

Estates Directorate -

Compliance Review

Internal Audit Report

Cwm Taf Morgannwg University Health Board

2020/21

March 2021

NHS Wales Shared Services Partnership

Audit and Assurance Services

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Audit and Assurance Services conform with all Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Institute of Internal Auditors.

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1. Introduction and Background

Our review of the Estates Directorate's compliance with key documents such as Standing Financial Instructions, including the Scheme of Delegation and Financial Control Procedures, was completed in line with the 2020/21 Internal Audit plan for Cwm Taf Morgannwg University Health Board (the 'Health Board' or the 'organisation').

The Health Board's estate is one of its largest assets and is an asset that grew following the merger with the Bridgend area in April 2019. The Health Board now manages three district general hospitals, six community hospitals, one mental health site and 35 other health centres, clinics and support facilities. An Estates strategy is in place that describes the current condition of the estate and is used to inform work required. Furthermore, a number of the service change plans outlined in the Health Board's IMTP will have a significant impact on the estate. As such the proper management of the Health Board's estate is essential to enabling the provision of healthcare to the Cwm Taf Morgannwg population.

The relevant lead for the assignment is the Director of Finance.

In addition, we undertook a separate review of the Estates Directorate's management arrangements, which has been reported separately.

2. Scope and Objectives

The overall objective of the audit was to evaluate and determine the adequacy of the systems and controls in place in relation to compliance with key documents, in order to provide assurance to the Health Board's Audit and Risk Committee that risks material to the achievement of the system's objectives are managed appropriately.

The areas that we sought to provide assurance on were:

- The Directorate's compliance with relevant Financial Control Procedures (FCPs).
- The Estates Directorate's compliance with the relevant elements of the Scheme of Delegation.

We met with the Directorate management team and relevant business partner to identify the FCPs most applicable to Estates. These were identified as:

- Budgetary control; and
- Requisitioning of goods and services.

As such, our testing of FCPs focused on these areas.

3. Associated Risks

During the scoping and planning phase of this review we discussed the potential risks that are relevant to the review. The potential risks considered in this review are as follows:


- Inappropriate or unauthorised decisions are made if staff are unaware of the relevant key documents.
- Inappropriate or unauthorised decisions due to non-compliance with legislation or corporate and operational policies.
- Financial expenditure unnecessarily incurred.

OPINION AND KEY FINDINGS

4. Overall Assurance Opinion

We are required to provide an opinion as to the adequacy and effectiveness of the system of internal control under review. The opinion is based on the work performed as set out in the scope and objectives within this report. An overall assurance rating is provided describing the effectiveness of the system of internal control in place to manage the identified risks associated with the objectives covered in this review.

The overall level of assurance that can be assigned to a review is dependent on the severity of the findings as applied against the specific review objectives and should therefore be considered in that context. The level of assurance given as to the effectiveness of the system of internal control in place to manage the compliance risks associated with Estates is **Substantial assurance**.

RATING	INDICATOR	DEFINITION
Substantial Assurance		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.

Our testing undertaken as part of this review and our 'management arrangements' review has confirmed that the Directorate is mostly compliant with requirements set out in the FCPs and the Scheme of Delegation.

The directorate appears to have a strong working relationship with its Finance Business Partner and is proactively managing and monitoring its budget in challenging pandemic circumstances.





We have identified minor findings in relation to the use of the emergency procurement card and access to the Oracle financial system. For both of

these findings, the exposure to risk at this time was minimal and as such the finding in relation to Oracle was verbally fed back to management.

The overall level of assurance that can be assigned to a review is dependent on the severity of the findings as applied against the specific review objectives and should therefore be considered in that context.

5. Assurance Summary

The summary of assurance given against the individual objectives is described in the table below:

Assurance Summary					
1	Budgetary Control				✓
2	Requisition and Ordering of Goods & Services				✓
3	Scheme of Delegation				✓

* The above ratings are not necessarily given equal weighting when generating the audit opinion.

Design of Systems/Controls

We did not identify any issues that are classified as weaknesses in the system control/design for compliance within the Estates Directorate.

Operation of System/Controls

The findings from our review has highlighted one issue that is classified as weaknesses in the operation of the designed system/control for compliance within the Estates Directorate.

