

Financial Management

Final Internal Audit Report

2024/25

Hywel Dda University Health Board



Reasonable Assurance

Contents

Executive Summary	1
Findings & Agreed Action Plan	2
Appendix A	6

Review Reference

Fieldwork

Executive Sign Off

Audit Committee

Executive Lead

Audit Team

HDU-2425-05

December 2024 - January 2025

6 March 2025

April 2025

Huw Thomas, Director of Finance

James Johns, Head of Internal Audit

Sophie Corbett, Deputy Head of Internal Audit

Executive Summary

Purpose

To review the control systems in place for financial management, budgetary control and delivery of savings. The Health Board has been operating under Targeted Intervention (TI) status since September 2022 for Finance and Planning and continues to face significant financial and operational challenges resulting in the inability to submit a balanced 3-year IMTP for 2024-27. The forecast end of year deficit as at month 10 is £24m.

Overview

We have concluded **reasonable** assurance on this area. The matters requiring management attention include:

- Budgets have not been formally delegated beneath Executive Director level.
- Budget holders have limited access to suitable training to enable them to perform their role effectively.
- Not all budget holders have access to QlikSense for live budget monitoring and interrogation, and those that do have access do not use the system regularly.
- There is scope for greater monitoring of the extent to which opportunities in the Compendium of Variation are explored, transacted into savings or efficiencies, or rejected.
- There is limited evidence to demonstrate formal monitoring and management of savings schemes at directorate level.

Full details of matters arising are detailed within the Findings & Agreed Action Plan.

Scope & Assurance Summary

Objectives	Related Findings	Assurance
1 Sufficient, relevant and reliable information is available to budget holders to enable effective monitoring and review of their delegated budgets	1, 2, 3	Reasonable
2 Directorates work collaboratively with their Finance Business Partners to manage their budgets, ensuring early identification, management and escalation of cost pressures	-	Reasonable
3 Directorates have identified recurrent savings opportunities and developed and agreed achievable savings plans for 2024/25 in line with savings expectations set out within each executive portfolio accountability letters. Implementation and risks to achievement are monitored and managed within directorate governance structures and escalated corporately where appropriate.	4, 5	Limited

Management Actions



High Priority



Medium Priority

Themes



- Finance Management & Control

Risk Types

- Financial Loss
- Public Perception & Reputational Risk

Findings & Agreed Action Plan

Objective 1: Sufficient, relevant and reliable information is available to budget holders to enable effective monitoring and review of their delegated budgets

Reasonable

Overview / Summary of Observations

Budget delegation and accountability arrangements are set out within the Budgetary Control FCP. Budgets for 2024/25 have been formally delegated to Executive Directors with signed acceptance from all. Budgets have not been formally delegated beneath Executive Director level, as required by FCP. **[Finding 1]**

There is limited training available to budget holders to enable them to perform their role effectively. **[Finding 2]**

In 2024 the Health Board implemented QlikSense, a data analytics and business intelligence tool linked to the Oracle finance system. Access was prioritised based on regular users of the preceding QlikView system and consequently not all budget holders have access to QlikSense, although Phase II implementation will see increased access and is being actively progressed. Review of system usage data also revealed that the system is not being regularly accessed by all those that do have access. **[Finding 3]**

Whilst QlikSense is intended to be the primary source of information for budget holders, Finance Business Partner teams provide bespoke reports for weekly/monthly directorate governance meetings and respond to ad hoc requests for information as necessary.

Key Findings	Risk & Impact	Agreed Management Action
<p>1 Budget Delegation</p> <p>FCP states: <i>following agreement of the Board to the Budget, the Chief Executive will issue a formal budget letter to each Director, who will in turn issue similar letters to their line managers. This process will be repeated through each tier of management, setting out the expectations and responsibilities in terms of budgetary control and financial management.</i></p> <p>However, budgets have not been formally delegated beneath Executive Director level – we were advised that Directors were given the option but it was not mandatory.</p> <p>The budget delegation letter template (appended to the FCP) gives Executive Directors the option to notify Finance of the senior managers they will be delegating part of their budget to so that they can be issued with an accountable officer letter. In some cases this had been completed by the Executive Director, but accountable officer letters have not been issued.</p>	<p>Budget holders are not aware of and not accountable for the budgets delegated to them.</p>	<p>Agreed Action:</p> <p>As part of the 2025/26 financial planning process, Finance will issue Accountability Letters to both the Executive Directors and Clinical Care Group Directors / Executive Function (for all other executive portfolios) leads to ensure a more granular formal cascade, recognising that ultimate accountability sits with the Executive Directors receiving the delegation from the Chief Executive Officer.</p> <p>The Accountability Letters will mandate the requirement for Clinical Care Group Directors / Executive Function leads to formally cascade their budget to each appropriate tier of management they have in their structure.</p> <hr/> <p>Expected Evidence of Implementation:</p> <p>2025/26 Accountability Letters issued to Executive Directors and Clinical Care Group Directors, and signed copies returned. Formal record of outstanding responses shared to the Executive Team and Finance and Performance Committee.</p> <p>Evidence of a communicated cascade and response received for each appropriate tier of management within their structure.</p>

