

Singleton Hospital Cladding Replacement Final Internal Audit Report

August 2022

Swansea Bay University Health Board



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Executive Summary

Purpose

The audit was undertaken to review the delivery and management arrangements in place to progress the Singleton Hospital Cladding Replacement project, and the performance, against its key delivery objectives i.e., time, cost, and quality.

This is the third audit of the project and considered the period September 2021 to July 2022.

Overall Audit Opinion and Overview

Reasonable assurance has been determined at this review.

The project continued to operate within a robust governance framework during the period, with strong controls evidenced in key areas including financial and technical assurance.

Whilst noting the project is currently delayed by circa 4 months (from the original contract completion date), risks to operational delivery and service disruption are being managed by the progressive decant and hand-over of wards.

Slippage against the current year's Capital Resource Limit has been proactively reported, with £900k confirmed to be returned to Welsh Government in August 2022.



The project is currently within budget; however a potential overspend at completion has been reported, noting pressures on project contingency. This had been appropriately raised at Project Board and with WG.

The key matters arising at the project include:

- Handover of key documents to the incoming Project Director;
- Reporting to UHB Board of all costs incurred in progression of the legal action;
- Inclusion of the costed risk position in cost reports when presenting the forecast outturn position; and
- Completion of a mid-point lessons learnt review.

Other recommendations are within the detail of the report.

Report Classification

		Trend
Reasonable	Some matters require management attention in control design or compliance.	 2021/22
	Low to moderate impact on residual risk exposure until resolved.	

Assurance summary ¹

Assurance objectives	Assurance
1 Follow up	Substantial
2 Governance	Reasonable
3 Financial Assurance	Reasonable
4 Technical Assurance	Substantial
5 Quality Assurance	Reasonable

¹ The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion

Key Matters Arising	Assurance Objective	Control Design or Operation	Recommendation Priority
2 Handover of key documents to the incoming Project Director.	1	Operation	Medium
4 Reporting to Board the costs associated with the legal action.	1	Operation	Medium
5 Inclusion of the value of costed risks in cost reports when presenting the forecast outturn position.	3	Operation	Medium
6.1 Undertaking a mid-point lessons learnt exercise.	5	Operation	Medium

1. Introduction

- 1.1 This audit reviewed the delivery and management arrangements in place to progress the removal and replacement of the cladding at Singleton Hospital. The audit was commissioned in accordance with the agreed audit plan provided within the approved Full Business Case for the project.
- 1.2 Initial consultancy and investigatory works were undertaken by external advisers on the cladding fixed to Singleton Hospital in late 2017 and early 2018. Investigations concluded that the installation was not compliant with the required Health Technical Memoranda (HTM 05-02 – Fire Safety in the Design of Healthcare Premises). An options appraisal and supporting cost estimates for removing and replacing the cladding systems and associated work was subsequently produced in March 2019. The preferred option was to remove and replace cladding and windows on the main façade and install cladding on the flank walls of Singleton Main Ward Block.
- 1.3 The works were organised into two phases, with Phase 2 (removal from the main façade) progressing at the time of review.
- 1.4 The cost position of the façade works, as reported in June 2022, was:

	Forecast costs £	WG approvals £
Works costs	9,566,477	9,583,059
<i>Adjustments:</i>		
<i>PMIs / CEs</i>	329,850	
<i>Expert Witness</i>	233,013	
<i>Covid-19</i>	34,216	
Anticipated contractor Stage 4 final account	10,163,557	9,583,059
UHB costs (fees & non-works)	1,389,861	1,424,737
Balance of contingency	278,606	513,934
VAT	1,418,714	1,899,209
VAT (COVID 19-Costs)	6,843	0
Project total	13,257,580	13,420,939
Projected anticipated over / under spend	163,359¹	

- 1.5 The enabling (car park) works reached the end of defects liability period on 27 May 2022, with an overspend of £23k reported against WG funding of £927k. The overspend has been met from the main façade works budget (contingency fund).

