

Hywel Dda University Health Board

Charitable Funds

Final Internal Audit Report

August 2020

Private and Confidential

NHS Wales Shared Services Partnership

Audit and Assurance Services



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Management Action Plan
Assurance Opinion and Action Plan Risk Rating

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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 & Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

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1. Introduction and Background

The review of the management of charitable funds was completed in line with the Hywel Dda University Health Board Internal Audit Plan for 2020/21. The relevant lead Executive Director for this review was the Director of Nursing, Quality & Patient Experience.

2. Scope and Objectives

The overall objective of the review was to evaluate and determine the adequacy of the systems and controls in place within the Health Board for the management of the Charitable Funds, in order to provide assurance to the Audit & Risk Assurance Committee that risks material to the achievement of the system's objectives are managed appropriately.

The purpose of the review was to establish if the Health Board has appropriate processes in place to ensure that the Charitable Funds are appropriately managed and administered in accordance with relevant legislation and Charity Commission guidance.

The areas that the review sought to provide assurance on were:

- Policies and procedures are in place for the appropriate management of the charitable funds;
- All charitable funds income received is appropriate and accounted for correctly, including gift aid;
- All charitable funds expenditure is appropriate, authorised and within the terms of the relevant fund;
- Arrangements are in place to capture all fundraising undertaken on behalf of the Health Board; and
- Effective governance arrangements are in place for the charitable funds.

The audit included, but was not limited to, donations, expenditure and fundraising activities undertaken during the COVID-19 pandemic.

3. Associated Risks

The potential risks considered in this review were as follows:

- Charitable funds income are not maximised;
- Charitable funds income may be incorrectly recorded and or accounted for;
- Charitable funds expenditure may be inappropriate, excessive or may be incorrectly recorded; and
- Non-compliance with legislation and Charity Commission guidelines.


OPINION AND KEY FINDINGS

4. Overall Assurance Opinion

We are required to provide an opinion as to the adequacy and effectiveness of the system of internal control under review. The opinion is based on the work performed as set out in the scope and objectives within this report. An overall assurance rating is provided describing the effectiveness of the system of internal control in place to manage the identified risks associated with the objectives covered in this review.

The overall level of assurance that can be assigned to a review is dependent on the severity of the findings as applied against the specific review objectives and should therefore be considered in that context.

The level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with Charitable Funds is **Substantial** assurance.

RATING	INDICATOR	DEFINITION
Substantial Assurance		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.

Overall, the controls in place for the management of charitable fund risks associated with the systems and processes tested within the review were satisfactory. The audit concluded that charitable fund income and expenditure was appropriate and accounted for correctly, sound arrangements were in place to capture all fundraising and regular reporting of charitable fund information was evident from the Charitable Fund Committee to the Board.

Robust processes continued to operate during the Covid pandemic in regard of charitable fund donations, expenditure and fundraising. We noted positive engagement with employees through additional guidance issued via the global emails highlighting that items to enhance the well-being of staff, volunteers and patients were available to services and teams through charitable funds, including the NHS Charities Together 'COVID-19 Urgent Appeal Grant Scheme' fund.





One medium priority finding was identified that require addressing:

- The *Charitable Funds Financial Administration and Governance Policy* has not been updated since 2018 nor the Health Board Health Charities User Guide since 2015. The extant policy does not detail the procedures, controls or responsibilities in place surrounding:
 - BACS donations;
 - Expenditure of grant funds; and
 - The receipting and handling of donated assets.

5. Assurance Summary

The summary of assurance given against the individual objectives is described in the table below:

Audit Objective		Assurance Summary*			
1	Policies and procedures are in place for the appropriate management of the charitable funds.			✓	

		Assurance Summary*			
Audit Objective					
2	All charitable funds income received is appropriate and accounted for correctly, including gift aid.			✓	
3	All charitable funds expenditure is appropriate, authorised and within the terms of the relevant fund.				✓
4	Arrangements are in place to capture all fundraising undertaken on behalf of the Health Board.				✓
5	Effective governance arrangements are in place for the charitable funds.				✓

* The above ratings are not necessarily given equal weighting when generating the audit opinion.

Design of Systems/Controls

The findings from the review have highlighted **one** issue that is classified as a weakness in the system control/design for Charitable Funds. This is identified in the Management Action Plan as (D).

