



Partneriaeth  
Cydwasaethau  
Gwasanaethau Archwilio a Sicrwydd  
Shared Services  
Partnership  
Audit and Assurance Services



Bwrdd Iechyd Prifysgol  
Bae Abertawe  
Swansea Bay University  
Health Board

# **Swansea Bay University Health Board**

## **Internal Audit Plan 2021/22**

**February 2021**

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

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## **1. Introduction**

This document sets out the Internal Audit Plan for 2021/22 (the Plan) detailing the audits to be undertaken and an analysis of the corresponding resources. It also contains the Internal Audit Charter which defines the overarching purpose, authority and responsibility of Internal Audit and the Key Performance Indicators for the service.

As a reminder, the Accountable Officer (the HB Chief Executive) is required to certify, in the Annual Governance Statement, that they have reviewed the effectiveness of the organisation's governance arrangements, including the internal control systems, and provide confirmation that these arrangements have been effective, with any qualifications as necessary including required developments and improvement to address any issues identified.

The purpose of Internal Audit is to provide the Accountable Officer and the Board, through the Audit Committee, with an independent and objective annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and control. The opinion should be used to inform the Annual Governance Statement.

Additionally, the findings and recommendations from internal audit reviews may be used by health board management to improve governance, risk management, and control within their operational areas.

The Public Sector Internal Audit Standards (the Standards) require that 'The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered in accordance with the internal audit charter and how it links to the organisational objectives and priorities.'

Accordingly, this document sets out the risk-based approach and the Plan for 2021/22. The Plan will be delivered in accordance with the Internal Audit Charter and the agreed KPIs which are monitored and reported to you. All internal audit activity will be provided by Audit & Assurance Services, a part of NHS Wales Shared Services Partnership.

## **2. Developing the Internal Audit Plan**

### **2.1 Link to the Public Sector Internal Audit Standards**

The Plan has been developed in accordance with Public Sector Internal Audit Standard 2010 – Planning, to enable the Head of Internal Audit to meet the following key objectives:

- the need to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals;

- provision to the Accountable Officer of an overall independent and objective annual opinion on the organisation's governance, risk management, and control, which will in turn support the preparation of the Annual Governance Statement;
- audits of the organisation's governance, risk management, and control arrangements which afford suitable priority to the organisation's objectives and risks;
- improvement of the organisation's governance, risk management, and control arrangements by providing line management with recommendations arising from audit work;
- quantification of the audit resources required to deliver the Internal Audit Plan;
- effective co-operation with Audit Wales as external auditor and other review bodies functioning in the organisation; and
- provision of both assurance (opinion based) and consulting engagements by Internal Audit.

## **2.2 Risk based internal audit planning approach**

Our risk-based planning approach recognises the need for the prioritisation of audit coverage to provide assurance on the management of key areas of risk, and our approach addresses this by considering the:

- organisation's risk assessment and maturity;
- the previous years' internal audit activities; and
- the audit resources required to provide a balanced and comprehensive view.

Our planning takes into account the NHS Wales Planning Framework and other NHS Wales priorities, and is mindful of significant national changes that are taking place, in particular the ongoing impact of COVID-19. In addition, the plan aims to reflect the significant local changes occurring as identified through the Integrated Medium-Term Plan (IMTP) and Annual Plan within a longer term framework and other changes within the organisation, assurance needs, identified concerns from our discussions with management, and emerging risks.

We will ensure that the plan remains fit for purpose by recommending changes where appropriate and reacting to any emerging issues throughout the year. Any necessary updates will be reported to the Audit Committee in line with the Internal Audit Charter.

While some areas of governance, risk management and control will require annual review, our risk-based planning approach recognises that it is not possible to audit every area of an organisation's activities every year. The risk associated with each auditable area is assessed and this determines the appropriate frequency for review.

In addition, we are also aiming to agree a programme of work through both the Board Secretaries and Directors of Finance networks. These audits and reviews may be undertaken across all NHS bodies or a particular sub-set, for example at health boards only.

Therefore, our audit plan is made up of a number of key components:

1) Annual audit work - areas where annual audit work will support the most efficient and effective delivery of an annual opinion. These cover the Board Assurance Framework, Risk Management, Clinical Governance and Quality, Financial Sustainability, Performance Monitoring & Management and an overall IM&T assessment. In each case we anticipate a short overview to establish the arrangements in place including any changes from the previous year with detailed testing where required.

2) Organisation based audit work – this covers key risks and priorities from the Board Assurance Framework and the Corporate Risk Register together with other auditable areas identified and prioritised through our planning approach. This work combines elements of governance and risk management with the controls and processes put in place by management to effectively manage the areas under review.

We recognise that there is a need to audit in a more agile way and to this end we have agreed with some organisations to plan this component of the work on a half-yearly rather than annual basis (the two half year elements making an annual plan). SBUHB has chosen to have a full annual programme of work identified at this stage recognising that some audits may change during the year.

3) Follow up - this is follow-up work on previous limited and no assurance reports as well as other high priority recommendations. Our work here also links to the organisation's recommendation tracker and considers the impact of their implementation on the systems of governance and control.

4) Work agreed with the Board Secretaries, Directors of Finance, other executive peer groups, or Audit Committee Chairs in response to common risks faced by a number of organisations. This may be advisory work in order to identify areas of best practice or shared learning.

5) The impact of audits undertaken at other NHS Wales bodies that impacts on the HB, namely PHW, HEIW, NWSSP, Digital Health and Care Wales, WHSSC and EASC.

6) Where appropriate, Integrated Audit & Assurance Plans will be agreed for major capital and transformation schemes and charged for separately. Health bodies are able to add a provision for audit and assurance costs into the Final Business Case for major capital bids.

These components are designed to ensure that our internal audit programmes comply with all of the requirements of the Standards, supports the maximisation of the benefits of being an all-NHS Wales wide internal audit service, and allows us to respond in an agile way to requests for audit input at both an all-Wales and organisational level.