¹ Whilst noting the cost report presents an anticipated underspend, a potential overspend has been separately raised. See MA5 regarding the incorporation of the costed risk position into the reported position.

1.6 This was the third audit of the project, and considered the progression of the main façade works in the period since the 2021/22 audit (September 2021-July 2022).

1.7 The potential risks considered in the review were as follows:

- The UHB fails to address known risks identified at prior audits;
- Potential failure to achieve key project objectives (e.g., delivery to time, cost, and quality);
- Inadequate governance and approval arrangements in place to provide the required scrutiny and project control;
- Poor performance may not be identified and addressed;
- Costs agreed with the contractor may not demonstrate value for money; and
- Health and safety risks.

2. Project Performance

2.1 At a project audit, levels of assurance are determined on whether the project achieves its original key delivery objectives (time, cost and quality) and that governance, risk management and internal control arrangements within the area under review are suitably designed and applied effectively.

2.2 At this interim audit of the project, when assessing progress against the original delivery objectives, the following was evidenced:

Time

Original contract completion	Current reported contract completion	SCP planned completion
30 October 2023	25 January 2024	21 February 2024

2.3 The majority of the delay incurred has resulted from accommodation of the expert witness inspections (ref para 2.24).

2.4 There remains a risk of further delay due to the high probability of excessive winds, or additional discovery of asbestos; all of which are appropriately reflected at the risk register.

2.5 It is recognised that delays to overall completion do not present a significant risk to the UHB in terms of operational delivery and service disruption, noting wards are progressively decanted and handed back as the programme progresses.

Cost

2.6 The main façade works were reported to be within budget at the latest Project Manager's progress report (ref para 1.4). However, early forecasts for 2023/24

(the final year of the project) anticipate a potential total overspend against the approved project funding.

- 2.7 The UHB has indicated its intention to seek reimbursement of expert witness and Covid-19 costs, from WG, if required, to support delivery of the project within budget. In the meantime, remaining contingency was being proactively managed against a costed risk register, with potential insufficient funds reported to Project Board and WG (see **MA5**).
- 2.8 Slippage against the 2022/23 Capital Resource Limit (CRL) has been confirmed, with £900k returned to Welsh Government (WG) in August 2022. This had been highlighted to WG at the Project Progress Reports and discussed at relevant forums. However cashflow will need to be carefully managed in the event of further programme slippage.

Quality

- 2.9 Quality issues have arisen to date in the installation of glazing which did not meet the agreed specification. The same has been addressed by the Supply Chain Partner (SCP).

Additionally, the use of original cladding fixings presented a risk of rusting and associated cosmetic issues (see para. 2.33). The UHB has agreed a 50/50 cost share for the replacement fixings, at a forecast cost of £50k.

Neither of the above issues will adversely impact wider programme delivery.

- 2.10 The issues were appropriately identified and reported by the Supervisor, with solutions agreed to rectify the matters and ensure the required quality standards are achieved going forward.
- 2.11 Recognising that lessons are therefore being learnt in a progressive manner, a formal mid-point lessons learnt exercise has also been recommended (see **MA6**).

Whilst noting that issues have therefore arisen in the areas of time, cost and quality, these have been proactively managed by the UHB within an appropriate control framework. The following section of the report outlines key observations which require management attention, with low to moderate impact on residual risk exposure until resolved.

3. Detailed Audit Findings

Follow Up: Assurance that previously agreed management actions have been implemented.

- 2.12 The status of actions arising from the previous review (report issued October 2021: *Reasonable Assurance*) was as follows:

	High	Medium	Low	Total
Closed	-	4	1	5
Outstanding	-	-	-	-
Future Assurance	-	-	2	2
Total	-	4	3	7

- 2.13 The detail in support of the above summary is included in **Appendix B**.
- 2.14 Noting the action taken by management to address the agreed recommendations, **substantial assurance** has been determined.

Governance: To ensure that appropriate governance arrangements were in place for the current project phase, including operation of effective reporting and accountability lines, and that appropriate approvals were in place. Assurance that decisions made in relation to the potential legal action have been appropriately reported and approved.

