

Health Education and Improvement Wales

Internal Audit Plan 2019/20

March 2019

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

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1. Introduction

This document sets out the Internal Audit Plan for Health Education and Improvement Wales (HEIW or the 'organisation') for 2019/20 ('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 over-arching purpose, authority and responsibility of Internal Audit and the Key Performance Indicators for the service.

The Accountable Officer (HEIW's 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 and Assurance 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 HEIW's management to improve governance, risk management, and control within their operational areas.

The Public Sector Internal Audit 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 2019/20. The Plan will be delivered in accordance with the Internal Audit Charter. All internal audit activity will be provided by Audit & Assurance Services, a division 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 external auditors 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;
- coverage of the audit domains; and
- audit resources required to provide a balanced and comprehensive view.

We are mindful that 2019/20 is the first full year of operation for the organisation and as such, it faces different risks and challenges to that of a mature organisation.

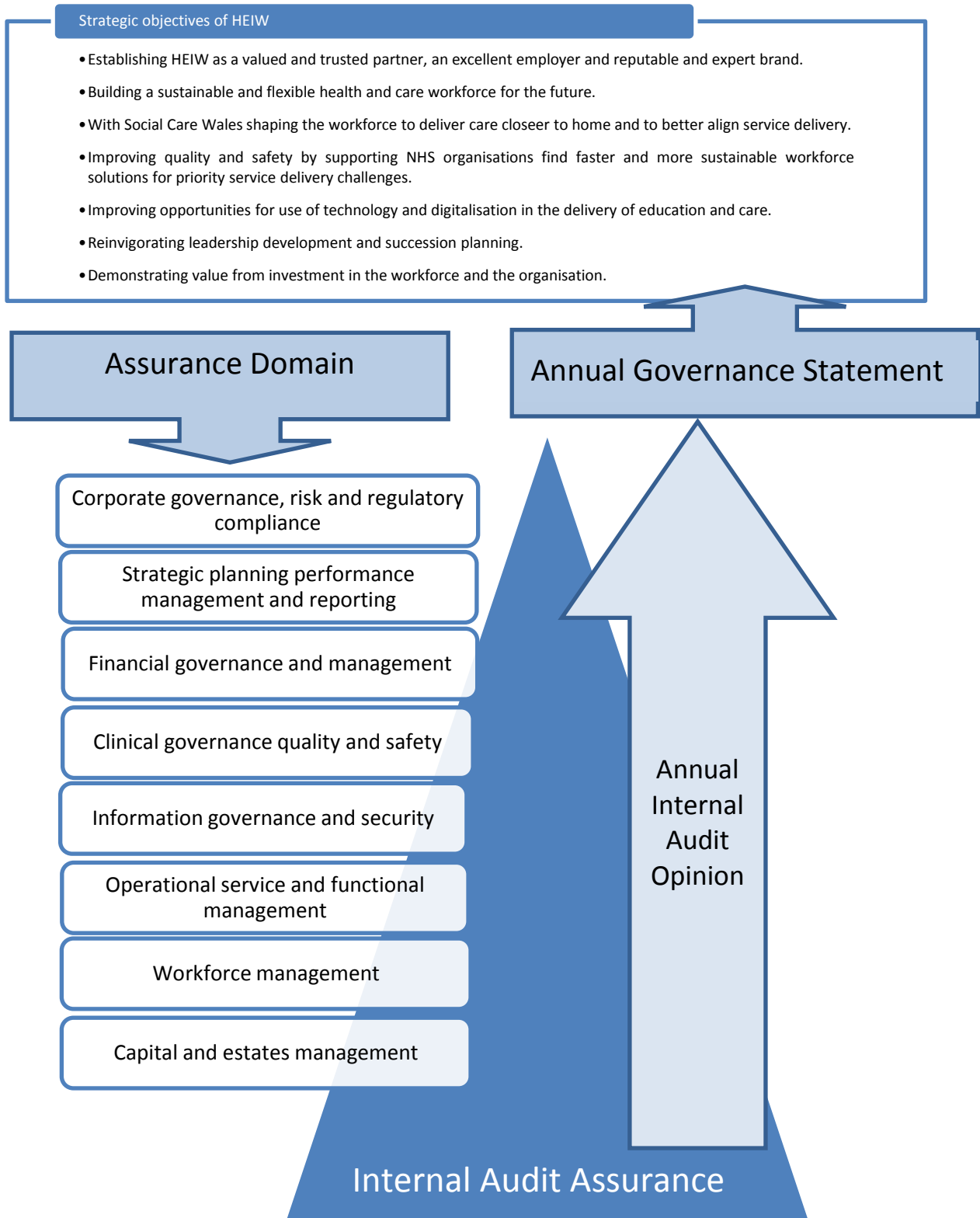
In this first full year of operation, our work will focus on the controls and processes that are being established by management. To this end, we will ensure that the Plan remains fit for purpose by reacting to any emerging issues throughout the year. Any necessary updates will be reported to the Audit and Assurance Committee in line with the Internal Audit Charter.