### **2.3 Link to the Health Board's systems of assurance**

The risk based internal audit planning approach integrates with the health board's systems of assurance; thus, we have considered the following:

- a review of the Board's vision, values and forward priorities as outlined in the Annual Plan and three year Integrated Medium Term Plan (IMTP);
- an assessment of the HB's governance and assurance arrangements and the contents of the corporate risk register;
- risks identified in papers to the Board and its Committees (in particular the Audit Committee and the Quality and Safety Committee);
- key strategic risks identified within the corporate risk register and assurance processes;
- discussions with Executive Directors regarding risks and assurance needs in areas of corporate responsibility;
- cumulative internal audit knowledge of governance, risk management, and control arrangements (including a consideration of past internal audit opinions);
- new developments and service changes;
- legislative requirements to which the organisation is required to comply;
- planned audit coverage of systems and processes provided through NHS Wales Shared Services Partnership (NWSSP), Digital Health and Care Wales, WHSSC and EASC;
- work undertaken by other supporting functions of the Audit Committee including Local Counter-Fraud Services (LCFS);
- work undertaken by other review bodies including Audit Wales and Health Inspection Wales (HIW); and
- coverage necessary to provide assurance to the Accountable Officer in support of the Annual Governance Statement.

### **2.4 Audit planning meetings**

In developing the Plan, in addition to consideration of the above, the Head of Internal Audit has met and spoken with a number of health board Executives and Independent members to discuss current areas of risk and related assurance needs. Meetings have been held, and planning information shared, with the health board's executive team, the Chair of the Audit Committee and the Chair of the Board.

The draft Plan has been provided to the health board's Executive Management Team to ensure that Internal Audit effort was best targeted to areas of risk.

### **3. Audit risk assessment**

The prioritisation of audit coverage across the audit universe is based on the organisation's assessment of risk and assurance requirements as defined in the Board Assurance Framework and Corporate Risk Register.

The maturity of these risk and assurance systems allows us to consider both inherent risk (impact and likelihood) and mitigation (adequacy and effectiveness of internal controls). Our assessment also takes into account corporate risk, materiality or significance, system complexity, previous audit findings, potential for fraud, and sensitivity.

### **4. Planned internal audit coverage**

#### **4.1 Internal Audit Plan 2021/22**

The Plan is set out in Appendix A and identifies the audit assignment, lead executive officer, outline scope, and proposed timing. It is structured under the six components referred to in section 2.2.

Where appropriate the Plan makes cross reference to key strategic risks identified within the corporate risk register and related systems of assurance together with the proposed audit response within the outline scope.

The scope, objectives and audit resource requirements and timing will be refined in each area when developing the audit scope in discussion with the responsible executive director(s) and operational management.

The scheduling takes account of the optimum timing for the performance of specific assignments in discussion with management, and Audit Wales requirements if appropriate.

The Audit Committee will be kept apprised of performance in delivery of the Plan, and any required changes, through routine progress reports to each Audit Committee meeting.

Audit coverage, in terms of capital audit and estates assurance, will be delivered by our Capital & Estates Team, and work on Information Governance and IT Security will be delivered by our IM&T Team.

#### **4.2 Keeping the plan under review**

Our risk assessment and resulting Plan is limited to matters emerging from the planning processes indicated above.

Audit & Assurance Services is committed to ensuring its service focuses on priority risk areas, business critical systems, and the provision of assurance to management across the medium term and in the operational year ahead. As in any given year, our Plan will be kept under review and may be subject to change to ensure it remains fit for purpose. We are particularly mindful of the level of uncertainty that currently exists with regards to the COVID-19 pandemic. At this stage, it is not clear how the pandemic will affect the delivery of the Plan over the coming year. To this end, the need for flexibility

and a revisit of the focus and timing of the proposed work will be necessary at some point during the year.

Consistent with previous years, and in accordance with best professional practice, an unallocated contingency provision has been retained in the Plan to enable Internal Audit to respond to emerging risks and priorities identified by the Executive Management Team and endorsed by the Audit Committee. Any changes to the Plan will be based upon consideration of risk and need and will be presented to the Audit Committee for approval.

Regular liaison with Audit Wales as your External Auditor will take place to coordinate planned coverage and ensure optimum benefit is derived from the total audit resource.



## **5. Resource needs assessment**

Internal Audit has the necessary resources to deliver the agreed programme through both the local audit team and access to specialist resources.

Provision has also been made for other essential audit work including planning, management, reporting and follow-up.

If additional work, support or further input necessary to deliver the plan is required during the year over and above the total indicative resource requirement a fee may be charged. Any change to the plan will be based upon consideration of risk and need, and presented to the Audit Committee for approval.

As in previous years, the UHB's capital and estates audit coverage will be provided by our Specialist Services Unit and will be recharged separately. The estimated cost for 2021/22 is £39,665.

In accordance with the NHS Wales Infrastructure Investment Guidance all business cases are required to include an Integrated Assurance and Approval Plan (IAAP) that sets out assurance and approval points for each stage of the project/ programme. Accordingly, Health Boards/Trusts are required to outline the various formalised assurance mechanisms proposed (e.g. internal audit, Gateway reviews, functional reviews etc.), and the timing of each, within all business case submissions.

By outlining the various assurance mechanisms proposed at the Business Case and reflecting the proposed costs within the Business Case Cost Forms, Health Boards/Trusts are able to capitalise the costs of its associated internal audit coverage. Accordingly, during the forthcoming year, our Capital & Estates Team will work with management to develop appropriate project/programme audit plans (based on risk assessments), for inclusion within key business cases. The internal audit plan will be updated to reflect any associated business case approvals.

The Standards enable Internal Audit to provide consulting services to management. The commissioning of these additional services by the Health Board, unless already included in the plan, is discretionary. Accordingly, a separate fee may need to be agreed for any additional work.

## **6. Action required**

The Audit, Risk and Assurance Committee is invited to consider the Internal Audit Plan for 2021/22 and:

- approve the Internal Audit Plan for 2021/22;
- approve the Internal Audit Charter; and
- note the associated Internal Audit resource requirements and Key Performance Indicators.