Operation of System/Controls

The findings from the review have highlighted no issues that is classified as a weakness in the operation of the designed system/control for Charitable Funds.

6. Summary of Audit Findings

The key findings are reported in the Management Action Plan at Appendix A.

OBJECTIVE 1: Policies and procedures are in place for the appropriate management of charitable funds

The Health Board has an extant *Charitable Funds Financial Administration and Governance Policy* in place that was due for review in April 2018. A review of the policy is currently being undertaken and in our role as a 'critical friend', Internal Audit will provide an independent review of the new draft policy and feedback comments for consideration.

The extant policy provides comprehensive guidance to all staff relating to the administration and governance of charity affairs, including fundraising carried out by or on behalf of the Health Board. The policy has been developed in line with Standing Orders, Standing Financial Instructions, Financial Procedures and guidance issued by the Charity Commission. However, the extant policy does not detail the procedures or controls in place surrounding BACS donations and expenditure of the NHS Charities Together 'COVID-19 Urgent Appeal Grant Scheme' funds.

The Health Board Health Charities Team also has a 'User Guide' which is to be read in conjunction with the extant policy. However, this document has not been reviewed since 2015.

Robust processes continued to operate during the Covid pandemic in regard of charitable fund donations, expenditure and fundraising. We noted that guidance was issued to employees via the global emails that charitable funds, including the NHS Charities Together 'COVID-19 Urgent Appeal Grant Scheme' fund, were available to services and teams to access and utilise.

See Finding 1 in Appendix A.

OBJECTIVE 2: All charitable funds income received is appropriate and accounted for correctly, including gift aid

A sample of 19 donations encompassing the three main routes of monetary donations – cash and cheques, BACS and the Just Giving online platform – were tested to ensure received income was appropriate and accounted for correctly. The sample was selected for the period January to June 2020. Testing confirmed the following:

- Donation forms had been completed appropriately;

- Donations had been accurately recorded and allocated to the appropriate fund;
- Donations had been banked in a timely manner, and successfully traced from donation forms, to bank statements and the financial ledger;
- Where appropriate thank you letters have been sent to all donors;
- Gift Aid has been collated and submitted to HMRC accurately; and
- Gift Aid receipting has been apportioned to the correct fund.

One donation had been incorrectly coded to a fund. On highlighting the error to the Charitable Funds Team, it was corrected immediately, with supporting prints provided.

Further discussions with the Health Board Health Charities Team confirmed that donation forms are not completed for donations received via BACS. Primarily, this is due to the majority of BACS donations being from organisations, where gift aid is unable to be reclaimed. However, for the small percentage of BACS donations received from individuals, a completed donation form should be completed and where possible gift aid reclaimed.

We can confirm that the charitable donations process had not been amended during the Covid pandemic with income received going via the Health Board Health Charities Team in line with the extant policy.

During the Covid pandemic, the Health Board Health Charities also received donation in the form of physical assets, such as the Lenovo tablets donated in April 2020. Whilst donated assets are not held by the Health Board Health Charities and are passed over to the relevant departments and services, the process and responsibilities were not explicitly outlined in the extant *Charitable Funds Financial Administration and Governance Policy*.

See Findings 1 in Appendix A.

OBJECTIVE 3: All charitable funds expenditure is appropriate, authorised and within the terms of the relevant fund

A sample of 12 charitable fund claims, for the period April to June 2020, were tested to ensure the items requested complied with the terms of the relevant fund and was authorised by an officer within their delegated financial limit. Testing identified the following:

- Expenditure had been appropriately approved;
- Adequate authorisation documentation was available;

- Segregation of duties existed in the process;
- The correct financial code had been applied to the expenditure;
- The fund balance had been checked prior to the approval of expenditure; and
- Expenditure could be traced to the cash book, bank statements and the financial ledger.

As part of the response to the pandemic, NHS Charities Together made available the 'COVID-19 Urgent Appeal Grant Scheme'. The grant is aimed at enhancing the well-being of NHS Staff, Volunteers and Patients impacted by COVID-19.

The mechanism for grant funding application and expenditure was developed by the Finance Department and Health Board Health Charities Team including the identification of acceptable expenditure criteria and the approval procedure. The process for authorisation of grant fund expenditure during the pandemic was approved by the Charitable Funds Committee in March 2020.