While some areas of governance, risk management and control require annual review and some are mandated by Welsh Government, our risk based planning approach recognises that it is not possible to audit every area of an organisation's activities every year. Therefore, our approach identifies auditable areas (the audit universe), categorised into eight assurance domains. The risk associated with each domain is assessed and this determines the appropriate frequency for review.

The eight audit domains are shown in figure 1, which also shows how the cumulative internal audit coverage of them contributes to the Annual Internal Audit Opinion, which in turn feeds into the Annual Governance Statement and the achievement of the key objectives for the organisation.

The mapping of the Plan to the eight assurance domains is designed to give balance to the overall annual audit opinion that supports the Annual Governance Statement.

Figure 1 Internal Audit assurance on the domains



2.3 Link to the HEIW systems of assurance

The risk based Internal Audit planning approach integrates with HEIW's systems of assurance. As such, we have considered the following:

- discussions with Directors, the Chair of the Audit and Assurance Committee, and the Chairman of the organisation regarding risks and assurance needs in areas of corporate responsibility;
- risks identified in papers to the Board and its committees;
- legislative requirements to which the organisation is required to comply;
- a review of HEIW's annual plan for 2019/20;
- planned audit coverage of systems and processes provided through NHS Wales Shared Services Partnership (NWSSP);
- work undertaken by other assurance bodies including that planned by HEIW's Local Counter-Fraud Services (LCFS);
- work undertaken by other review bodies including Wales Audit Office (WAO); and
- coverage necessary to provide assurance to the Accountable Officer in support of the Annual Governance Statement.

In future years, and as far as we are able to this year, we also anticipate considering the following:

- a review of the Board's vision, values and forward priorities as outlined in the three year Integrated Medium Term Plan (IMTP);
- an assessment of the organisation's governance and assurance arrangements and the contents of the corporate risk register;
- key strategic risks identified within the Board Assurance Framework, corporate risk register and assurance processes;
- cumulative internal audit knowledge of governance, risk management, and control arrangements (including a consideration of past internal audit opinions); and
- new developments and service changes.

2.4 Audit planning meetings

In developing the Plan, in addition to consideration of the above, the Head of Internal Audit has met with a number of Executives and the Chair of the Audit and Assurance Committee to discuss current areas of risk and related assurance needs. We met with the following key personnel during the planning process:

- Chief Executive;
- Deputy Chief Executive/Director of Workforce and OD;
- Nursing Director;
- Medical Director;
- Director of Finance & Corporate Services;
- Board Secretary;
- Chair of HEIW; and
- Chair of the Audit and Assurance Committee.

3. Audit risk assessment

The prioritisation of audit coverage across the audit universe is informed by the organisation's assessment of risk and assurance requirements captured through its risk management arrangements.

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 control). 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 2019/20

The Plan is set out in Appendix A and identifies the audit assignment, lead officer, outline scope, and proposed timing.

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 lead(s) and operational management.

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

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

4.2 Keeping the plan under review

Our risk assessment and resulting Plan is limited to matters emerging from the planning processes indicated above. We will develop a risk assessment and rolling 3-year audit plan giving definition to the upcoming operational year and extending the strategic view outward.

