

<b>Main Report</b>		<b>Health Board Meeting On 25<sup>th</sup> May 2017</b> <b>Agenda Item: 4a (iii)</b>
<b>Subject</b>	Audit Committee: Summary of key decisions, issues considered and matters requiring board level consideration	
<b>Prepared by</b>	Liz Stauber, Committee Services Manager	
<b>Approved &amp; Presented by</b>	Charles Janczewski, Chair of the Audit Committee/Non-Officer Member	

## PURPOSE

The purpose of this report is to provide the board with a summary of the matters discussed and reviewed by the Audit Committee when it met on 13<sup>th</sup> April 2017. The full minutes of the committee meeting are available on request from the Director of Corporate Governance.

## KEY ISSUES CONSIDERED BY THE COMMITTEE

### 1. Emergency Medical Retrieval And Transfer Service (EMRTS) Governance Sub-Committee Minutes

The minutes of the meeting of the EMRTS Governance Sub-Committee held on 13<sup>th</sup> February 2017 were received and noted.

### 2. Delivery Unit Governance Sub-Committee Minutes

The minutes of the meeting of the Delivery Unit Governance Sub-Committee held on 21<sup>st</sup> March 2017 were received and noted.

### 3. NHS Wales Shared Services Partnership (NWSSP) Progress Report

A report was received providing an update on current and planned internal audit work and a proposed change to the 2016/17 audit plan was approved. It was also noted that five final reports had been issued; four of which had received a *reasonable assurance* rating and one a *substantial assurance* rating.

### 4. NWSSP Audit And Assurance Assignment Summary

A report was received providing a summary of recently finalised internal audit work. It was noted that a follow-up review of the Mental Health and Capacity Act Legislative Committee had resulted in an improved rating from *limited assurance* to *substantial assurance*. The work of internal audit and corporate governance to achieve this was commended by the committee.

### 5. Wales Audit Office Progress Report

A report was received providing an update on current and planned Wales Audit Office activity. It was noted that the all-Wales comparison of structured assessments should be available for the July 2017 meetings of the Audit Committee and board.

### 6. NWSSP Procurement: Single Tender Actions And Quotations

A report outlining single tender actions and quotations for November 2016, February 2017 and March 2017 was received and noted.

## **7. Corporate Risk Register**

A report was received providing an update regarding the corporate risk register. The committee noted that the risk ratings within the registers for Morriston and Singleton hospitals were higher than others and sought assurance that they were not outliers. Members heard that the units' risk registers were reviewed regularly by the assurance and learning group and neither were outliers. It was agreed that future iterations of the report would include the units' risk registers from the start of each year as well as the most up-to-date version for comparison.

## **8. Wales Audit Office Report: Structured Assessment 2016 – Management Response**

A report was received outlining the management response to the 2016 Wales Audit Office structured assessment. It was noted that an action plan had been developed and would be monitored by the Audit Committee.

## **9. Amendments To Standing Orders**

A report was received outlining amendments to schedule nine (Contracts Code – Building and Engineering Works) and schedule 11 (Capital Projects Control Manual) of standing orders as well as a revised version of the standards of business conduct (**appendix 1**). These were approved for the board's ratification.

## **10. Hospitality Register**

The hospitality register was received and noted.

## **11. Audit Enquiries To Those Charged With Governance And Management**

A report was received outlining the response in relation to audit enquiries to those charged with governance and management. The committee heard that the report formed part of the annual accounts and was similar to that of previous years, with the exception of the areas audited and the noting of the non-achievement of statutory duties.

## **12. Wales Audit Office Report: Consultant Contract Follow-Up Management Response**

A report was received detailing the management response to the Wales Audit Office follow-up review of consultant contracts. It was noted neither the Medical Director nor his deputy had been available to attend the meeting, and as a result, they would be invited to attend the committee by September 2017 to present an update. The length of time required to develop job planning guidance was also raised as a concern.

## **13. Internal Audit Opinion And Annual Report (draft)**

The draft internal audit opinion and annual report was received. It was noted that the emerging head of internal audit opinion for 2016/17 was one of *reasonable assurance* which was an improvement from the previous three years. This was reflective of the work by the Audit Committee chair to discuss *limited assurance* ratings with executive directors to agree timelines for improvements and follow-ups. The final opinion would be confirmed at the next meeting but no significant changes were expected. As this was one of the targeted intervention areas, the improvement would be discussed at the next meeting with Welsh Government.

#### **14. Audit Committee Self-Assessment 2016/17**

A report was received outlining the results of the Audit Committee self- assessment. Members were advised that the aim of the self-assessment was to determine the effectiveness of the committee and the chair was happy to meet with anyone who had concerns. It was agreed that future self-assessment reports would include the results of previous years to identify themes.

#### **15. Chair's Update Regarding Internal Audit Report**

An update regarding meetings between the committee chair and executive directors in response to *limited assurance* internal audit reports was received and noted.