**Helen Higgs**

Head of Internal Audit (Swansea Bay University Health Board)  
Audit & Assurance Services  
NHS Wales Shared Services Partnership

Planned output	Audit Ref	Health Board Risk Register Reference	Outline Scope	Executive Lead	Outline timing tbc
<b>Risk management &amp; Board Assurance Framework</b>	001		To review the framework of organisational assurances in place and report on risk management.	Director of Corporate Governance	Q3/4
<b>Quality &amp; Safety Governance Framework</b>	002		To review the framework implemented to monitor & manage the quality & safety of services, including the reporting lines of key groups to the Board.	Director of Nursing & Patient Experience / Executive Medical Director / Director of Therapies	Q3
<b>Financial Reporting &amp; Monitoring</b>	003		To review arrangements in place for reporting on financial performance to support the achievement of targets, and improvements made following the 2019/20 KPMG work.	Director of Finance	Q3
<b>Delivery Framework</b>	004		To review the action taken to develop and implement a health board delivery framework, following the 2019/20 KPMG review.	Director of Finance	Q2
<b>NIS Directive</b>	005	60	To review arrangements in place to comply with the Network and Information Systems Regulations 2018.	Director of Digital	Q4
<b>Controlled Drugs Governance Framework</b>	006		To review the health board's Controlled Drug Governance Framework within the first phase of its implementation (first service group).	Executive Medical Director	Late Q2/Q3

Planned output	Audit Ref	Health Board Risk Register Reference	Outline Scope	Executive Lead	Outline timing tbc
<b>Welsh Language Standards Compliance</b>	007	53	To review governance arrangements in place to ensure compliance with the requirements of the Welsh Language Standards.	Director of Corporate Governance	Q4
<b>Standards of Business Conduct: Declarations</b>	008		To review compliance with the Standards of Business Conduct, including arrangements in place to manage declarations.	Director of Corporate Governance	Q3/4
<b>Covid-19 Review</b>	009	68	To review the governance arrangements and learning from the pandemic. <i>Detail of scope to be agreed with Executive Directors and with consideration to possible national work.</i>	Director of Public Health	Q3
<b>Partnership Governance: SBU &amp; Hywel Dda</b>	010		To undertake a joint review of the governance arrangements in place to support effective partnership working between the Swansea Bay and Hywel Dda UHBs. <i>Terms of reference to be agreed with Executive Directors of both organisations.</i>	Director of Strategy	TBC
<b>Mental Health Legislative Compliance</b>	011	43	To review the arrangements in place to provide assurance to the board that the health board complies with mental health legislation.	Director of Nursing & Patient Experience	Q1
<b>Annual Planning</b>	012	39	To review the approach taken to development of the 2021/22 annual plan (in the three-year context) to include programme arrangements for the reset and delivery of the Clinical Services Plan.	Director of Strategy / Director of Finance / Director of Workforce & OD	Q1/2
<b>Planned Care Recovery Arrangements</b>	013	16	To review arrangements in place to recover performance on planned care and manage risk. Speciality area to be confirmed.	Chief Operating Officer	Q3

Planned output	Audit Ref	Health Board Risk Register Reference	Outline Scope	Executive Lead	Outline timing tbc
<b>Digital Strategy Implementation (Analytics)</b>	014	27	To assess whether the organisation is moving towards being a data driven organisation and that analytics are appropriately delivered for the organisation	Director of Digital	Q3
<b>Procurement &amp; Tendering</b>	015		To review action taken to improve arrangements in respect of contract management, and use of single tender and single quotation actions. (The review will include consideration of action taken following the 2019/20 internal audit review of 'No PO No Pay' policy compliance.)	Director of Finance	Late Q2/Q3
<b>External Standards Assurance</b>	016		To review the arrangements in place to assess and provide assurance regarding compliance with established standards such as NICE (National Institute for Clinical Excellence) and HTW (Health Technology Wales).	Executive Medical Director	Q4
<b>Safety Notices &amp; Alerts</b>	017		To review arrangements in place to ensure action is taken in response to safety notices and alerts received by the health board.	Director of Nursing & Patient Experience	Q2
<b>Child &amp; Adolescent Mental Health Services (CAMHS)</b>	018	48, 69	To review arrangements in place to ensure adequate provision of CAMHS.	Chief Operating Officer / Director of Nursing	Q1
<b>E-Prescribing</b>	019		To ensure the security and reliability of information used within the Health Board and benefits are derived from the implementation of the system.	Director of Digital	Q1/2
<b>IT Project Management</b>	020		To ensure that IT projects are managed appropriately to deliver the agreed services	Director of Digital	Q2

Planned output	Audit Ref	Health Board Risk Register Reference	Outline Scope	Executive Lead	Outline timing tbc
			and that a benefits realisation process is in place		
<b>Service Management</b>	021		To assess key areas of service management to ensure IT services are provided in an efficient manner that reflect the needs of the organisation, both for centrally and directorate-managed services.	Director of Digital	Q1/2
<b>Service Group Governance Arrangements</b>	022		To review the governance and risk management arrangements implemented within the Singleton & Neath Port Talbot and Primary Care & Therapies Service Groups.	Chief Operating Officer	Q2
<b>General Dental Services</b>	023		To review systems in place for the management of services & payments associated with the provision of primary care dental contracts	Chief Operating Officer	Q1
<b>Staff Wellbeing &amp; Occupational Health</b>	024		To review the programmes in place to improve the occupational health service and promote staff wellbeing, and the arrangements in place to monitor their effectiveness.	Director of Workforce & OD	Q1
<b>Electronic Staff Record: Manager Self Service (ESR MSS)</b>	025		To review the project management arrangements for the effective implementation of the ESR MSS across the health board, including the measures in place to promote data quality.	Director of Workforce & OD	Late Q2/3
<b>Waste Management</b>	026		To review arrangements in place for the management of waste.	Chief Operating Officer / Director of Nursing & Patient Experience	Q3