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. Hence, the Plan is kept under review and may be subject to change to ensure it remains fit for purpose. In particular, the Plan will be periodically reviewed to ensure it aligns with the developing systems of assurance.

Regular liaison with the Wales Audit Office, 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

The Plan indicates an indicative resource requirement of 150 days to provide balanced assurance reports to the Chief Executive as Accountable Officer in accordance with the Public Sector Internal Audit Standards.

This assessment is based upon an estimate of the audit resource required to review the design and operation of controls in review areas for the purpose of sizing the overall resource needs for the Plan. Provision has also been made for other essential audit work including planning, management, reporting and follow-up.

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

The funding passed to NWSSP for Internal Audit, is sufficient to meet these audit resource needs. The inclusive internal provision through NWSSP Audit & Assurance Services represents best value for NHS Wales in comparison with external commercial rates for the equivalent provision of these professional services.

The Public Sector Internal Audit Standards enable Internal Audit to provide consulting services to management. The commissioning of these additional services by HEIW is discretionary and therefore not included in the Plan. Accordingly, any requirements to service management consulting requests would be additional to the Plan and will need to be negotiated separately.

6. Action required

The Audit and Assurance Committee is invited to consider the Internal Audit Plan for 2019/20 and:

- approve the Internal Audit Plan for 2019/20;
- approve the Internal Audit Charter; and
- note the associated Internal Audit resource requirements and Key Performance Indicators.

Paul Dalton

Head of Internal Audit (Health Education and Improvement Wales)

Audit & Assurance Services

NHS Wales Shared Services Partnership

Planned output	Audit ref.	Outline scope	Indicative audit days	Lead officers	Outline timing
Corporate governance, risk and regulatory compliance					
Annual Governance Statement	01	Mandatory consideration for Health Organisations. Work undertaken in line with HEIW's reporting cycle. To be undertaken in Q1 2019/20. – No formal report	5	Board Secretary	Q1
Risk management	02	To consider the developing Board Assurance Framework (BAF) and Corporate/Organisational Risk Register. To build on the outcome of our 2018/19 review.	10	-	Q3
Governance arrangements	03	To consider Board, committee, and other group functions, and policies and procedures.	10	Board Secretary	Q2
Corporate governance, risk and regulatory compliance domain sub-total			25 days		
Strategic planning, performance management and reporting					
Strategic planning	04	Progress against actions identified in the organisation's annual plan, and planning arrangements for the 2020/22 IMTP.	15	Director of Finance & Corporate Services	Q3
Performance management	05	Review of implementation of the integrated performance framework, and how the organisation is developing its own indicators and measures.	10	Director of Finance & Corporate Services	Q3

Planned output	Audit ref.	Outline scope	Indicative audit days	Lead officers	Outline timing
Strategic planning, performance management and reporting domain sub-total			25 days		
Financial Governance and management					
Core Financial Systems	06	Build on core financial systems review undertaken in 2018/19. We will develop a cyclical review process for financial systems undertaken by HEIW. Review will consider both management accounting and financial accounting.	15	Director of Finance & Corporate Services	Q3
Financial Governance and management domain sub-total			15 days		
Clinical governance quality & safety					
Health & Safety	07	To consider the Health & Safety management arrangements in place.	10	Director of Finance & Corporate Services	Q1
Clinical governance quality & safety domain sub-total			10 days		
Information Governance and Security					
IT/digital review	08	Focus will be determined by the outcome of our baseline review in 2018/19.	15	Director of Finance & Corporate Services	Q2

