Blackline

Final Internal Audit Report

December 2022

Hywel Dda University Health Board

Contents

Review reference:	HDUHB-2223-36
Report status:	Final
Fieldwork commencement:	28 October 2022
Fieldwork completion:	7 December 2022
Draft report issued:	21 December 2022
Executive sign-off:	21 December 2022
Final report issued:	21 December 2022
Auditors:	Adam Cranswick, Audit Manager
Executive sign-off:	Huw Thomas, Director of Finance
Distribution:	Andrew Spratt, Assistant Director of Finance
	Julie Bowen, Finance Business Partner
Committee:	Audit & Risk Assurance Committee

Audit and Assurance Services conform with all Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Institute of Internal Auditors

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

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 & Risk Assurance 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.

Executive Summary

Purpose

Review of Blackline modules to ensure they comply with approved standard operating procedures (SOPs).

Overview

Blackline modules associated to month end reconciliation process are appropriately completed and are in line with approved SOPs.

Blackline allows for improved efficiency compared to previous manual processes, with time savings allowing more focus on other value-adding activities.

As part of our testing, we requested documentation and completed walkthroughs across two sampled months on all active Blackline modules, which in all instances successfully demonstrated that operational processes are in line with the agreed procedures.

We have concluded **Substantial** assurance overall.

Report Opinion

Trend

Substantial

Few matters require attention and are compliance or advisory in nature.

Low impact on residual risk exposure.

N/A

Assurance summary[1]

Assurance objectives	Assurance
1	Blackline modules are effective in meeting the needs as identified by the service and are performed in line with standard operating procedures.	Substantial

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

Introduction

1.1   Blackline was implemented in September 2021 and acts as a bolt on to the existing Oracle finance system. It is the platform in which finance prepare, review, and approve reconciliations with its objective to minimise the risk of material errors, whilst allowing for a more efficient and robust automated process.

1.2   This review focused on the arrangements and processes relating specifically to Blackline, ensuring the system is accurately collating, transferring and storing data, with specific reference to the reconciliation process, transaction matching, and other future modules intended for implementation.

1.3   The potential risk considered in the review is that Blackline products do not operate as intended and arrangements are ineffective with issues not identified or escalated, potentially resulting in poor performance and financial reporting related issues.

1. Detailed Audit Findings

Objective 1: Blackline modules are effective in meeting the needs as identified by the service and are performed in line with standard operating procedures

2.1 There are approved SOPs relating to Month End Reconciliation (including data upload and reconciliation preparation and approval) and Transaction Matching which provide step-by-step guidance for use of Blackline modules.

Month End Reconciliation

2.2 Blackline facilitates the end-to-end reconciliation process and provides a central repository for reconciliations and supporting evidence. It provides oversight of reconciliation progress at month end and maintains a full audit trail of reconciliation activity each month.

2.3 It promotes ownership of reconciliations through the allocation of nominal codes to finance officers and automated notifications and reminders to users of the deadline for completion, with escalation to next in line in the event of staff absence.

2.4 Compliance with review and approval requirements in line with approval hierarchies is enforced through the system, which ensures appropriate segregation of duties and sign-off.

2.5 We performed a walkthrough of the month end reconciliation process for a sample of two months using both historical and live data sets, which demonstrated compliance with SOPs.

2.6 Six nominal codes were reviewed for each sampled month to assess the content of the reconciliation and appropriateness of supporting documentation with no issues identified.

Transaction Matching

2.7 The bank transaction module aims to automate the banking reconciliation process and map transactions and balances in Oracle to the relevant bank statement with manual intervention limited to non-reconciling items only.

2.8 We sampled two months and requested documentation to evidence this process for one of four bank accounts. Our testing noted the successful completion of the module in line with the approved SOPs, with no issues identified.

Conclusion:

2.9 Blackline allows for improved efficiency compared to previous manual processes, with finance officers citing significant time savings allowing more focus on other value-adding activities.

2.10 Sample testing confirmed that the system had been used as intended, in line with SOPs with no issues identified.

2.11 Accordingly, we have concluded **Substantial** assurance for this objective.

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.
	No assurance	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](#)