Planned output	Audit Ref	Health Board Risk Register Reference	Outline Scope	Executive Lead	Outline timing tbc
<b>Decarbonisation</b>	027		To determine the adequacy of management arrangements to ensure compliance with the Welsh Government decarbonisation strategy.	Chief Operating Officer / Director of Nursing & Patient Experience	Q4
<b>Follow Up Action Tracker</b>	028		To review the systems in place to monitor progress with the implementation of actions in response to audit and reports.	Director of Corporate Governance	Q3/4
<b>Follow Up (Capital)</b>	029		To ensure that appropriate management action has been taken to address agreed audit recommendations arising from the capital reports previously issued.	Director of Strategy	Q3
<b>Follow Up (Estates Assurance)</b>	030		To ensure that appropriate management action has been taken to address agreed audit recommendations arising from the estates assurance reports previously issued.	Chief Operating Officer / Director of Nursing & Patient Experience	Q4
NHS Wales Audit Work With Local Impact			To collate the assurances derived from the review of NHS Wales bodies that provide services to this organisation and contribute to its overall system of control e.g.  Public Health Wales, Health Education & Improvement Wales, NHS Wales Shared Services Partnership, Digital Health and Care Wales, Welsh Health Specialised Services Committee and Emergency Ambulance Services Committee.	Director of Corporate Governance	Q4
<b>Integrated Audit &amp; Assurance Plans</b>					

Planned output	Audit Ref	Health Board Risk Register Reference	Outline Scope	Executive Lead	Outline timing tbc
<b>Elective Orthopaedic Unit Development</b> <b>(Options: £14.764m - £55.494m)</b>	031		This initial audit will focus on the project initiation and governance arrangements applied through to the delivery of the Outline / Full Business Case.	Chief Operating Officer / Director of Strategy	Q2
<b>Singleton Hospital Replacement Cladding</b>	032		To assess the delivery of this £14.3m capital project currently progressing on site.	Director of Strategy	Q2
<b>Development of Integrated Audit Plans:</b> <ul style="list-style-type: none"> <li>• Swansea Wellness Centre</li> <li>• SW Wales Regional Pathology Development</li> <li>• Modernising Adult Mental Health</li> </ul>	033		A provision to enable us to work with the health board to track the projects during 2021/22, risk assess and include the audit provision within the respective outline / full business case submissions to Welsh Government. Following approval, the internal audit plan and progress reports will be updated to reflect proposed annual coverage.	Director of Strategy	TBC



The KPIs reported monthly for Internal Audit are:

KPI	SLA required	Target 2021/22
Audit plan 2021/22 agreed/in draft by 30 April	√	100%
Audit opinion 2020/21 delivered by 31 May	√	100%
Audits reported vs. total planned audits	√	varies
% of audit outputs in progress	No	varies
Report turnaround fieldwork to draft reporting [10 working days]	√	80%
Report turnaround management response to draft report [15 working days]	√	80%
Report turnaround draft response to final reporting [10 working days]	√	80%



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**Swansea Bay University Health Board**

**INTERNAL AUDIT CHARTER**

**March 2021**

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## **1 Introduction**

- 1.1 This Charter is produced and updated regularly to comply with the Public Sector Internal Audit Standards. The Charter is complementary to the relevant provisions included in the organisation's own Standing Orders and Standing Financial Instructions.
- 1.2 The terms 'board' and 'senior management' are required to be defined under the Standards and therefore have the following meaning in this Charter:
  - Board means the Board of Swansea Bay University Health Board with responsibility to direct and oversee the activities and management of the organisation. The Board has delegated authority to the Audit Committee in terms of providing a reporting interface with internal audit activity; and
  - Senior Management means the Chief Executive as being the designated Accountable Officer for Swansea Bay University Health Board. The Chief Executive has made arrangements within this Charter for an operational interface with internal audit activity through the Board Secretary.
- 1.3 Internal Audit seeks to comply with all the appropriate requirements of the Welsh Language (Wales) Measure 2011. We are happy to correspond in both Welsh and English.

## **2 Purpose and responsibility**

- 2.1 Internal audit is an independent, objective assurance and advisory function designed to add value and improve the operations of Swansea Bay University Health Board. Internal audit helps the organisation accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. Its mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
- 2.2 Internal Audit is responsible for providing an independent and objective assurance opinion to the Accountable Officer, the Board and the Audit committee on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control<sup>1</sup>. In addition, internal audit's findings and recommendations are beneficial to management in securing improvement in the audited areas.

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<sup>1</sup> Audit work designed to deliver an audit opinion on the risk management, control, and governance arrangements is referred to in this Internal Audit Charter as Assurance Work because management use the audit opinion to derive assurance about the effectiveness of their controls

2.3 The organisation's risk management, internal control and governance arrangements comprise:

- the policies, procedures and operations established by the organisation to ensure the achievement of objectives;
- the appropriate assessment and management of risk, and the related system of assurance;
- the arrangements to monitor performance and secure value for money in the use of resources;
- the reliability of internal and external reporting and accountability processes and the safeguarding of assets;
- compliance with applicable laws and regulations; and
- compliance with the behavioural and ethical standards set out for the organisation.

2.4 Internal audit also provides an independent and objective advisory service specifically to help management improve the organisations risk management, control and governance arrangements. The service applies the professional skills of internal audit through a systematic and disciplined evaluation of the policies, procedures and operations that management have put in place to ensure the achievement of the organisations objectives, and through recommendations for improvement. Such advisory work contributes to the opinion which internal audit provides on risk management control and governance.

### **3 Independence and Objectivity**

3.1 Independence as described in the Public Sector Internal Audit Standards is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Head of Internal Audit will have direct and unrestricted access to the Board and Senior Management, in particular the Chair of the Audit Committee and Accountable Officer.