- 2.15 Governance arrangements have continued to function as reported in our previous audit reports with key roles and forums operating effectively.
- 2.16 A sample of Project Board meetings reviewed found that the Project Board was supported by the Project Director's attendance at all meetings, with the SRO present at four out of six meetings. However, noting some issues with wider Project Board attendance from certain members, including two non-quotate meetings, a review and refresh of the Terms of Reference has been recommended, to ensure the defined membership remains appropriate for current requirements (**MA1**).
- 2.17 An appropriate range of project reports were received by the UHB, with reports presented to and discussed at Project Board. The additional inclusion in Project Board papers of the Welsh Government Project Progress Report (PPR) has been recommended, to ensure appropriate oversight of this key return (**MA3**).
- 2.18 The current Project Director is due to leave the UHB in March 2023, with a replacement already confirmed and in post (Assistant Director of Strategy – Capital). An appropriate handover period was operating, and as part of this it should be ensured that key documentation is transferred to maintain a full audit trail of decisions, actions and recommendations relating to the legal action and early project progression (**MA2**).
- 2.19 In May 2022, the Board approved, based on expert advice received, for the potential legal action (related to the original cladding installation) to be brought to a close; with lessons learnt to be reported to the Management Board. Whilst recognising the Board were appropriately appraised in respect of the expert advice received, it should be ensured they are also informed of all costs incurred

in relation to progression of the claim, to ensure transparency and accountability (**MA4**)

2.20 Recognising the above, **reasonable assurance** has been determined in respect of governance arrangements.

Financial Assurance: Adequate cost control and reporting systems are operated, both internally and by the External Cost Adviser.

2.21 Cost reporting recommendations made in the 2021-22 Cladding audit have now been addressed (see *Follow Up – Appendix B, MA4.1 & 5.1*); with cost information receiving appropriate scrutiny by Project Board.

2.22 Proactive financial management by the project team has identified two significant financial matters:

- Slippage against 2022/23 cash flow projections means £900k was returned to WG in August 2022 from the Capital Resource Limit (CRL); and
- A forecast overall project overspend is anticipated due to pressures on project contingency.

2.23 Whilst it is recognised that these matters have been reported to Project Board and WG, the cost reports did not reflect the forecast overspend position; with the latest report presenting a £163k anticipated underspend. Good practice was noted in maintaining a costed risk register, and the value of costed risks (£356k) against remaining contingency (£279k) should be incorporated into the anticipated outturn position presented in the cost reports, to ensure clarity and enable appropriate scrutiny (**MA5**).

2.24 To assist in managing the project, the UHB has also indicated its intention to seek reimbursement from WG of the £233k expert witness costs - which are currently being met from the project's contingency. The UHB recognises that such reimbursement is not assured and would not be considered by WG until all remaining contingency, and any gain share, has been expended.

2.25 Noting the above, and taking into account the financial risks to successful project delivery, **reasonable assurance** has been determined at this time.

Technical Assurance: Adequate processes and procedures are in place to ensure that the contractor is correctly reimbursed in accordance with the contract; that appropriate internal and contractual change control mechanisms are applied at the project; and that adequate site safety for both the Contractor, UHB and other staff is maintained on site through to project completion.

2.26 A review of a sample of in-month costs (see *table*) from the May 2022 valuation confirmed they were adequately supported.

