

# Cash Management Final Internal Audit Report October 2024

Hywel Dda University Health Board



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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.

### Disclaimer notice - please note:

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## Executive Summary

### Purpose

The overall objective of this audit was to review, assess and provide assurance over the arrangements in place for strategic cash management.

### Overview

We have concluded **Substantial** assurance overall, based on the controls and processes in place for cash management and forecasting.

Cash forecasts are prepared with input from appropriate sources, and the cash position monitored and updated daily.

Monthly reconciliations of the forecast and actual cash requirements are undertaken and we identified no significant variances, giving assurance over the robustness of the forecasting process.

Notwithstanding this, the Health Board will require cash assistance from Welsh Government during quarter four as a direct result of the forecast deficit budget position of £64m, approved by the Board in March 2024.

This risk is appropriately reflected on the corporate risk register and has been escalated to the Health Board.

We have identified no issues for reporting.

### Report Opinion



Some matters require management attention in control design or compliance.

**Low to moderate impact** on residual risk exposure until resolved.

Trend

n/a  
First Review

### Assurance summary<sup>1</sup>

Objectives	Assurance
1 Regular monitoring & Reporting	Substantial
2 Identification & mitigation of risks	Substantial
3 Integral part of planning & budgeting	Substantial

<sup>1</sup>The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion.

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## 1. Introduction

- 1.1 Strategic cash management is critical for maintaining financial stability, ensuring efficient use of resources and supporting service delivery.
- 1.2 The 2024/25 budget representing a planned deficit of £64m and was approved by the Health Board in March 2024. Welsh Government have set a control total of £44m.
- 1.3 The Health Board will require cash assistance from Welsh Government towards the end of quarter 4, in line with the forecast deficit, in order to make payments to staff and suppliers. At the time of reporting, assistance from Welsh Government is neither certain nor quantifiable.
- 1.4 The associated risk considered in this review is insufficient cash to meet liabilities including payment of staff and suppliers, which could impact on service continuity and jeopardise patient safety/experience.

## 2. Detailed Audit Findings

### **Objective 1: There is regular monitoring and reporting on the cash position, with variances from forecasts clearly identified and explained**

- 2.1 Cashflow is monitored and updated daily, with actual and forecast cash requirements reconciled monthly to assess and monitor the accuracy and identify any significant variances that may undermine the reliability of the forecast and require updating. A certain degree of variation is inevitable by the very nature of forecasting, although the reconciliations identified no significant variances, most around 5% - 8%.
- 2.2 Forecasts contribute to the compilation of the Monthly Monitoring Return and its 'commentary appendices' which comment on the cash position and its variance from target in a detailed textual and numerical format. These are presented to the Sustainable Resources Committee.
- 2.3 The Health Board has submitted one emergency cash request to Welsh Government during the year to date in April 24, resulting from two primary care contractor payment runs being processed in one month due to a bank holiday. Steps have already been taken to prevent recurrence.
- 2.4 Whilst the process for cash forecasting and management is well established, it has not been formally documented. This is not considered to be a significant risk, although we observed examples of documented procedural guidance at other NHS Wales organisations. Management confirmed that this will be addressed as part of the ongoing exercise to map key financial processes and review financial control procedures. Consequently, no findings are raised in this regard.

### Conclusion:

- 2.5 We have concluded **Substantial** assurance for this objective.

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**Objective 2: There is ongoing identification, monitoring and mitigation of risks that could impact cash flow**

- 2.6 Risk 1843 was added to the corporate risk register in May 2024 and is appropriately RAG rated red, with the score increasing from 20 to 25 in August 2024:  
*"Risk that cash consequences of the Health Board deficit cannot be covered due to significant deficit position"*
- 2.7 Significant operational cost drivers have been identified and actions identified to address gaps in control. The risk is monitored by the Sustainable Resources Committee.
- 2.8 The cash position is reported to Welsh Government as part of the Monthly Monitoring Returns and includes substantial detail on the current position, the risks to that position and how likely they are to materialise.
- 2.9 At the time of writing this report a strategy is being finalised to fund the gap between Welsh government funding and predicted spend by February 2025 which currently stands at circa £64.2m. Previous strategies have involved categorising creditor payments by priority.

**Conclusion:**

- 2.10 We have concluded **Substantial** assurance for this objective.

**Objective 3: Cash management is an integral part of financial planning and budgeting processes and involves collaboration with directorates to inform cash forecasting**

- 2.11 Detailed cashflows are prepared at the start of the financial year, based on prior period activity and known outgoings, and updated on an ongoing basis with input from various sources (including Finance Business Partners and NWSSP Payroll, Accounts Payable and Primary Care Services) with regards to the expected value and timing of significant cash outflows. Any significant increases or decreases to the forecasted values or indeed a change of timing is notified to the cash management team.


**Conclusion:**

- 2.12 We have concluded **Substantial** assurance for this objective.

## Appendix A: 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:

	<b>Substantial assurance</b>	Few matters require attention and are compliance or advisory in nature. <b>Low impact</b> on residual risk exposure.
	<b>Reasonable assurance</b>	Some matters require management attention in control design or compliance. <b>Low to moderate impact</b> on residual risk exposure until resolved.
	<b>Limited assurance</b>	More significant matters require management attention. <b>Moderate impact</b> on residual risk exposure until resolved.
	<b>Unsatisfactory assurance</b>	Action is required to address the whole control framework in this area. <b>High impact</b> on residual risk exposure until resolved.
	<b>Assurance not applicable</b>	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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