Planned output	Audit ref.	Outline scope	Indicative audit days	Lead officers	Outline timing
Freedom of Information and Data Protection	09	Due to increased scrutiny work to consider how this is addressed within HEIW.	10	Board Secretary	Q4
Information Governance and Security domain sub-total			25 days		
Operational service and functional management					
Service review	10	To focus on the re-commissioning of non-medical training. We will consider the timetable, identification of risks, monitoring and reporting of progress.	10	Director of Nursing	Q2
Operational service and functional management domain sub-total			10 days		
Workforce management					
Workforce review	11	To consider how HEIW's values and behaviours are being promoted through communication and engagement processes.	10	Deputy CEO	Q1
Additional workforce review	12	To consider ESR implementation and possibly harmonisation of roles from predecessor organisations.	15	Deputy CEO	Q4
Workforce management domain sub-total			25 days		
Capital and Estates					
-	-	No specific work identified for 2019/20.	-	-	-

Planned output	Audit ref.	Outline scope	Indicative audit days	Lead officers	Outline timing
Capital and Estates domain sub-total			0 days		
Audit Contingency			0 days		
Audit management and reporting			15 days		
Indicative total days 2019/20			150 days		

Health Education and Improvement Wales
Internal Audit Plan 2019/20

The following Key Performance Indicators (KPIs) are used to monitor progress against the Internal Audit programme of work:

KPI	SLA required	Target 2019/20
Annual Internal Audit plan agreed	✓	By 31 March
Head of Internal Audit opinion	✓	By 31 May
Audits reported vs. total planned audits	✓	varies
% of audit outputs in progress	No	varies
Report turnaround fieldwork to draft reporting [10 days]	✓	80%
Report turnaround management response to draft report [15 days]	✓	80%
Report turnaround draft response to final reporting [10 days]	✓	80%



Health Education and Improvement Wales

INTERNAL AUDIT CHARTER

March 2019

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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 Health Education and Improvement Wales' (the 'organisation') 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 Health Education and Improvement Wales (the 'organisation') with responsibility to direct and oversee the activities and management of the organisation. The Board has delegated authority to the Audit and Assurance 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 Health Education and Improvement Wales. The Chief Executive has made arrangements within this Charter for an operational interface with internal audit activity through the Board Secretary.

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 Health Education and Improvement Wales. 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 and Assurance Committee on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control¹. In addition, Internal Audit's findings and recommendations are beneficial to management in securing improvement in the audited areas.
- 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.

¹ *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.*

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 and Assurance Committee and Accountable Officer.
- 3.2 Organisational independence is effectively achieved when the auditor reports functionally to the Audit and Assurance Committee on behalf of the Board. Such functional reporting includes the Audit and Assurance 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 the Audit and Assurance 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 and Assurance 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 and Assurance Committee and the Chair of the organisation if deemed necessary.
- 4.5 The Audit and Assurance Committee approves all Internal Audit plans and may review any aspect of its work. The Audit and Assurance 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.