3.2 Organisational independence is effectively achieved when the auditor reports functionally to the Audit Committee on behalf of the Board. Such functional reporting includes the Audit Committee:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit budget and resource plan;
- receiving outcomes of all internal audit work together with the assurance rating; and
- reporting on internal audit activity's performance relative to its plan.

- 3.3 Whilst maintaining effective liaison and communication with the organisation, as provided in this Charter, all internal audit activities shall remain free of untoward influence by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective attitude necessary in rendering reports.
- 3.4 Internal Auditors shall have no executive or direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited
- 3.5 This Charter makes appropriate arrangements to secure the objectivity and independence of internal audit as required under the standards. In addition, the shared service model of provision in NHS Wales through NWSSP provides further organisational independence.
- 3.6 In terms of avoiding conflicts of interest in relation to non-audit activities, Audit & Assurance has produced a Consulting Protocol that includes all of the steps to be undertaken to ensure compliance with the relevant Public Sector Internal Audit Standards that apply to non-audit activities.

#### **4 Authority and Accountability**

- 4.1 Internal Audit derives its authority from the Board, the Accountable Officer and Audit Committee. These authorities are established in Standing Orders and Standing Financial Instructions adopted by the Board.
- 4.2 The Minister for Health has determined that internal audit will be provided to all health organisations by the NHS Wales Shared Services Partnership (NWSSP). The service provision will be in accordance with the Service Level Agreement agreed by the Shared Services Partnership Committee and in which the organisation has permanent membership.
- 4.3 The Director of Audit & Assurance leads the NWSSP Audit and Assurance Services and after due consultation will assign a named Head of Internal Audit to the organisation. For line management (e.g. individual performance) and professional quality purposes (e.g. compliance with the Public Sector Internal Audit Standards), the Head of Internal Audit reports to the Director of Audit & Assurance.
- 4.4 The Head of Internal Audit reports on a functional basis to the Accountable Officer and to the Audit Committee on behalf of the Board. Accordingly the Head of Internal Audit has a direct right of access to the Accountable Officer the Chair of the Audit Committee and the Chair of the organisation if deemed necessary.

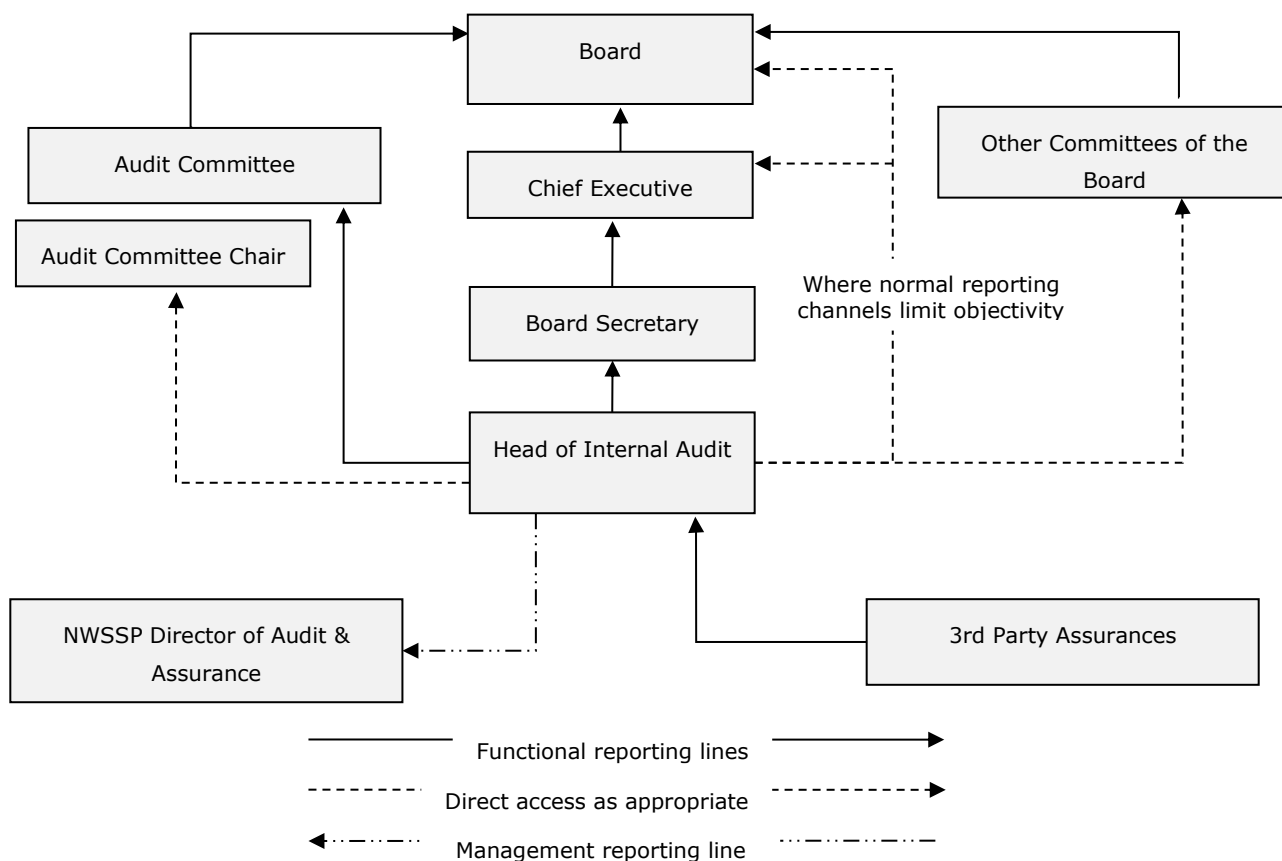
- 4.5 The Audit Committee approves all Internal Audit plans and may review any aspect of its work. The Audit Committee also has regular private meetings with the Head of Internal Audit.
- 4.6 In order to facilitate its assessment of governance within the organisation, Internal Audit is granted access to attend any committee or sub-committee of the Board charged with aspects of governance e.g. Quality & Safety Committee.