		Medium Priority	Officer: Jennifer Thomas, Senior Finance Business Partner Date: 31 March 2025
	Theme: Finance Management & Control	Control Operation	
2	Budget Holder Training With the exception of QlikSense system training and LEAP leadership programme, budget holders do not have access to suitable training to enable them to perform their role effectively.	Budgets are not managed effectively resulting in overspend, increasing the deficit position.	Agreed Action: Budget holder training is being developed in conjunction with Swansea Bay University Health Board and will be rolled out later in 2025/26. We have set out an intention to develop a series of products, starting with a broad introductory piece for budget holders and later more specific subject areas.
			Expected Evidence of Implementation: Delivery of introductory training package.
		Medium Priority	Officer: Sian Jenkins, Deputy Director of Finance Date: 31 January 2026
	Theme: Training & Development	Control Design	
3	QlikSense Only 58% of the 45 budget holders within the three sampled directorates (GGH, Planned Care and W&C) have been granted access to QlikSense, and only 42% of those with access have accessed the system at least once.	Budgets are not managed effectively resulting in overspend, increasing the deficit position.	Agreed Action: Phase 2 exercise to review budget holders and access arrangements is complete, and communications are being coordinated to send out to an additional 100 users. This will include links to training materials and training recordings already available via the Finance SharePoint site. To supplement this, the team are establishing a regular remote session whereby users can access a 'drop in clinic' to get support on specific issues. We will actively monitor usage stats and periodically share this data with Service Group leads for awareness to consider in their line management discussions.
			Expected Evidence of Implementation: All budget holders have access to QlikSense. Access and usage monitoring.
		Medium Priority	Officer: Sian Jenkins, Deputy Director of Finance Date: 31 December 2025
	Theme: Finance Management & Control	Control Operation	

Objective 2: Directorates work collaboratively with their Finance Business Partners to manage their budgets, ensuring early identification, management and escalation of cost pressures

Reasonable

Overview / Summary of Observations *This section focuses on the three sampled directorates: GGH, Planned Care and W&C.*

There is good engagement between directorate senior management and their respective Finance Business Partner (FBP) teams, with touchpoint meetings held at least weekly, often more frequently. Formal governance arrangements varied, with GGH and W&C directorates having a formal monthly performance meeting with a Terms of Reference, agenda and minutes, where the financial position, cost pressures and savings progress are scrutinised. Planned Care hold weekly operational meetings focusing solely on financial performance, plus more formal bi-monthly meetings with Service Delivery Managers on their specific portfolios. The General Managers and Finance teams spoken to during the review all stated that the arrangements in place were appropriate and effective for their respective directorates.

Analysis of the month 8 budget reports identified key drivers of the financial position within each sampled directorate and we confirmed that these are included in the monthly reporting packs for directorate finance meetings, and also the Directorate Improving Together Session (DITS) / Escalation meeting packs. General Managers demonstrated a thorough understanding of the cost pressures within their respective directorates and cited numerous examples of the collaborative work ongoing with their FBP teams to try and mitigate these.

Notwithstanding this, all three directorates have failed to deliver against savings targets to mitigate the impact of cost pressures, ultimately impacting on the end of year forecast. For this reason we have concluded reasonable assurance for this objective. Savings is covered in more detail under objective 3 below.

Objective 3: Directorates have identified recurrent savings opportunities and developed and agreed achievable savings plans for 2024/25 in line with savings expectations set out within each executive portfolio accountability letters. Implementation and risks to achievement are monitored and managed within directorate governance structures and escalated corporately where appropriate.

Limited

Overview / Summary of Observations

The Business Intelligence & Value Team maintains a 'Compendium of Variation' which serves as a central resource outlining relative financial performance in both operational and clinical contexts through triangulation of data with activity and quality metrics, highlighting areas of variation and system waste. Potential opportunities are identified through the analysis and comparison of available benchmarking data from sources such as the Bevan Commission, CHKS healthcare intelligence, NHS Benchmarking Network, NHS Executive and the NHS Wales Value & Sustainability Board. The onus is on directorates to consult the compendium to identify suitable opportunities for exploration with the aim of translating these into formal savings schemes. There is scope for greater monitoring of the extent to which opportunities are explored, transacted into savings or efficiencies, or rejected. **[Finding 4]**

For 2024/25 savings aspirations were set as the higher of i) 50% of deficit opportunities or ii) 5% of non-ringfenced budget, communicated to Executive Directors via the budget delegation letters. Unidentified savings targets are to be rolled forward to 2025/26, plus 1.5%. The January 2025 finance report to the Board highlights a recurrent savings delivery shortfall of £13.8m, significantly impacting on the end of year forecast.






