Follow-up of Internal Audit Recommendations

Final Internal Audit Report

June 2024

Digital Health and Care Wales

GIG CYMRU NHS WALES
Partneriaeth Cydwasanaethau
Gwasanaethau Archwilio a Sicrwydd
Shared Services Partnership
Audit and Assurance Services

GIG CYMRU NHS WALES
Iechyd a Gofal Digidol Cymru
Digital Health and Care Wales

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Auditors:	Stephen Chaney, Acting Head of Internal Audit Rhian Gard, Audit Manager Mair Evans, Principal Auditor
Executive sign-off:	Chris Darling, Board Secretary
Distribution:	Laura Tolley, Head of Corporate Governance
Committee:	Audit and Assurance Committee

Audit and Assurance Services conform with all Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Chartered Institute of Public Finance & Accountancy in April 2023

Acknowledgement

NHS Wales Audit and Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

Executive Summary

Purpose

The purpose of this audit was to review and assess a sample of high and significant medium priority audit recommendations raised since 2021/22 and whether they are being tracked appropriately to implementation.

Overview

We have issued reasonable assurance on this area.

The audit focused on the process used to record internal audit recommendations on the Audit Action Tracker (the 'tracker'). Alongside this, we also assessed whether the recommendations have been implemented in a timely manner and reported to the Audit and Assurance Committee for completeness.

Overall, we found the process for updating the tracker, monitoring and extending recommendation deadlines clear and appropriate. However, we identified inaccuracies in the recording of recommendations and associated information.

The matters requiring management attention include:

- Recommendations recorded on the tracker are not always detailed correctly.
- Evidence provided by third parties concerning joint recommendations are not always reviewed as part of the tracking process.

Further detail has been included within Appendix A.

Report Opinion

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

Assurance summary[1]

Objectives		Assurance
1	The follow up process of monitoring high and significant medium internal audit recommendations raised since 2021/22 is robust	Reasonable

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

Key Matters Arising

		Objective	Control Design or Operation	Recommendation Priority
1	Recording of recommendations on the Audit Action Tracker	1	Operation	Medium
2	Evidence for joint recommendations	1	Operation	Medium

1. Introduction

1.1 The Follow-up of Internal Audit Recommendations review was completed in line with the 2023/24 Internal Audit Plan. The review sought to determine if a sample of recommendations had been implemented appropriately and in a timely manner by Digital Health and Care Wales (DHCW).

1.2 The risks in this review included:

- failure to implement agreed internal audit recommendations in a timely manner;
- increased financial, clinical, statutory and reputational risk for DHCW; and
- inaccurate reporting of the Audit Recommendations Tracker (the 'tracker') within DHCW.

2. Detailed Audit Findings

Objective 1: A follow up of high and significant medium priority internal audit recommendation raised since 2021/22.

Objectives of the area under review include:

- **the level of implementation of the recommendations sampled;**
- **the completeness and accuracy of updates provided to the Audit and Assurance Committee via the Audit Action Tracker (the 'Tracker');**
- **where necessary, the appropriateness of requested extensions to deadlines for implementation.**

2.1 We reviewed the current tracker of internal audit recommendations (the 'recommendations') against the internal audit reports (the 'reports') for 2021/22 and 2022/23 and found the following:

	Total number of recommendations	High	Medium	Low
2021/22	34	0	28	6
2022/23	93	15	56	22

2.2 We found that for 2021/22, there were a total of 34 recommendations raised. These were all identified as 'closed', with evidence to support this.

2.3 In 2022/23 there were a total of 93 recommendations raised. This did not include two internal audit reports; Decarbonisation and ICT Stock Management, where these had a total of 39 recommendations between them. The recommendations for

these reports are tracked via different routes. Decarbonisation is tracked through a wider all Wales review and ICT Stock Management actions are being taken forward and managed through Client Services/Finance. The status of these reports will be reviewed in future audits.

2.4 Overall, we confirmed that all 2022/23 recommendations have been identified as 'closed' in status, apart from two internal audit reports: Switching Services (one recommendation in progress, but on target) and Technical Resilience (two recommendations in progress, but one on target and one overdue).

2.5 We completed a high-level review of the 26 reports from 20221/22 and 2022/23 and found six reports that were not recorded on the tracker, as two were being tracked in different forums (as mentioned above) and four were substantial reports with no recommendations to monitor. However, we found 16 reports (four included within our sample testing) where the recommendation narrative was recorded differently on the tracker compared to the reports.