6. Summary of Audit Findings

In this section, we highlight areas of good practice that we identified during our review. We also summarise the findings made during our audit fieldwork. The detailed findings are reported in the Management Action Plan (Appendix A).

Objective 1: Estate's compliance with relevant Financial Control Procedures (FCPs).

We note the following areas of good practice:

Budgetary Control

- Monthly monitoring meetings take place between the Directorate Manager, the senior management team and Finance Business

Partner. These meetings continued throughout the year, despite Covid-19 pandemic.

- The finance pack prepared for each meeting has a wealth of information including a high-level summary statement showing the annual budget against its apportioned monthly budget, salary breakdowns, building and equipment costs, and Covid-19 specific costs and notes.

The pack includes a variance report that incorporates explanations, notes and 'follow up' actions for areas of the budget where there have been significant variances.

- We saw evidence of detailed reviews of the budget in areas such as building and equipment costs. We also saw evidence of regular communication between finance and the directorate.

Requisitioning of Goods and Services

- Our testing focussed on the use of procurement cards used to make emergency purchases. We identified that a specific procedure has been written and is available to all staff.

We did not identify any findings in relation to budgetary control. In relation to Requisitioning of Goods and Service, we identified the following:

- Whilst in all cases appropriate authorisation was in place for the purchasing card items that we tested, in some cases supporting paperwork, such as the online order or dispatch note, was missing. (Finding 1)

Objective 2: The directorate's compliance with the relevant elements of the scheme of delegation

We note the following areas of good practice:

- In line with the Scheme of Delegation:
 - The budget for the financial year was approved and 'signed off' by the Head of Estates.
 - There are Service Level Agreements in place for services provided to Swansea Bay University Health Board. For example, for using buildings owned by the Health Board, and the provision of facilities and Estates services.
 - The two assets that had been disposed of during 2020/21 up to the time of our review, followed the correct authorisation process.
- For the sample of termination forms that we reviewed, all were completed in a timely manner to prevent overpayments.

- On a quarterly basis each of the Estates stores undertakes a 100% check of stocks held. These checks have continued through the Covid-19 pandemic, though other daily and weekly spot checks were suspended.

We identified the following finding:

- The approval to carry forward annual leave was not always in line with the Scheme of Delegation. (We have reported this under the Annual Leave objective within our Management Arrangements report).

7. Summary of Recommendations

The audit findings and recommendations are detailed in Appendix A together with the management action plan and implementation timetable.


A summary of these recommendations by priority is outlined below.


Priority	H	M	L	Total
Number of recommendations	0	0	1	1


Finding 1 – Emergency Purchasing Card (Operating effectiveness)	Risk
<p>The Estates directorate has a number of 'Screwfix' purchasing cards for use in an emergency or out of hours circumstances when normal order procedures cannot be followed.</p> <p>We tested a sample of five payments to ensure that the correct process was followed, and adequate approval was sought. The samples related to transactions arising from the estates teams in Princess of Wales hospital and Ysbyty Cwm Cynon. We identified that in four out of five of the cases some elements of paperwork were missing, such as the dispatch note or details of the order that had been placed. However, in all cases an approved job sheet was in place.</p>	<p>Use of emergency cards are not authorised and items purchased are not for Health board use.</p>
Recommendation	Priority level
<p>Staff to be reminded that all paperwork relating to purchases made via the 'Screwfix' emergency purchasing cards should be retained.</p>	<p>Low</p>
Management Response	Responsible Officer/ Deadline
<p>It will be reinforced via the supervisors and followed up with an email to operational staff that they retain paperwork and return it to the relevant stores manager.</p>	<p>Head of Estates - April 2021</p>


Appendix B - Assurance opinion and action plan risk rating

Audit Assurance Ratings

 **Substantial assurance** - 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.

 **Reasonable assurance** - 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.

 **Limited assurance** - 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.

 **No assurance** - The Board can take **no 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 **high impact on residual risk** exposure until resolved.

Prioritisation of Recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows.

Priority Level	Explanation	Management action
High	Poor key control design OR widespread non-compliance with key controls. PLUS Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in control design OR limited non-compliance with established controls. PLUS Some risk to achievement of a system objective.	Within One Month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. These are generally issues of good practice for management consideration.	Within Three Months*

* Unless a more appropriate timescale is identified/agreed at the assignment.