All three directorates sampled have failed to identify sufficient recurrent savings schemes to meet 2024/25 targets. Whilst savings are discussed at formal and informal directorate governance meetings, there is limited evidence to demonstrate formal monitoring and management of individual savings schemes. **[Finding 5]**

Corporate monitoring and scrutiny of directorate savings delivery is via the monthly DITS/Escalation meetings. At the time of reporting 17 of the 26 directorates were in escalation level 3 for the Finance, Strategy & Planning domain.

Key Findings	Risk & Impact	Agreed Management Action
<p>4 Identification of Savings</p> <p>There is a shortfall in identified savings for 2024/25. There is scope for greater monitoring of the extent to which opportunities in the compendium are explored, transacted into savings or rejected. Opportunities remain on the compendium indefinitely even where a variation has been explored and either taken forward or written off. There is limited evidence for how the sampled directorates manage and review the identification of savings ideas within their business management teams, with no formal agenda or actions captured to demonstrate all cost areas are routinely reviewed and tested for value for money.</p> <p>Theme: Finance Management & Control</p>	<p>Missed savings opportunities</p> <p>Medium Priority</p> <p>Control Operation</p>	<p>Agreed Action: Whilst items of variation will not be removed from the compendium, we will establish a record of what items have been explored and capture the outcome, to be coordinated within Finance by the BI & Value team with input from Business Partners and operational teams.</p> <p>Maintain monitoring of operational teams reviewing opportunities and ensure this is on the radar of new Care Group leadership teams so that they can track progress.</p> <p>Expected Evidence of Implementation:</p> <p>Record of items investigated and the resulting outcome.</p> <p>Officer: Sian Jenkins, Deputy Director of Finance</p> <p>Date: 31 July 2025</p>
<p>5 Delivery of Savings Schemes</p> <p>Financial overspend and/or savings delivery is reflected on the risk registers for all three sampled directorates and actions identified to address this. However, there is limited evidence to demonstrate a structured approach to savings delivery via monitoring and management of individual savings schemes within Directorates, such as the identification of formal actions to progress schemes and risks to delivery. Only the Planned Care directorate demonstrated documented actions to support delivery of green schemes.</p> <p>Theme: Finance Management & Control</p>	<p>Non-delivery of identified savings schemes impacting on the financial position.</p> <p>High Priority</p> <p>Control Operation</p>	<p>Agreed Action:</p> <p>Recognising we have a central approach to tracking savings delivery from a corporate perspective, we will incorporate a common and consistent monthly business management output to identify and monitor financial overspends and their mitigating actions, and to track savings schemes across all Clinical Care Group and Executive Functions</p> <p>We will also include savings delivery as a strand within our budget training offer to highlight how this should be approached.</p> <p>Expected Evidence of Implementation:</p> <p>Savings schemes supported by formal delivery plans/actions. Areas of overspend supported by mitigating actions. Savings included within budget holder training package.</p> <p>Officer: Sian Jenkins, Deputy Director of Finance</p> <p>Date: 30 June 2025</p>

Appendix A

Assurance Opinion

	Substantial	Few matters require attention and are compliance or advisory in nature. Low impact on residual risk exposure.
	Reasonable	Some matters require management attention in control design or compliance. Low to moderate impact on residual risk exposure until resolved.
	Limited	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.
	Advisory	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 Findings

Priority	Explanation
High	Significant risk to achievement of a system objective OR evidence present of material loss, error, or misstatement. Poor system design OR widespread non-compliance.
Medium	Some risk to achievement of a system objective. Minor weakness in system design OR limited non-compliance.

Website: [Audit & Assurance Services - NHS Wales Shared Services Partnership](#)

Disclaimer

This audit report has been prepared for internal use only. Audit and Assurance Services reports are prepared, in accordance with the agreed audit brief, and the Audit Charter as approved by the Audit Committee.

Audit reports are prepared by the staff of the NHS Wales Audit and Assurance Services and addressed to Independent Members or officers including those designated as Accountable Officer. They are prepared for the sole use of the Hywel Dda University Health Board and no responsibility is taken by the Audit and Assurance Services Internal Auditors to any director or officer in their individual capacity, or to any third party.

The report is based on the review work undertaken and is not necessarily a complete statement of all weaknesses that exist or potential improvements. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, no complete guarantee or warranty can be given with regard to the advice and information contained.

Our work does not provide absolute assurance that material errors, loss or fraud do not exist. Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management of the Hywel Dda University Health Board. Work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, or all circumstances of fraud or irregularity. Effective and timely implementation of recommendations is important for the development and maintenance of a reliable internal control system.

Public Sector Internal Audit Standards

Audit work undertaken by NHS Wales Audit and Assurance Services conforms with the International Standards for the Professional Practice of Internal Auditing and associated Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Chartered Institute of Public Finance & Accountancy in April 2023.