## **5 Relationships**

- 5.1 In terms of normal business the Accountable Officer has determined that the Board Secretary will be the nominated executive lead for internal audit. Accordingly, the Head of Internal Audit will maintain functional liaison with this officer.
- 5.2 In order to maximise its contribution to the Board's overall system of assurance, Internal Audit will work closely with the organisation's Board Secretary in planning its work programme.
- 5.3 Co-operative relationships with management enhance the ability of internal audit to achieve its objectives effectively. Audit work will be planned in conjunction with management, particularly in respect of the timing of audit work.
- 5.4 Internal Audit will meet regularly with the external auditor to consult on audit plans, discuss matters of mutual interest, discuss common understanding of audit techniques, method and terminology, and to seek opportunities for co-operation in the conduct of audit work. In particular, internal audit will make available their working files to the external auditor for them to place reliance upon the work of Internal Audit where appropriate.
- 5.5 The Head of Internal Audit will establish a means to gain an overview of other assurance providers' approaches and output as part of the establishment of an integrated assurance framework.
- 5.6 The Head of Internal Audit will take account of key systems being operated by organisation's outside of the remit of the Accountable Officer, or through a shared or joint arrangement, e.g. the NHS Wales Shared Services Partnership, WHSSC, EASC and NWIS (NWIS becomes a Special Health Authority called Digital Health and Care Wales from 1<sup>st</sup> April 2021)..
- 5.7 Internal Audit strives to add value to the organisation's processes and help improve its systems and services. To support this Internal Audit will obtain an understanding of the organisation and its activities, encourage two way communications between internal audit and operational staff, discuss the audit approach and seek feedback on work undertaken.
- 5.8 The key organisational reporting lines for Internal Audit are summarised in Figure 1 overleaf. As part of this, the Audit Committee may determine that another Committee of the organisation is a more appropriate forum

to receive and action individual audit reports. However, the Audit Committee will remain the final reporting line for all reports.

**Figure 1 Audit reporting lines**



## 6 Standards, Ethics, and Performance

- 6.1 Internal Audit must comply with the Definition of Internal Auditing, the Core Principles, Public Sector Internal Audit Standards and the professional Code of Ethics, as published on the NHS Wales e-governance website.
- 6.2 Internal Audit will operate in accordance with the Service Level Agreement (updated 2019) and associated performance standards agreed with the Audit Committee and the Shared Services Partnership Committee. The Service Level Agreement includes a number of Key Performance Indicators and we will agree with each Audit Committee which of these they want reported to them and how often.



## **7 Scope**

7.1 The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management arrangements, system of internal control, and the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. It includes but is not limited to:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify measure, classify, and report such information;
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations, and reports on whether the organisation is in compliance;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Reviewing and appraising the economy and efficiency with which resources are employed, this may include benchmarking and sharing of best practice;
- Reviewing operations or programmes to ascertain whether results are consistent with the organisation's objectives and goals and whether the operations or programmes are being carried out as planned;
- Reviewing specific operations at the request of the Audit Committee or management, this may include areas of concern identified in the corporate risk register;
- Monitoring and evaluating the effectiveness of the organisation's risk management arrangements and the overall system of assurance;
- Ensuring effective co-ordination, as appropriate, with external auditors; and
- Reviewing the Governance, Leadership & Accountability assessment and the Annual Governance Statement prepared by senior management.

7.2 Internal Audit will devote particular attention to any aspects of the risk management, internal control and governance arrangements affected by material changes to the organisation's risk environment.

7.3 If the Head of Internal Audit or the Audit Committee consider that the level of audit resources or the Charter in any way limit the scope of internal audit, or prejudice the ability of internal audit to deliver a services consistent with the definition of internal auditing, they will advise the Accountable Officer and Board accordingly.

- 7.4 The scope of the audit coverage will take into account and include any hosted body.

## 8 Approach

- 8.1 To ensure delivery of its scope and objectives in accordance with the Charter and Standards Internal Audit has produced an Audit Manual (called the Quality Manual). The Quality Manual includes arrangements for planning the audit work. These audit planning arrangements are organised into a hierarchy as illustrated in Figure 2 below:

**Figure 2 Audit planning hierarchy**

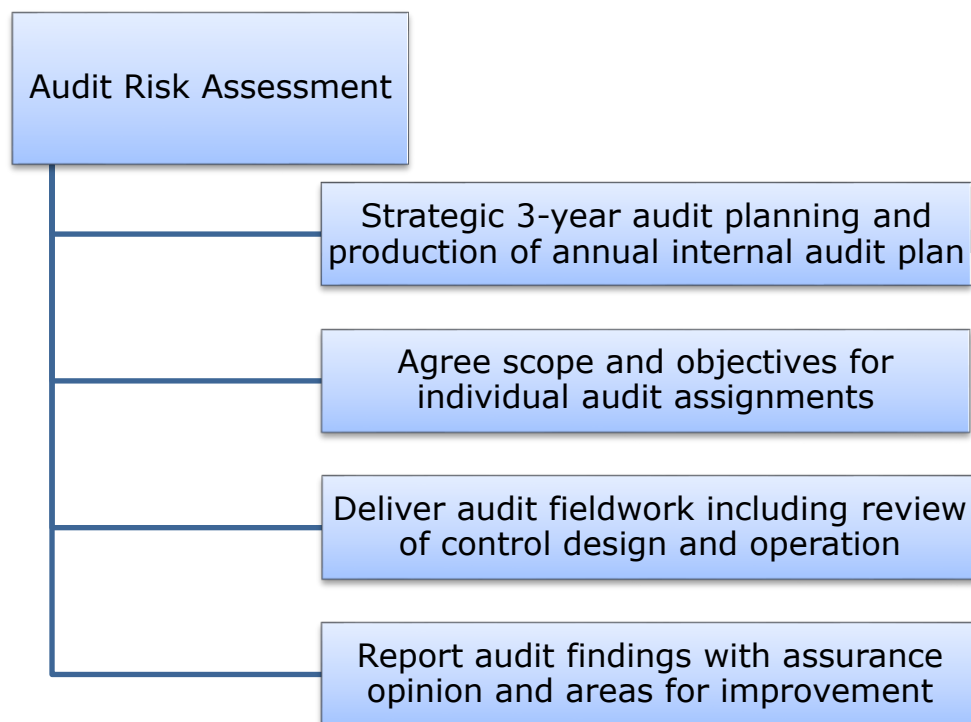
NHS Wales Level	NWSSP overall audit strategy	Arrangements for provision of internal audit services across NHS Wales to meet
Organisation Level	Entity strategic 3-year audit plan	Entity level medium term audit plan linked to organisational objectives
	Entity annual internal audit plan	Annual internal audit plan detailing audit engagements to be completed in year ahead leading to the overall HIA opinion
Business Unit Level	Assignment plans	Assignment plans detail the scope and objectives for each audit engagement within the annual operational plan

