

Agenda item: 4ii

Abertawe Bro Morgannwg University Health Board

HEAD OF INTERNAL AUDIT OPINION & ANNUAL REPORT: EXECUTIVE SUMMARY 2017/18

May 2018

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

1. EXECUTIVE SUMMARY

1.1 Purpose of this Report

The Board is collectively accountable for maintaining a sound system of internal control that supports the achievement of the organisation's objectives, and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system. A key element in that flow of assurance is the overall assurance opinion from the Head of Internal Audit.

This report sets out the Head of Internal Audit opinion together with the summarised results of the internal audit work performed during the year. The report also includes a summary of audit performance in comparison to the plan and an assessment of conformance with the Public Sector Internal Audit Standards (these are the requirements of Standard 2450).

1.2 Head of Internal Audit Opinion

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

The overall opinion has been formed by summarising audit outcomes across eight key assurance domains. The overall opinion is then based upon these grouped findings. In a change to previous years all domains now carry equal weighting.

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

1.3 Delivery of the Audit Plan

The internal audit plan has been delivered substantially in accordance with the agreed schedule and changes required during the year, as approved by the Audit Committee. Regular audit progress reports have been submitted to the Audit Committee during the year.

Our External Quality Assessment (EQA), conducted by the Chartered Institute of Internal Auditors, and our Quality Assurance and Improvement Programme have both confirmed that our internal audit work 'generally conforms' to the requirements of the Public Sector Internal Audit Standards (PSIAS) for 2017/18.

We are now able to state that our service 'conforms to the IIA's professional standards and to PSIAS'.

1.4 Summary of Audit Assignments

The report summarises the outcomes from the internal audit plan undertaken in the year and recognising audit provides a continuous flow of assurance includes the results of legacy audit work reported subsequent to the prior year opinion. The report also references assurances received through the internal audit of control systems operated by NWSSP for transaction processing on behalf of the Health Board.

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

In overall terms we can provide positive assurance to the Board that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively in the following assurance domains:

- *Financial governance and management;*
- *Strategic planning, performance management and reporting;*
- *Information governance and security;*
- *Operational services and functional management;*
- *Capital and estates management;*

However, in the domains below the significance of the matters raised in some subject areas where there are improvements to be made in governance, risk management and control has impacted upon our overall audit assessment:

- *Corporate governance, risk management and regulatory compliance*
- *Clinical governance quality and safety*
- *Workforce management.*

Please note that our assessment across each of the domains has also taken into account, where appropriate, the number and significance of any audits that have been deferred during the course of the year.

1.5 Organisational Context

During the 2017/18 year ABMU Health Board has remained in targeted intervention status under the NHS Wales Escalation Framework arrangements with focus and support received from the Welsh Government in driving improvement in challenging and difficult times.

In addition, during the year there were significant changes to Board membership and there is almost an entirely new Board in place at the close of 2017/18. At Executive Director level, a number of key Executive departures occurred that

were filled on an interim basis. From September 2017 a number of Non-Officer Member changes occurred as a result of their “term of office” ending – these changes resulted in new Non-Officer Member appointments to Chair(s) positions for most of the key Committees.

Towards the end of 2017/18 the newly appointed Director of Corporate Governance completed a governance stocktake and is now in the process of developing a Board Assurance Framework and also strengthening the risk management processes. The Board has supported this work and are aiming to strengthen governance arrangements early in 2018/19 with the ongoing development of an integrated governance work programme.

The audit plan has been delivered with the support of the Board in the context of the challenges that the Health Board has encountered, with increased monitoring by Welsh Government and the significant changes at the Board in respect of Executive Director/Interim Executive Director appointments, and new Non-Officer Membership at key Committee(s) of the Board. Finally, in addition to the support of the Board, Internal Audit has seen increased support and engagement from management that is demonstrated with a report turnaround time taken for management response improving from 41% in 2016/17 to 58% in 2017/18.

2. ACKNOWLEDGEMENT

In closing I would like to acknowledge the time and co-operation given by directors and staff of the Health Board to support delivery of the Internal Audit assignments undertaken within the 2017/18 plan.

Paula A. O'Connor MSc
Head of Internal Audit - Abertawe Bro Morgannwg University Health Board
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NHS Wales Shared Services Partnership
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