#### **MATTERS REQUIRING BOARD LEVEL CONSIDERATION / APPROVAL**

The chair of the Audit Committee wishes to draw the following matters to the attention of the Board:

**For noting:**

- The *substantial assurance* rating for the follow-up internal audit of the Mental Health and Capacity Act Legislative Committee (point four);
- The draft head of internal audit opinion for 2016/17 which currently stood at *reasonable assurance* (point 13).

**For approval:**

- Amendments to standing orders (point nine and **appendix 1**).

#### **C. RECOMMENDATION**

The board is asked to consider the discussions set out in this report.

**REPORT PREPARED BY:**  
**Liz Stauber, Committee Services Manager**

**REPORT SPONSORED BY:**  
**Steve Combe, Director of Corporate Governance**

**Audit Committee**  
**13<sup>th</sup> April 2017**  
**AGENDA ITEM: 8b.**  
**ATTACHED MARKED: 12**

## **REVIEW OF STANDING ORDERS**

### **1. PURPOSE**

The purpose of this report is to outline the outcome of a review of standing orders.

### **2. INTRODUCTION**

Members will recall that the committee received a report on a review of standing orders at its meeting in January 2017. Further work has since been undertaken and the outcome of this work is set out in this report.

Changes to the standing financial instructions have been reported to the committee, and subsequently the board, as they have arisen throughout the year.

The terms of reference of the board committees have been reviewed and amended throughout the year, as and when requirements changed. These have previously been reported to the board and included the change in role of the Strategy, Planning and Commissioning Committee. It was agreed at the board meeting in January 2017 to recognise it as a time-limited task and finish group, which reports directly to the board. Standing orders have been amended accordingly.

### **3. PROPOSED AMENDMENTS**

The following amendments are proposed:

- Changes to the Contracts Code – Building and Engineering Works (schedule nine) to include:
  - i. The addition of the requirement to ensure all schemes are planned and controlled in accordance to the Welsh Government Capital Infrastructure and Investment;
  - ii. The responsibility of the Assistant Director of Strategy (Capital) to calculate liquidated and ascertained damages, where appropriate, on behalf of the Directors of Strategy and Finance;
  - iii. The practice of naming domestic or sub-contractors and nominated suppliers limited to contracts which require specialist contractors or supplies of specific materials or equipment;
  - iv. 'Contract sum analysis' added to the requirements for tender submissions.

- Amendments to the Capital Projects Control Manual (schedule 11) as outlined in **appendix one**.
- Minor formatting and spelling changes to standing financial instructions.

Schedules six, nine and eleven have been amended to reflect these changes and are available on request.

#### **4. STANDARDS OF BUSINESS CONDUCT**

Following the revision of the standards of business conduct, the draft went out for consultation during October and November 2016 and was reviewed by the executive team, internal audit, local counter fraud service, service units and the Audit Committee. A number of comments were received to create the final version. These include:

- Clarification of expectations for all partnership arrangements, including Western Bay and 'A Regional Collaboration for Health' (ARCH);
- Notification that it is a disciplinary offence for staff to work for another employer while on sick leave (certified and uncertified) without permission;
- Authorisation to accept gifts and gift vouchers up to the value of £100, providing that they are declared by staff;
- Clarification that it is only directorships of companies seeking or likely to do business with the health board which require a declaration of interest;
- Emphasis given to the requirement for staff to disclose all secondary or self-employment. An additional form has now being included within the document which can be authorised and filed at a local level;

The comments have been incorporated into the draft considered by the committee previously and a fully copy is available on request.

#### **5. MATTERS TO NOTE**

The board committee arrangements are currently under review by the Chairman's Advisory Group and this may lead to changes in committee arrangements which would impact on standing orders. Any changes will be reported to the committee.

In addition, the capital planning department is to undertake a review of the new technical brief and procurement colleagues have indicated they wish to amend the standing orders in the near future. Both of these will be submitted to the committee for approval in due course.

#### **6. RECOMMENDATION**

Committee members are asked to note the report and approve proposed amendments to the standing orders for consideration by the board.

## CAPITAL PROJECTS CONTROL MANUAL

### Schedule of Proposed Changes

The following schedule details the changes that are proposed to the Capital Projects Control Manual, Schedule 11 of Standing Orders.