- 8.2 NWSSP Audit & Assurance Services has developed an overall audit strategy which sets out the strategic approach to the delivery of audit services to all health organisations in NHS Wales. The strategy also includes arrangements for securing assurance on the national transaction processing systems including those operated by NWSSP on behalf of NHS Wales.
- 8.3 The main purpose of the Strategic 3-year Audit Plan is to enable the Head of Internal Audit to plan over the medium term on how the assurance needs of the organisation will be met as required by the Public sector Internal Audit Standards and facilitate:
- The provision to the Accountable Officer and the Audit Committee of an overall opinion each year on the organisation's risk management, control and governance, to support the preparation of the Annual Governance Statement;
  - Audit of the organisation's risk management, control and governance through periodic audit plans in a way that affords suitable priority to the organisations objectives and risks;

- Improvement of the organisation's risk management, control and governance by providing management with constructive recommendations arising from audit work;
- An assessment of audit needs in terms of those audit resources which "are appropriate, sufficient and effectively deployed to achieve the approved plan";
- Effective co-operation with external auditors and other review bodies functioning in the organisation; and
- The allocation of resources between assurance and consulting work.

- 8.4 The Strategic 3-year Audit Plan will be largely based on the Board Assurance Framework where it is sufficiently mature, together with the organisation-wide risk assessment.
- 8.5 An Annual Internal Audit Plan will be prepared each year drawn from the Strategic 3-year Audit Plan and other information, and outlining the scope and timing of audit assignments to be completed during the year ahead.
- 8.6 The strategic 3-year and annual internal audit plans shall be prepared to support the audit opinion to the Accountable Officer on the risk management, internal control and governance arrangements within the organisation.
- 8.7 The annual internal audit plan will be developed in discussion with executive management and approved by the Audit Committee on behalf of the Board.
- 8.8 The NWSSP Audit Strategy is expanded in the form of a Quality Manual and a Consulting Protocol which together define the audit approach applied to the provision of internal audit and consulting services.
- 8.9 During the planning of audit assignments, an assignment brief will be prepared for discussion with the nominated operational manager. The brief will contain the proposed scope of the review along with the relevant objectives and risks to be covered. In order to ensure the scope of the review is appropriate it will require agreement by the relevant Executive Director or their nominated lead, and will also be copied to the Board Secretary. The key stages in this risk based audit approach are illustrated in figure 3 below.

**Figure 3 Risk based audit approach**



## 9 Reporting

9.1 Internal Audit will report formally to the Audit Committee through the following:

- An annual report will be presented to confirm completion of the audit plan and will include the Head of Internal Audit opinion provided for the Accountable Officer that will support the Annual Governance Statement. The process for arriving at the appropriate assurance level for each Head of Internal Audit opinion is subject to a review process and was last updated in 2020/21;
- The Head of Internal Audit opinion will:
  - a) State the overall adequacy and effectiveness of the organisation's risk management, control and governance processes;
  - b) Disclose any qualification to that opinion, together with the reasons for the qualification;
  - c) Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
  - d) Draw attention to any issues Internal Audit judge as being particularly relevant to the preparation of the Annual Governance Statement;
  - e) Compare work actually undertaken with the work which was planned and summarise performance of the internal audit function against its performance measurement criteria; and

- f) Provide a statement of conformity in terms of compliance with the Public Sector Internal Audit Standards and associated internal quality assurance arrangements.
- For each Audit Committee meeting a progress report will be presented to summarise progress against the plan. The progress report will highlight any slippage and changes in the programme. The findings arising from individual audit reviews will be reported in accordance with Audit Committee requirements; and
  - The Audit Committee will be provided with copies of individual audit reports for each assignment undertaken unless the Head of Internal Audit is advised otherwise. The reports will include an action plan on any recommendations for improvement agreed with management including target dates for completion.
- 9.2 The process for audit reporting is summarised below and presented in flowchart format in Annex A:
- Following the closure of fieldwork and the resolution of any queries, Internal Audit will discuss findings with operational managers to confirm understanding and shape the reporting stage;
  - Operational management will receive draft reports which will include any proposed recommendations for improvement within 10 working days following the discussion of findings. A copy of the draft report will also be provided to the relevant Executive Director;
  - The draft report will give an assurance opinion on the area reviewed in line with the criteria at Annex A. The draft report will also indicate priority ratings for individual report findings and recommendations;
  - Operational management will be required to respond to the draft report in consultation with the relevant Executive Director within 15 working days of issue, stating their agreement or otherwise to the content of the report, identifying actions, identifying staff with responsibility for implementation and the dates by which action will be taken;
  - The Head of Internal Audit will seek to resolve any disagreement with management in the clearance of the draft report. However, where the management response is deemed inadequate or disagreement remains then the matter will be escalated to the Board Secretary. The Head of Internal Audit may present the draft report to the Audit Committee where the management response is inadequate or where disagreement remains unresolved. The Head of Internal Audit may also escalate this directly to the Audit Committee Chair to ensure that the issues raised in the report are addressed appropriately;
  - Reminder correspondence will be issued after the set response date where no management response has been received. Where no reply is received within 5 working days of the reminder, the matter will be escalated to the Board Secretary. The Head of Internal Audit may present the draft report to the Audit Committee where no management response is forthcoming;

- Final reports inclusive of management comments will be issued by Internal Audit to the relevant Executive Director within 10 working days of management responses being received; and
  - The final report will be copied to the Accountable Officer and Board Secretary and placed on the agenda for the next available Audit Committee.
- 9.3 Internal Audit will make provision to review the implementation of agreed action within the agreed timescales. However, where there are issues of particular concern provision maybe made for a follow up review within the same financial year. Issue and clearance of follow up reports shall be as for other assignments referred to above.

