status | Actual | Target | Red | Amber | Green |
|---|---------------|-----------------------------|---------------|------------|--------------|--------------|
| Operational Audit Plan agreed for 2020/21 | G | April 2020 and January 2021 | By 30 June | Not agreed | Draft plan | Final plan |
| Total assignments reported against adjusted plan for 2020/21 | G | 100% (13/13) | 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 response to draft report [15 working days] | G | 89% | 80% | v>20% | 10%<v<20% | v<10% |
| Report turnaround: time from management response to issue of final report [10 working days] | G | 100% | 80% | v>20% | 10%<v<20% | v<10% |

Key: v = percentage variance from target performance

2020/21 Audit Assurance Ratings

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

Confidentiality

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Audit

The audit was undertaken using a risk-based auditing methodology. An evaluation was undertaken in relation to priority areas established after discussion and agreement with the Trust. Following interviews with relevant personnel and a review of key documents, files and computer data, an evaluation was made against applicable policies, procedures and regulatory requirements and guidance as appropriate.

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding the achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Where a control objective has not been achieved, or where it is viewed that improvements to the current internal control systems can be attained, recommendations have been made that if implemented, should ensure that the control objectives are realised/ strengthened in future.

A basic aim is to provide proactive advice, identifying good practice and any systems weaknesses for management consideration.

Responsibilities

Responsibilities of management and Internal Auditors:

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we may carry out additional work directed towards identification of fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, cannot ensure fraud will be detected. The organisation's Local Counter Fraud Officer should provide support for these processes.



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Cydwasaethau
Gwasanaethau Archwilio a Sicrwydd
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