Capital Project Control Manual	
Section Number	Proposed Change
1.0 Introduction	<ul style="list-style-type: none"> <li>New second paragraph detailing contents and use of the Technical Brief.</li> </ul>
2.0 Managing the Capital Programme	<ul style="list-style-type: none"> <li>Replace Strategy Planning and Commissioning Committee with Executive Strategy Group. <i>This is reflected throughout the document as appropriate.</i></li> <li>New third paragraph setting out the roles and responsibilities of the Capital Priority Management Group</li> </ul>
3.0 Initiating a Capital Scheme –	<ul style="list-style-type: none"> <li>New third paragraph establishing Delivery Unit Management Boards to review all bids for capital funding</li> <li>Section A – first bullet point – revenue cost to be approved by a relevant Finance Manager before a bid will be considered.</li> <li>Section A – second bullet point – Capital Priority Group to approve bids for funding</li> <li>Section B – All Wales Business Cases to be submitted in compliance with Welsh Government Infrastructure Investment Manual. <i>This is reflected throughout the document as appropriate.</i></li> </ul>
3.1 Statement of Need	<ul style="list-style-type: none"> <li>A SON <b>must</b> be completed for every <b>approved</b> scheme</li> <li>Replace Strategy Planning and Commissioning Committee with Capital Priority Group. <i>This is reflected throughout the document as appropriate.</i></li> <li>Amend Audit name to NWSSP - Audit and Assurance Services. <i>This is reflected throughout the document as appropriate.</i></li> <li>Capital programme will be <b>considered</b> by the Capital Priority Group. Any changes to the Capital Programme <b>must</b> be approved by the Executive Strategy Group</li> </ul>
3.2 Service Justification	<ul style="list-style-type: none"> <li>Service Justifications to be signed off by a Divisional Unit Management Board before being considered by the Capital Priority Group</li> </ul>
3.3 Business Cases – All Wales Capital Programme	<ul style="list-style-type: none"> <li>Expanded approval process included to reflect Infrastructure Investment Manual.</li> </ul>
4.0 Establishing a Project Board and Project Team	<ul style="list-style-type: none"> <li>Section expanded to include the establishment of a Project Board as well as Project Team.</li> <li>Requirement for a Project Structure and Terms of Reference to be developed and signed off by the Project Board included.</li> </ul>
4.1 Project Board	<ul style="list-style-type: none"> <li>New section include to specify the role and</li> </ul>

	responsibilities of the Project Board
4.2 Project Team	<ul style="list-style-type: none"> <li>• New section include to specify the role and responsibilities of the Project Team</li> </ul>
4.4 Project Director	<ul style="list-style-type: none"> <li>• Confirmation of Roles from which a Project Director may be appointed</li> <li>• Letter of appointment to be issued and signed off at the start of the project</li> </ul>
5.0 Feasibility Stage 5.1 Bid for Capital Investment or Formal Business Case	<ul style="list-style-type: none"> <li>• Section expanded to stipulate that all bids for Capital Investment must be approved by the Divisional Unit Management Board.</li> <li>• Stipulate need for a scoping study with Welsh Government when WG funding being sought</li> </ul>
5.2 Develop Brief With End Users	<ul style="list-style-type: none"> <li>• Add requirement for a Brief to be developed with the User Group</li> <li>• Add requirement for an Operational Policy to be produced to complete the Brief.</li> </ul>
6.0 Overall Project Management	<ul style="list-style-type: none"> <li>• This section has been expanded as follows</li> </ul>
6.2 Project Programmes	<ul style="list-style-type: none"> <li>• Establish requirement for programmes to be developed and updated throughout a project and list activities to be incorporated.</li> </ul>
6.2.1 Management Control Programmes	<ul style="list-style-type: none"> <li>• New section added requiring an MCP to be developed and regularly updated.</li> </ul>
6.2.2 Highlight Report	<ul style="list-style-type: none"> <li>• New section added. Monthly reports on progress to be submitted and utilised in overall capital monitoring reports.</li> </ul>
6.2.3 Project Programme	<ul style="list-style-type: none"> <li>• New section added requiring construction programmes to be developed and regularly updated.</li> </ul>
6.3 Contractor/Consultant Appointment Request	<ul style="list-style-type: none"> <li>• Sentence added to require consideration of the appointment of a Principal Designer</li> </ul>
8.0 NEC Contract 8.6 Project Director Appointment	<ul style="list-style-type: none"> <li>• Appointment of PD to be confirmed by Executive Strategy Group</li> </ul>
8.7 Establish Project Board	<ul style="list-style-type: none"> <li>• Add in requirement to also establish a Project Team</li> </ul>
9.0 Traditional Tenders and Quotations 8.6 Project Director Appointment	<ul style="list-style-type: none"> <li>• Appointment of PD to be confirmed by Executive Strategy Group</li> </ul>
14.0 Post Project Evaluation 14.2 Discretionary Capital Post Project Evaluation	<ul style="list-style-type: none"> <li>• The Executive Strategy Group is to stipulate whether a full Post Project Evaluation Exercise is to be undertaken on Discretionary Capital schemes.</li> </ul>
16.0 Financial Monitoring	<ul style="list-style-type: none"> <li>• An annual Capital Plan is to be submitted to the</li> </ul>

16.2 Capital Resource Limit	<p>Executive Strategy Group for approval.</p> <ul style="list-style-type: none"> <li>• The <b>Principal Finance Manager (Capital)</b> is to meet monthly with the Assistant Director of Strategy (Capital)</li> </ul>
<b>Checklists</b> – the following documents have been added to the checklist to support the additional requirements included in the Capital Projects Control Manual	
<b>Document Number</b>	<b>Document Name</b>
1.0	Technical Brief (still under review)
4.0	Outline Structure and Terms of Reference
4.4	Project Director Outline Appointment Letter
4.5	Project Manager Outline Appointment Letter
6.2A	Management Control Programme
6.2B	Highlight Report
6.2C	Project Programme