2.6 Furthermore, with three reports we identified a manual / transposition error with the priority ratings, which were promptly corrected during the audit. We also identified instances where the management responses were recorded rather than the recommendations.

2.7 Alongside the high-level review, we completed detailed testing on a sample of eight recommendations, selected from 2021/22 and 2022/23 to test the completeness of the tracker. We found all recommendations that we sample tested are recorded as 'closed' in status and classed as complete. However, as referenced above, we found four recommendations within our sample of eight, where the recommendation narrative is recorded differently on the tracker.

The above points are included within **matter arising one.**

2.8 We also found within the Switching Services report, which is an all-Wales project and managed by a third party, that although it is regularly updated on the tracker, all supporting evidence is held by the third party involved. We were informed this evidence is not routinely reviewed by DHCW or alternatively, assurances sought that sufficient progress has been made towards implementing any recommendations.

The above points are included within **matter arising two**.

2.9 We confirmed that there is a tracking process in place, with regular discussions taking place between the Corporate Governance Team and the responsible officers for outstanding recommendations. These discussions take place prior to the tracker being updated and reported to DHCW's Management Board and the Audit and Assurance Committee.

2.10 The tracker includes a column for a deadline extension. The original recommendation deadline is noted and where an extension is requested, a new deadline is set. Extensions are presented and discussed at the Audit and Assurance Committee. We reviewed evidence of the tracker being regularly adjusted with status updates. Justification is noted when action deadlines are extended.

Conclusion:

2.11 We reviewed the tracking process for recommendations on the closure therein, upon completion. Regular status updates are provided to the Audit and Assurance Committee and any requests for extensions are dealt with appropriately. We identified instances where report recommendations are not always accurately recorded on the tracker. Furthermore, there were some examples of incorrect priority ratings being recorded. Consequently, there is a low risk that recommendations may not be monitored or implemented correctly. The responsibility for implementation of any recommendation sits with the corresponding service area. Therefore, even with clerical errors or recording inaccuracies, it is unlikely to significantly impact the completion of these actions. In addition, we also found that there should be regular scrutiny over third party recommendations. Therefore, we have provided **reasonable assurance** for this objective.

Appendix A: Management Action Plan

Matter Arising 1: Recording of recommendations on the tracker (Operation)			**Impact**
Testing confirmed that recommendations from reports are not always recorded accurately on the tracker. From our overall testing of 26 reports, covering 2021/22 and 2022/23, there were 16 reports where recommendations were recorded differently on the tracker to what was reported. Within three reports we identified changes in priority ratings and instances where management responses were recorded rather than recommendations.			Potential risk of: • Inaccurate reporting of audit recommendations.
Recommendations			**Priority**
1.1	DHCW should review all outstanding audit recommendations and ensure all key information is recorded accurately.		**Medium**
1.2	DHCW should consider the inclusion of an additional column on the tracker for management responses.		**Low**
Agreed Management Action		**Target Date**	**Responsible Officer**
1.1	This exercise is underway and will be completed by 30 August 2024	30 August 2024	Head of Corporate Governance
1.2	This has already been completed.	June 2024	Head of Corporate Governance

Matter Arising 2: Evidence for joint recommendations (Operation)			**Impact**
Supporting evidence provided by third parties on joint recommendations is not always reviewed to ensure all actions have been completed, as reported. However, we recognize that the responsibility for this resides with the third-party organisations, and it will not always be possible to review this information. In spite of this, a process should be developed to obtain assurance from third party organisations that suitable progress is underway towards the implementation of applicable recommendations.			Potential risk of: • Recommendations not being implemented appropriately • Increased reputation, statutory and financial risk
Recommendations			**Priority**
2.1	The tracker should be regularly reviewed, and DHCW should develop a process for obtaining assurance from the third-party organisations that applicable recommendations are being actioned appropriately.		**Medium**
Agreed Management Action		**Target Date**	**Responsible Officer**
2.1	The tracker is reviewed monthly. We will create a Standing Operating Procedure to obtain assurance from third party organisations.	30 August 2024	Head of Corporate Governance

Appendix B: Assurance opinion and action plan risk rating

Audit Assurance Ratings

We define the following levels of assurance 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.
	**Unsatisfactory**	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.

NHS Wales Shared Services Partnership
4-5 Charnwood Court
Heol Billingsley
Parc Nantgarw
Cardiff
CF15 7QZ

Website: Audit & Assurance Services - NHS Wales Shared Services Partnership