

Commissioning – Third Sector

Final Internal Audit Report

2025/26

Hywel Dda University Health Board



Reasonable Assurance

Contents

Executive Summary1
Findings & Agreed Action Plan3
Appendix A7

Review Reference	HDU-2526-10
Fieldwork	February – April 2026
Executive Sign Off	18 June 2026
Audit Committee	June 2026
Executive Lead	Andrew Carruthers, Chief Operating Officer
Audit Team	James Johns, Head of Internal Audit Sophie Corbett, Deputy Head of Internal Audit



Executive Summary

Purpose

The objective of this audit is to provide assurance over the management and monitoring arrangements of commissioned services provided by the third sector on behalf of the Health Board.

Overview

A review of sampled contracts in place with between the Health Board and third sector organisation highlighted the establishment of documented agreements that outlined key roles and responsibilities, governance arrangements, financial and performance monitoring measures. Testing confirmed regular meetings between the Health Board and providers was evident with appropriate representation from both parties.

Four medium priority matter arising was identified:

- instances where key contractual elements were not evident in documented agreements including the lack of key performance indicators, quality measures, year-end forecasting position and explicit actions to address underperformances.
- instances where performance information was not evident in the information submitted to the Health Board for monitoring and scrutiny
- a lack of a procedure or guidance document to aid for managers in the development of contracts with third sector organisations
- lack of reporting through to the Clinical Care Groups (CCGs) or statutory committee of the Board

We have concluded **Reasonable** assurance on this area. Full details of matters arising are detailed within the Findings & Agreed Action Plan.

Scope & Assurance Summary

Objectives ¹	Related Findings	Assurance
1 Agreements are in place that establish the basis of the commissioning arrangements, including processes in place for the development of agreements with NHS bodies and with roles and responsibilities clearly defined	1 & 2	Reasonable
2 Appropriate financial management, performance and quality measure arrangements are in place between the Health Board and other NHS bodies to ensure services provided meet the required standards	3	Reasonable
3 There are sufficient levels of monitoring, challenge and scrutiny to ensure the services provided meet the standards required, with an escalation process in place where services fall short of performance and quality requirements	4	Reasonable

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

Management Actions

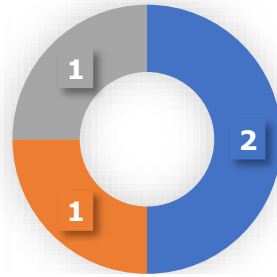


High Priority



Medium Priority

Themes



- Contractual
- Information, Data Quality & Data Accuracy
- Policies & Procedures

Risk Types

Financial Loss

Quality or Safety Issues

Findings & Agreed Action Plan

Objective 1: Agreements are in place that establish the basis of the commissioning arrangements, including processes in place for the development of agreements with NHS bodies and with roles and responsibilities clearly defined

Reasonable

Overview

In 2025-26, Hywel Dda have 66 contracts in place for commissioned services with third sector organisations totalling approximately £6.9m. A sample of 15 contracts (totalling approximately £3.4m) was tested and confirmed documented agreements were in place that explicitly outlined the roles and responsibilities of individuals and/or organisations, and clarity on financial and performance monitoring arrangements.

The majority of the documented agreements also included evidence of NHS Wales Standard terms and conditions, quality metrics/ key performance indicators (KPIs) and approval by all parties; however, some instances were identified where this information was missing. In addition, we also noted a significant number of instances where an escalation process (when activity falls short of agreed base figures) and the lack of a breakdown of cost and volumes per commissioned services was not evident. **[Finding 1]**

There is no procedure or guidance document in place to aid in the development of contractual agreements with third sector organisations to ensure they consistently meet the Health Board’s minimum requirements in relation to commissioned services. **[Finding 2]**

Key Findings	Risk & Impact	Agreed Management Action
<p>1 Quality and Consistency of Contractual Details</p> <p>Testing a sample of 15 contracts identified the following:</p> <ul style="list-style-type: none"> • 10 instances where an escalation process (when activity falls short of agreed levels) was not evident • Six instances where a breakdown of cost and volumes per commissioned services was not evident • Three instances where there was no evidence of an approved NHS Wales Standard terms and conditions included in the agreement • Two instances where the agreement documentation had not been signed and three instances where it had not been dated • Three instances where quality metrics/ key performance indicators (KPIs) were missing 	<p>Inappropriate and inconsistent agreements in place impacting on the quality of care for service users.</p>	<p>Agreed Action:</p> <p>Approving officers of existing contracts should ensure new or revised contracts are developed in accordance with the service level agreement (SLA) developed by the Contracts Team.</p> <p>Expected Evidence of Implementation:</p> <p>New or revised contracts agreed between the Health Board and third sector provider</p>
<p>Theme: Contractual</p>	<p>Medium Priority</p> <p>Control Design</p>	<p>Officer: Keith Jones (Director of Operational Planning & Performance)</p> <p>Target Implementation Date: 31 March 2027</p>

2	<p>Commissioning Third Sector Procedure</p> <p>There is no procedure or guidance document in place to aid staff in the development of contractual agreements with third sector organisations to ensure they consistently meet the Health Board’s minimum requirements in relation to commissioned services.</p> <p>The impact in introducing a procedure or guidance document would support the mitigation of inconsistencies in the other Key Findings identified in this review.</p> <p>Theme: Policies & Procedures</p>	<p>Inappropriate and inconsistent agreements in place impacting on the quality of care for service users.</p> <p>Medium Priority</p> <p>Control Design</p>	<p>Agreed Action:</p> <p>Approving officers of existing contracts should ensure new or revised contracts are developed in accordance with the service level agreement (SLA) developed by the Contracts Team.</p> <p>Expected Evidence of Implementation:</p> <p>SLA document implemented</p> <p>Officer: Keith Jones (Director of Operational Planning & Performance)</p> <p>Target Implementation Date: 31 March 2027</p>
---	--	---	--