Elements sampled	May 22 Assessment	Audit Sample	
People	£61,243	£28,460	47%
Equipment	£2,040	-	-
Plant & Materials	£852	-	-
Charges	£3,423	-	-
Sub-Contractors	£132,723	£97,490	74%
Supply Chain Members	£1,332	£1,332	100%
Fee	£6,956	-	-
Total	£208,569	£127,282	61%

- 2.27 A sample of four payments to the Supply Chain Partner (SCP) were assessed for timeliness, with all having been paid within the stipulated contractual timeframes.
- 2.28 Change control arrangements were appropriately defined at the Project Execution Plan. A sample of seven Compensation Events was reviewed, totalling £332,418 (representing 79% of total changes agreed since the period covered in the 2021/22 audit). All changes were appropriately substantiated, had been subject to scrutiny and adjustment (where required) by the Cost Adviser and Project Manager, and had been authorised in line with delegated limits.
- 2.29 Appropriate site safety arrangements operated, with health and safety performance reported by the SCP in their monthly report and monitored by the Project Team. No incidents had occurred during the period reviewed. It was also recognised that the SCP has received very positive feedback via the 'Considerate Constructors' site audits, which incorporates an element of site safety.
- 2.30 Noting the above **substantial assurance** has been determined in this area.

Quality Assurance: Appropriate project management controls have been applied, including in the management of contractor and adviser performance.

- 2.31 Key Performance Indicators had been appropriately completed for the period. Assessments were generally very positive across the advisers and SCP, with only two issues reported in respect of the appointed sub-contractors.
- 2.32 These issues related to the following quality matters, both of which have been appropriately managed and reported to Project Board:
- The installation of glazing which did not meet the agreed specification. Appropriate glazing has now been sourced (with costs met by the SCP/sub-contractor) and replacement was underway at the time of review, with no time impact to the programme; and

- The installation of cladding spacers which were found to be at risk of rusting. Whilst not a defect against the specification, the UHB was concerned about the risk of future cosmetic damage to the new cladding (particularly noting the coastal location). Following visits to other sites where the spacers had been used, and meetings between key parties (including the Project Director), it was agreed to split the responsibility for replacing the fixings 50/50, with a cost to the UHB of circa £50k, to be managed within project contingency.
- 2.33 Management confirmed that the revised specifications have been incorporated into the remaining works, which aims to deliver improved quality and efficiency going forward.
- 2.34 It is also recognised that, in respect of Ward 5 works (being planned at the time of review), a “future proofed” glazing solution was being considered as an alternative to that currently included within the Works Information. Whilst this would increase the cost to the project (potentially in the region of £100k+), it would significantly reduce future maintenance / replacement costs.
- 2.35 Whilst it is evident that lessons are being learnt and incorporated into ongoing delivery, the mid-point lessons learnt exercise referenced in the prior audit report (*issued October 2021*) did not take place. With 50% of the programme remaining to be delivered, there would be benefit in formally considering relevant issues to date, from both the technical and operational perspective (**MA6**).
- 2.36 **Reasonable assurance** has been determined in this area.

Appendix A: Management Action Plan

Matter Arising 1: Governance – Project Board & Project Team (Operation)	Impact
<p>Meetings between January and June 2022 were reviewed; and the following issues noted:</p> <ul style="list-style-type: none"> • The Project Board Terms of Reference does not distinguish between decision-makers and advisers. Noting standard practice would not include advisers in the quorum, on this basis two of the six Project Board meetings (February & March 2022) were not quorate. It is recognised however that no decisions were taken at these meetings. • Five Project Board members did not attend any of the six meetings reviewed. There may be opportunity to remove members who are no longer required based on the current stage of the programme or list them separately to attend “as required”. • The Senior Responsible Officer (SRO) attended four of the six meetings reviewed. Whilst the SRO was briefed by the Project Director following the meetings, and included in circulation of papers, the Terms of Reference did not detail these reporting / accountability arrangements. Noting the current SRO is due to leave the UHB in March 2023, clarity over these arrangements would be beneficial in readiness for the new appointment. • The Health & Safety role at Project Board was still being fulfilled by the prior Assistant Director of Health & Safety (now the Assistant Director of Strategy – Capital), noting the post had not yet been filled; and • Whilst Estates representatives routinely attended Project Team meetings, they were not listed in the membership as per the Terms of Reference. <p>It is recognised that these issues did not adversely affect Project Board or Team function during the period reviewed, with the recommendations prioritised accordingly.</p>	<p>Potential risks of:</p> <ul style="list-style-type: none"> • The Project Board is not able to take decisions in a timely manner; • The Project Board is not appropriately supported / advised; • Governance documents do not reflect operational practices.