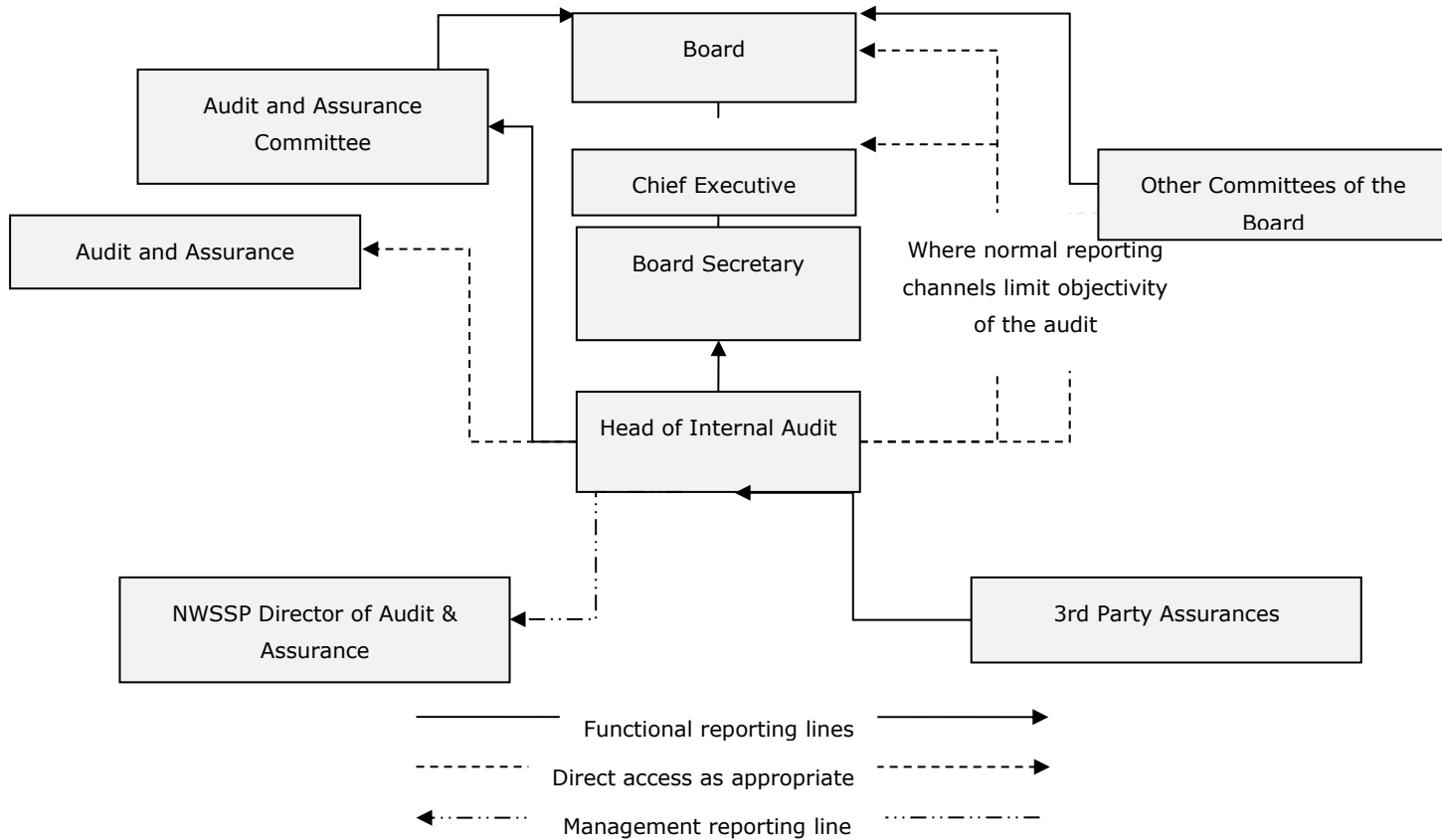
5 Relationships

- 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 that are being operated by organisations outside of the remit of the Accountable Officer, or through a shared or Joint Committee arrangement.
- 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. As part of this, the Audit and Assurance Committee may determine that another committee of the organisation is a more appropriate forum to receive and action individual audit reports. However, the Audit and Assurance 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 (2018) and associated performance standards agreed with the Audit and Assurance 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 and Assurance 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 and Assurance 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;
 - reviewing arrangements for demonstrating compliance with the Health and Care standards;
 - ensuring effective co-ordination, as appropriate, with external auditors; and
 - reviewing the Governance and Accountability modular 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 and Assurance 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