Objective 2: Appropriate financial management, performance and quality measure arrangements are in place between the Health Board and other NHS bodies to ensure services provided meet the required standards **Reasonable**

A review of the 15 sampled contracts confirmed the requirement of the third sector organisations to provide the Health Board (via identified service leads) with the regular updates on financial, performance and quality measures. Evidence of regular monitoring updates was received from service leads for 14 providers – no monitoring evidence was provided by the service lead for one provider. **[Finding 3]**

Of the providers where financial, performance and quality information had been submitted to the Health Board, we can confirm the frequency of monitoring arrangements were compliant with their contracts. Health Board and provider representation was evident at monitoring meetings during 2025-26. A review of the received financial, performance and quality information confirmed supporting narrative was provided where variance in activity had occurred.

Testing identified some instances where minimum service requirements, key performance indicators (KPIs), and measurable performance and quality standards were not submitted by provider, whilst a review of meeting minutes highlighted that monitoring is often narrative-based with limited quantitative reconciliation against commissioned activity. Testing also highlighted the lack of forecasting including year-end positions and SMART² actions to address identified under performance. **[Finding 3]**

² Specific, Measurable, Achievable, Relevant, Timely

Key Findings	Risk & Impact	Agreed Management Action
<p>3 Performance Monitoring Information</p> <p>Evidence of regular monitoring updates was received from service leads for all providers with the exception of one where no monitoring evidence was provided (by the service lead).</p> <p>Of the 14 sampled contracts where performance information was received from the third sector organisations, the following was identified:</p> <ul style="list-style-type: none"> • five instances where KPIs against minimum service requirements had not been provided • three instances where performance and quality measures had not been submitted by provider • three instances where monitoring is narrative-based with limited quantitative reconciliation against commissioned activity • 12 instances where there was a lack of forecasting including year-end positions • four instances where there was a lack of SMART actions to address under performance • two instances where the recording and scrutiny of risks were limited • no agendas and/or meeting minutes were received from service leads for two providers 	<p>Poor performance information received from the provider impacting on the quality of care for service users.</p>	<p>Agreed Action:</p> <p>Following the implementation of a Health Board procedure or guidance document, an enhanced performance arrangements are introduced including the mechanism for managing performance and quality issues.</p> <p>Contract meetings between the Health Board and third sector providers to be recorded to capture performance and monitoring positions.</p> <p>Expected Evidence of Implementation:</p> <p>New performance monitoring arrangements implemented with evidence of actions taken.</p>
<p>Theme: Contractual</p>	<p>Medium Priority</p>	<p>Officer: Lead Service Director/ Associate Director</p> <ul style="list-style-type: none"> • Peter Skitt (CIM) • Liz Carroll (MHLD) • Rhian Bond (Primary Care) <p>Target Implementation Date: 31 March 2027</p>
	<p>Control Operation</p>	

Objective 3: There are sufficient levels of monitoring, challenge and scrutiny to ensure the services provided meet the standards required, with an escalation process in place where services fall short of performance and quality requirements

Reasonable

Governance arrangements between the Health Board and third sector provider should be explicitly outlined in the contracts. Of the sampled 14 contracts where evidence of monitoring was received, testing confirmed agreed governance arrangements had been established and were operating through regular monitoring meetings held during 2025-26. However, upon request no agendas and/or meeting minutes were received from service leads for two providers.

Meeting minutes and papers during 2025-26 between the providers and Health Board evidenced challenge and scrutiny of the performance position and any identified issues by Health Board representatives. Whilst we noted actions were evident to address arising issues or risks, in many instances these did not comply with the SMART principle including a lack of deadlines, responsible officer and mitigating details. The recording and monitoring of risks was also evident with risks appearing as a standing item in agendas and minutes. However, we noted two instances where the recording and scrutiny of risks were limited and could be improved. **[Finding 3]**

Whilst responsibility for monitoring and scrutinising financial, performance and quality measures lie with individual service officers, a review of Clinical Care Groups (CCGs) and statutory committees of the Board agendas and minutes during 2025-26 noted a lack of reporting of commissioned services performance with third sector organisations. **[Finding 4]**

Key Findings	Risk & Impact	Agreed Management Action
<p>4 Reporting Arrangements</p> <p>A review of Clinical Care Groups (CCGs) and statutory committees of the Board agendas and minutes during 2025-26 noted a lack of reporting of commissioned services performance with third sector organisations.</p> <p>Theme: Reporting</p>	<p>Lack of reporting could result in the Health Board being unaware of risks, incidents or hazard that are leading to patient harm.</p> <p>Medium Priority</p> <p>Control Operation</p>	<p>Agreed Action:</p> <p>Governance oversight group to be established to review compliance (with Findings 1 & 2) and produce twice yearly report to an executive level group and an annual report to a Board committee highlighting the progress of commissioned services against agreed plans, including areas of performance concerns and the actions taken to address them.</p> <p>Expected Evidence of Implementation:</p> <p>Performance reports presented to groups and committees</p> <p>Officer: Keith Jones (Director of Operational Planning & Performance)</p> <p>Target Implementation Date: 31 March 2027</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.