Recommendations		Priority	
1.1	The Project Board terms of reference should be reviewed to consider the following: <ul style="list-style-type: none"> a) Project Board quorum requirements should be clarified, to ensure only members with decision-making authority are included. b) Project Board minutes should record whether quorum has been achieved, and therefore whether decisions can be taken. c) Noting routine non-attendance by a number of Project Board members, the membership should be reviewed to ensure it remains appropriate. d) Project Board members should be reminded of their responsibilities to attend if required; and e) Monitoring and reporting arrangements for the SRO should be defined (particularly where they are unable to attend Project Board meetings). 	Low	
1.2	Following appointment, the new Assistant Director of Health & Safety should be invited to attend Project Board.	Low	
1.3	Estates representation should be included within the Project Team Terms of Reference.	Low	
Agreed Management Action		Target Date	Responsible Officer
1.1	Agreed. Terms of reference will be tabled at the next Project Board, with a target ratification by 31 October 2022.	31 October 2022	Project Director
1.2	Agreed. On successful appointment, the new Assistant Director of Health & Safety will be invited to attend Project Board.	December 2022	Project Director

1.3	Agreed. Project Team does have Estates representation and as part of the review of the terms of reference, amendments will be made.	31 October 2022	Project Director
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Matter Arising 2: Governance – Project Director Handover (Operation)		Impact
<p>The Project Director is due to leave the UHB in March 2023; and a successor has been appointed (Assistant Director of Strategy – Capital).</p> <p>An appropriate handover period was in operation between the outgoing/incoming Project Directors, with the new Project Director also having been a Project Board member since initiation (as the prior Assistant Director of Health & Safety).</p> <p>Management advise there are some documents managed by the current Project Director which are not more widely available within the UHB (e.g., in relation to the legal action / early progression of the project). It should be ensured these are appropriately transferred prior to departure, to provide a full audit trail in the event of future scrutiny.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> Key information supporting early decisions / approvals is not available in the event of future scrutiny.
Recommendations		Priority
2.1	Noting the forthcoming departure of the current Project Director, a full audit trail of the historical management of the legal action and early progression of the project should be centrally retained for access by appropriate personnel.	Medium
Agreed Management Action		Target Date
2.1	Agreed. Discussions and meetings have commenced between current Project Director (PD) and new PD, to ensure appropriate documentation is stored appropriately to be available following departure of the current PD.	31 March 2023
		Responsible Officer
		Project Director

Matter Arising 3: Governance – Reporting to Welsh Government (Operation)		Impact	
<p>Project Progress Reports (PPRs) are submitted on a bi-monthly basis to WG. At this project, the PPR incorporates both the enabling and main façade works.</p> <p>The PPRs are prepared by the Capital Business Manager (Capital Planning). However, they are not reviewed and agreed by the Project Director before submission, nor are they shared with the Project Board.</p> <p>Recognising this is a key return to WG, best practice would see this report included within Project Board papers, to enable members to scrutinise the report if required. If timing does not permit this to take place prior to submission, the Project Director should be sighted on the reports ahead of submission, with the reports then included at the next Project Board meeting for reference.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> • Absence of timely scrutiny of key UHB returns; • Inaccurate information may be presented to WG. 	
Recommendations		Priority	
3.1	<p>Welsh Government Project Progress Reports should be shared with an appropriate forum within the UHB (e.g. Project Board).</p> <p>If timing does not permit this to take place prior to submission, the Project Director should be sighted on the reports ahead of submission, with the reports then included at the next Project Board meeting for reference.</p>	Low	
Agreed Management Action		Target Date	Responsible Officer
3.1	Agreed. PPRs will be retrospectively sent to Project Board for information purposes only.	September 2022	Project Director