## **10 Access and Confidentiality**

- 10.1 Internal Audit shall have the authority to access all the organisation's information, documents, records, assets, personnel and premises that it considers necessary to fulfil its role. This shall extend to the resources of the third parties that provide services on behalf of the organisation.
- 10.2 All information obtained during the course of a review will be regarded as strictly confidential to the organisation and shall not be divulged to any third party without the prior permission of the Accountable Officer. However, open access shall be granted to the organisation's external auditors.
- 10.3 Where there is a request to share information amongst the NHS bodies in Wales, for example to promote good practice and learning, then permission will be sought from the Accountable Officer before any information is shared.

## **11 Irregularities, Fraud & Corruption**

- 11.1 It is the responsibility of management to maintain systems that ensure the organisation's resources are utilised in the manner and on activities intended. This includes the responsibility for the prevention and detection of fraud and other illegal acts.
- 11.2 Internal Audit shall not be relied upon to detect fraud or other irregularities. However, Internal Audit will give due regard to the possibility of fraud and other irregularities in work undertaken. Additionally, Internal Audit shall seek to identify weaknesses in control that could permit fraud or irregularity.
- 11.3 If Internal Audit discovers suspicion or evidence of fraud or irregularity, this will immediately be reported to the organisation's Local Counter Fraud Service (LCFS) in accordance with the organisation's Counter Fraud Policy & Fraud Response Plan and the agreed Internal Audit and Counter Fraud Protocol.

## **12 Quality Assurance**

- 12.1 The work of internal audit is controlled at each level of operation to ensure that a continuously effective level of performance, compliant with the Public Sector Internal Audit Standards, is being achieved.
- 12.2 The Director of Audit & Assurance will establish a quality assurance programme designed to give assurance through internal and external review that the work of Internal Audit is compliant with the Public Sector Internal Audit Standards and to achieve its objectives. A commentary on compliance against the Standards will be provided in the Annual Audit Report to Audit Committee.
- 12.3 The Director of Audit & Assurance will monitor the performance of the internal audit provision in terms of meeting the service performance standards set out in the NWSSP Service Level Agreement. The Head of Internal Audit will periodically report service performance to the Audit Committee through the reporting mechanisms outlined in Section 9.

## **13 Resolving Concerns**

- 13.1 NWSSP Audit & Assurance was established for the collective benefit of NHS Wales and as such needs to meet the expectations of client partners. Any questions or concerns about the audit service should be raised initially with the Head of Internal Audit assigned to the organisation. In addition any matter may be escalated to the Director of Audit & Assurance. NWSSP Audit & Assurance will seek to resolve any issues and find a way forward.
- 13.2 Any formal complaints will be handled in accordance with the NWSSP complaint handling procedure. Where any concerns relate to the conduct of the Director of Audit & Assurance, the NHS organisation will have access to the Director of Shared Services.

## **14 Review of the Internal Audit Charter**

- 14.1 This Internal Audit Charter shall be reviewed annually and approved by the Board, taking account of advice from the Audit Committee.

Simon Cookson  
Director of Audit & Assurance - NHS Wales Shared Services Partnership  
March 2021



Charter Annex A

Audit Reporting Process

**Audit fieldwork completed and debrief with management.**

Following closure of audit fieldwork and management review audit findings are shared with operational management to check accuracy of understanding and help shape recommendations for improvement to address any control deficiencies identified.

**A draft report is issued within 10 working days of fieldwork completion and the resolution of any queries.**

Draft reports are issued with an assurance opinion and recommendations within 10 days of fieldwork completion to Operational Management Leads, and copied to the relevant Executive Leads.

**Management responses are provided on behalf of the Executive Lead within 15 working days of receipt of the draft report.**

A report clearance meeting may prove helpful in finalising the report between management and auditors. A response, including a fully populated action plan, with assigned management responsibility and timeframe is required within 15 days of receipt of the Draft report.

**Outstanding responses are chased for 5 further days.**

Where management responses are still awaited after the 15 day deadline, a reminder will be sent. Continued non-compliance will be escalated to Executive management after 5 further days.

**Report finalised by Internal Audit within 10 days of management response.**

Internal Audit issues a Final report to Executive Director, within 10 working days of receipt of complete management response. All Final reports are copied to the Chief Executive.





**Individual audit reports received by Audit Committee.**

Final reports are received by the Audit Committee at next available meeting and discussed if applicable. For reports with "green/ yellow" assurance ratings, Executive Summaries are received for noting. For those with "red/ amber" ratings, the full reports are received for discussion. The Audit Committee identifies their priority areas for Internal Audit to follow up.



Charter Annex B

Audit Assurance Ratings

RATING	INDICATOR	DEFINITION
Substantial assurance	 <p>- +</p> <p>Green</p>	The Board can take <b>substantial assurance</b> 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 <b>low impact on residual risk</b> exposure.
Reasonable assurance	 <p>- +</p> <p>Yellow</p>	The Board can take <b>reasonable assurance</b> 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 <b>low to moderate impact on residual risk</b> exposure until resolved.
Limited assurance	 <p>- +</p> <p>Amber</p>	The Board can take <b>limited assurance</b> 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 <b>moderate impact on residual risk</b> exposure until resolved.
No assurance	 <p>- +</p> <p>Red</p>	The Board has <b>no assurance</b> 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 <b>high impact on residual risk</b> exposure until resolved.

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