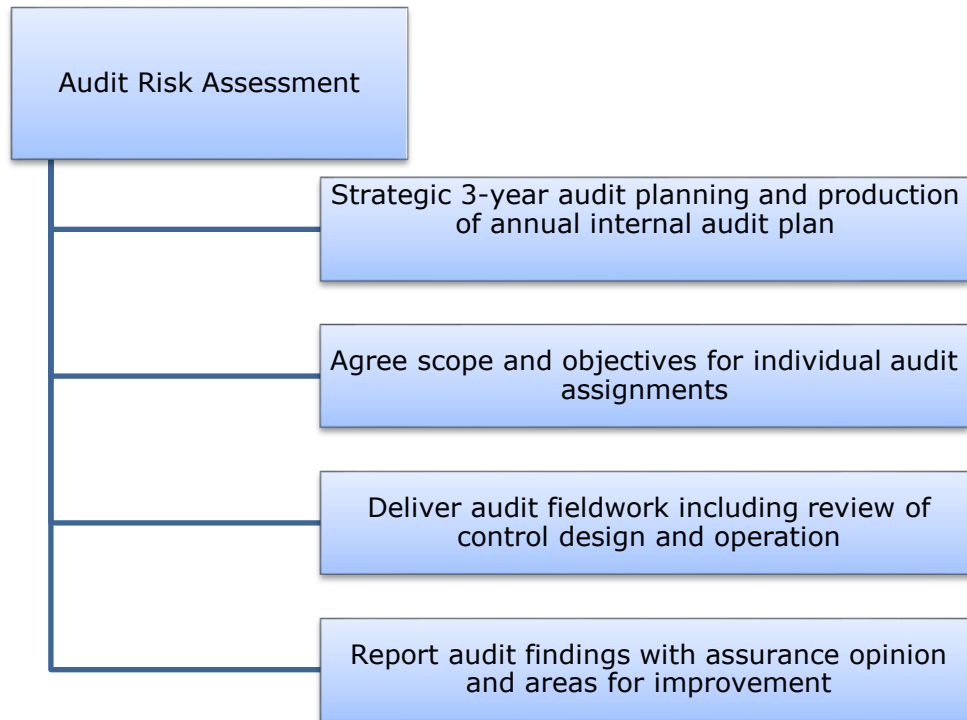
8.2 NWSSP Audit & Assurance Services has developed an overall audit strategy which sets out the strategic approach to the delivery of audit services to all health organisations in NHS Wales. The strategy also includes arrangements for securing assurance on the national transaction processing systems 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 and Assurance 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 and Assurance 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. The key stages in this risk based audit approach are illustrated in figure 3.

Figure 3 Risk based audit approach



9 Reporting

9.1 Internal Audit will report formally to the Audit and Assurance 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 was subject to a review process during 2013/14, which led to the creation of a set of criteria for forming the judgement that was adopted and used for 2013/14 opinions onwards.
- The Head of Internal Audit opinion will:
 - a) State the overall adequacy and effectiveness of the organisation's risk management, control and governance processes, with reference to compliance with the Health and Care Standards.
 - 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.
 - 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 and Assurance 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 and Assurance Committee requirements.
 - The Audit and Assurance 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 Appendix A to this Charter:

- 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 Appendix B to this Charter. 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 and Assurance 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 and Assurance 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 and Assurance Committee where no management response is forthcoming.
- Internal Audit will issue final reports inclusive of management comments to the relevant Executive Director within 10 working days of management responses being received.
- The final report will be copied to the Accountable Officer and Board Secretary and placed on the agenda for the next available Audit and Assurance 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 may be 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 the Audit and Assurance 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 and Assurance 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 and Assurance Committee.

Simon Cookson
Director of Audit & Assurance - NHS Wales Shared Services Partnership
March 2019

Appendix A

Audit fieldwork completed and debrief with management.

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

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

Outstanding responses are chased for 5 further days.

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

Individual audit reports received by Audit and Assurance Committee.

Audit Reporting Process

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.

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.

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.





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.

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

Final reports are received to the Audit and Assurance Committee at next available meeting and discussed if applicable. The Audit and Assurance Committee identifies their priority areas for Internal Audit to follow up.

Appendix B

Audit Assurance Ratings

RATING	INDICATOR	DEFINITION
Substantial assurance	 <p data-bbox="448 674 639 779">- + Green</p>	<p>The Board can take substantial assurance 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 low impact on residual risk exposure.</p>
Reasonable assurance	 <p data-bbox="448 1016 639 1122">- + Yellow</p>	<p>The Board can take reasonable 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 in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p>
Limited assurance	 <p data-bbox="448 1375 639 1480">- + Amber</p>	<p>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. More significant matters require management attention with moderate impact on residual risk exposure until resolved.</p>
No assurance	 <p data-bbox="448 1733 639 1839">- + Red</p>	<p>The Board has no assurance 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 high impact on residual risk exposure until resolved.</p>



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Partneriaeth
Cydwasaethau
Gwasanaethau Archwilio a Sicrwydd
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