Matter Arising 4: Governance – Legal Action (Operation)		Impact	
<p>In May 2022, the UHB Board agreed that, on the basis of expert advice received, it was no longer beneficial to pursue legal action in respect of the original cladding installation.</p> <p>The supporting paper appropriately outlined the basis for the recommendation, and referenced circa £300k costs incurred at the project as a result of construction delays in accommodating the expert witness visits. These costs are currently being met from the project contingency budget.</p> <p>The paper did not, however, set out the wider costs incurred in pursuit of the legal claim, i.e. legal fees, expert witness costs etc., which total circa £70k, and have been met from revenue funding.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> Insufficient information presented to enable a fully informed decision to be made. 	
Recommendations		Priority	
4.1.a	Management should confirm whether the Board has previously been sighted on the legal & expert witness fees expended to date (e.g. via historic reports).	Medium	
4.1.b	If they have not, the Board should now be fully informed of all costs incurred in pursuit of the legal claim.		
Agreed Management Action		Target Date	Responsible Officer
4.1	<p>Agreed. We will confirm the position with the Executive Director of Finance, and ensure the Board receives an update at the next meeting if necessary.</p> <p>The Project Board will also be informed at the August meeting, that the Legal Claim is no longer being pursued. PB will be informed of the costs incurred and how these costs have been met.</p>	December 2022	Project Director & Executive Director of Finance

Matter Arising 5: Financial Assurance – Cost Reporting (Operation)		Impact
<p>The latest façade cost report (no. 15, issued June 2022) presented a total anticipated underspend of £163,359 against the approved funding envelope, with a balance of UHB contingency of £278,606.</p> <p>The risk register (revision 29) separately recorded risks valued at £356,256, therefore exceeding remaining contingency.</p> <p>The risk of insufficient funds to deliver the project to completion has been discussed at Project Board, and flagged at the Welsh Government Project Progress Reports. However, as above this is not currently reflected in the cost reporting, which presents an anticipated underspend.</p> <p>Inclusion of a forecast aligned with the costed risk register would ensure completeness in reporting and facilitate appropriate scrutiny at relevant forums. The recommended mid-point lessons learnt exercise (see MA6) may provide enhanced understanding of remaining risks, to better inform this position.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> Insufficient clarity in cost reporting may hinder timely scrutiny and decision making.
Recommendations		Priority
5.1	<p>Cost reports should incorporate the value of costed risks against available contingency when considering the forecast over/ underspend position.</p>	<p>Medium</p>

Agreed Management Action		Target Date	Responsible Officer
5.1	<p>Agreed. The forecast position will be incorporated into the cost reports from now on.</p> <p>The UHB will endeavour to reclaim the Expert Witness and Covid-19 costs at completion, and if successful, the scheme is currently affordable. SES attend Project Board, and are aware of the current situation, but have said that all contingencies and any gain share has to be accounted for before any funding is allocated.</p>	September 2022	Project Director / Cost Adviser

Matter Arising 6: Quality Assurance – Lessons Learnt (Operation)		Impact	
<p>The Cladding project spans a three-year programme of works, and contain a series of repetitive elements within the phasing.</p> <p>Whilst the prior Cladding audit report (<i>issued October 2021</i>) noted that management had scheduled a lessons-learnt exercise after completion of the first ward, we are advised that this did not take place. With the project now at the half-way point, management agreed that this exercise would remain beneficial to inform delivery of the remaining programme.</p> <p>Whilst also recognising that quality issues (see para. 2.32) have been clearly documented in e.g. project reports and Project Board / Team minutes, a lessons learnt log was not in operation to centrally capture the full range of issues identified (which may include both technical and operational matters).</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> • Re-occurrence of issues if lessons are not learned and acted upon. 	
Recommendations		Priority	
6.1	A mid-point lessons learnt review should be undertaken.	Medium	
6.2	Lessons learnt (both technical and operational) should be captured in a central log.	Low	
Agreed Management Action		Target Date	Responsible Officer
6.1	Agreed. A session has been scheduled with relevant internal and external parties in September 2022.	September 2022	Project Director
6.2	Agreed. Follow up discussions to be had with the Project Manager to review lessons learned. Once these have been identified, they will be captured in a central log.	September 2022	Project Director

Appendix B: Follow up of previously agreed management actions

Previous matter arising 1.1: Target Cost Scrutiny & Approval	
Original recommendation and management response	Original priority
<p>Future Assurance</p> <p>Management should ensure that appropriate scrutiny and approval of costs is provided by the Project Board both in relation to the Target Cost report, and Adviser costs prior to the commencement of duties.</p> <p>Management Response: Agreed. This will be actioned at future projects.</p>	Low
Current findings	Residual risks
<p>Noting that the implementation of this recommendation was to be assessed at future projects, reference has been made to those included in the 2022/23 Internal Audit plan. These projects do not include target cost as an objective area therefore no conclusion on the scrutiny and approval can be drawn at this review.</p> <p>Conclusion: Closed – to be considered at future projects. .</p>	N/A

Previous matter arising 2.1: Contracts	
Original recommendation and management response	Original priority
<p>Future Assurance</p> <p>Management should ensure that contract documentation is appropriately completed prior to the commencement of duties.</p> <p>Management Response: Agreed. Where reasonably possibly we endeavour to do this. Very often the signing of contracts is beyond Capital Planning's control and audit have acknowledged this.</p> <p>The contractors that we work with are selected from an existing framework which has already undergone competitive compliant procurement exercises that ensures that the Health Board is receiving Value for Money.</p> <p>Generally, contracts are sent for signing in a timely manner, delays can and do occur in their signing, often as a result of 'wet' signatures being required. As a result of people working from home this leads to delays. Due to operational & safety pressures, work has to commence on site. Additionally any delays to the contractor can & will result in the Health Board encountering financial penalties.</p>	Low
Current findings	Residual risk
<p>The timeliness of signing of contract documentation has continued to be a reportable issue at the UHB, with similar issues also raised at other health boards. It is also noted that the management comment above clearly stated that where reasonably possible the UHB would endeavour to do this; with discussions ongoing at Director-level at some contractors (where delays have been experienced previously by the UHB).</p> <p>Conclusion: Closed - to be considered at future projects.</p>	N/A

Previous matter arising 4.1: Cost Reporting	
Original recommendation and management response	Original priority
<p>Project reports should include separate reporting of the car park and main scheme, in addition to combined summary reporting.</p> <p>Management Response: Agreed.</p>	Medium
Current findings	Residual risk
<p>Separate cost reports are now prepared. The Project Manager's report references only the current work (i.e. façade) noting that the car park work has concluded. The Welsh Government Project Progress Report is a consolidated report [enabling works i.e. car park and main works i.e. main façade] with the separate cost reports / funding approvals embedded within the return for information.</p> <p>Conclusion: Closed.</p>	N/A

Previous matter arising 5.1: Cash Flow	
Original recommendation and management response	Original priority
<p>Cash flow reporting to both Welsh Government and internally should highlight uncertainties relating to in-year forecasts.</p> <p>Management Response: Agreed. A meeting was held in September with the Contractor and the Health Board to review the spend profile for the current financial year which highlighted any uncertainties relating to in year forecasts and was reported in October’s Project Board meeting. Regular financial meetings are held with WG in addition to them receiving the monthly Cash Resource Limit reports. A financial report is received at Project Board for additional assurance and scrutiny. Any anticipated cashflow variances will be highlighted (within “Notes”) at future dashboards.</p>	Medium
Current findings	Residual risk
<p>There are 2 elements to this issue:</p> <p>[1] status update of the financial impact from the work undertaken by the expert witnesses; and</p> <p>[2] reporting of uncertainties within the narrative of the Welsh Government Project Progress Reports, so there is a general awareness before the financial impact is finalised.</p> <p>With regards [1], it was agreed in May 2022 that the legal claim is no longer to be pursued, so there will be no further time or cost impacts to the project in relation to expert witness visits.</p> <p>With regards [2], the May 2022 submission, noting the situation with the expert witness involvement no longer applies, includes an up-to-date narrative in respect of cash flow forecasts in the current year.</p> <p>Conclusion: Closed.</p>	N/A

Previous matter arising 7.1: Risk Register	
Original recommendation and management response	Original priority
<p>Risks at the Risk Register should be regularly appraised for currency and magnitude.</p> <p>Management Response: Agreed. Whilst the car park is being completed, there is still Japanese knotweed external works etc which are still being undertaken. Tree planting is continuing and Japanese knotweed is an ongoing treatment regime for five years. However, all car park risks have now been removed from v19 of the Risk Register.</p>	Medium
Current findings	Residual risk
<p>The current risk register, as presented at the June 2022 Project Board, was reviewed.</p> <p>The risk register was dated April 2022 and review of the content has noted that there are no car park risks included, as was the case at the time of the prior audit.</p> <p>Conclusion: Closed.</p>	N/A






Previous matter arising 7.2: Risk Register	
Original recommendation and management response	Original priority
<p>Risk reporting should accord with the current Risk Register.</p> <p>Management Response: Agreed. Neo natal risk is sensitive to noise & dust & lot of services running along inner façade. This was perceived as being a red risk, but not was not covered in PM report as a such as there are ongoing discussions as to how to approach this. We are currently in the process of formulating a plan as to how best to deal with it e.g. whether to fully or partial decant. However, we will look to align reporting to the Risk Register.</p>	Medium
Current findings	Residual risk
<p>It was confirmed that current risk reporting via the Project Manager’s progress report, and to Welsh Government via the Project Progress Reports, accorded with the detail captured at the current risk register.</p> <p>Conclusion: Closed.</p>	N/A

Previous matter arising 9.1: Project Bank Account	
Original recommendation and management response	Original priority
<p>Management should confirm treatment of a Project Bank Account in accordance with Welsh Government direction.</p> <p>Management Response: Agreed. The Health Board welcomes WG directive in the use of Project Bank Accounts as a means of addressing poor payment practices in public sector supply chains by facilitating fair and prompt payment. Project Bank Accounts (PBAs) will ensure best practice going forward and this is something that the Health Board is currently working towards with both the banks and contractors.</p> <p>The Head of Capital Finance is involved with meetings with regards to PBAs as within Wales we are aware that there have been issues with the Banks in establishing them as they are a still a relatively new concept.</p> <p>With regards to the Cladding Project – the sub-contractors had already been appointed with payments already commenced with the main contractor prior to audit undertaking their fieldwork. A PBA could not then be retrospectively put in place as it was deemed to have no benefit.</p>	Low
Current findings	Residual risk
<p>Confirmation has been received from Welsh Government that the UHB’s reasons for not implementing a PBA at this project have been reviewed and accepted as satisfactory.</p> <p>Conclusion: Closed.</p>	N/A

Appendix C: Assurance opinion and action plan risk rating

Audit Assurance Ratings

We define the following levels of assurance that the project achieves its key delivery objectives (time, cost and quality) and that governance, risk management and internal control within the area under review are suitable designed and applied effectively:

	Substantial assurance	Few matters require attention and are compliance or advisory in nature. Low impact on residual risk exposure.
	Reasonable assurance	Some matters require management attention in control design or compliance. Low to moderate impact on residual risk exposure until resolved.
	Limited assurance	More significant matters require management attention. Moderate impact on residual risk exposure until resolved.
	No assurance	Action is required to address the whole control framework in this area. High impact on residual risk exposure until resolved.
	Assurance not applicable	Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are not appropriate. These reviews are still relevant to the evidence base upon which the overall opinion is formed.

Prioritisation of Recommendations

We categorise our recommendations according to their level of priority as follows:

Priority level	Explanation	Management action
High	Poor system design OR widespread non-compliance. Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in system design OR limited non-compliance. Some risk to achievement of a system objective.	Within one month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. Generally issues of good practice for management consideration.	Within three months*

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



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