An additional sample of 10 COVID-19 expenditure items was selected from the retained spreadsheet managed by the Health Board Health Charities Team and tested to ensure the adequacy of the recently introduced process. Of the 10 expenditure items sampled, we can confirm eight had complete and appropriately approved application forms.

Of the two items without application forms, the Head of Hywel Dda Health Charities confirmed that these were raised prior to the development and implementation of the grant scheme application mechanism, and were based on the urgent and immediate needs identified by services as part of the Health Board's response to the pandemic, which were supported by charitable funds.

The Assistant Director (Legal & Patient Support) and the Patient Experience Manager, with the approval of the Director of Nursing, Quality and Patient Experience, raised the requests. Given the unprecedented nature of the events unfolding at the beginning of the pandemic, an urgent response was required in the purchasing of vital supplies.

No matters arising.

OBJECTIVE 4: Arrangements are in place to capture all fundraising undertaken on behalf of the Health Board

Testing was undertaken and confirmed the robust procedures which are in place to manage and control the differentiation and segregation of monetary income

donated in respect of the numerous funds. All staff are aware and have access to detailed procedures in which to follow in accepting, receipting and banking of monetary income.

The Health Board Health Charities Team 'User Guide' states that the Fundraising Team should be informed of all fundraising events. To capture these fundraising events the Health Board Health Charities has its own dedicated online site via the Just Giving platform.

A sample of regular reports from the Just Giving platform for the period May to June 2020 were fully comprehensive and captured all donations submitted via the different fundraising pages of Hywel Dda Health Charities. Furthermore, the Just Giving platform manage the gift aid reclaim process, including the reporting and communication to both HMRC and Hywel Dda Health Charities.

Income received from fundraising and other donations are also invested on behalf of the Health Board. Sarasin & Partners are the appointed provider of investment management service for Hywel Dda Health Charities, with all investments made on an ethical basis. A sample of quarterly investment performance reports for the period September 2019 to March 2020 were reviewed and confirmed a supporting narrative in relation to influencing factors on investment returns, interest and dividends. We can confirm that these reports were presented to the Charitable Funds Committee during 2019-20.

At the year-end, Sarasin & Partners attend the Health Board meeting and undertake a presentation of the annual report of investment returns. We can confirm that the annual reports were presented to the Health Board.

No matters arising.

OBJECTIVE 5: Effective governance arrangements are in place for the charitable funds

The Charitable Funds Committee (CFC) is a statutory committee of the Board and has in place a terms of reference. The CFC is chaired by an independent member with membership made up of key personnel from the Finance Department, Health Board Health Charities Team and executive directors.

The CFC has meet on a quarterly basis for the period 2019-20 in line with the terms of reference. A review of the period July 2019 to March 2020 confirmed that the CFC has provided update reports following every meeting to the Board.

The Covid pandemic has impacted on the scheduling of boards and committees. A paper submitted to the Health Board in April 2020 set out the short terms future arrangements of the Board's statutory committees, with the last CFC

meeting held in March 2020. Whilst the CFC meeting in June 2020 was cancelled, we can confirm that the CFC Annual Report for 2019/20 was submitted to the Health Board at the June 2020 meeting.

The CFC is also supported by the Charitable Funds Sub-Committee where expenditure applications are reviewed and approved. We can confirm that the Charitable Funds Sub-Committee has provide update reports of decisions taken through to CFC during 2019/20.

No matters arising.

7. Summary of Recommendations

The audit findings and recommendations are detailed in Appendix A together with the management action plan and implementation timetable.

A summary of these recommendations by priority is outlined below.


Priority	H	M	L	Total
Number of recommendations	0	1	0	0


Finding 1 – Charitable Funds Policy (D)	Risk
<p>The <i>Charitable Funds Financial Administration and Governance Policy</i> was due to be reviewed during April 2018. However, the extant policy remains in place. The extant policy does not detail the procedures, controls or responsibilities in place surrounding:</p> <ul style="list-style-type: none"> • BACS donations, • The expenditure of grant funds; and • The receipting and handling of donated assets. <p>In addition, the Health Board Health Charities Team User Guide has not been reviewed since 2015.</p>	<p>Non-compliance with legislation and Charity Commission guidelines.</p>
Recommendation 1	Priority level
<p>Management should ensure the Charitable Funds Financial Administration and Governance Policy and Health Board Health Charities User Guide are update to reflect current procedures and any other lessons learned during the Covid period, and are promptly submitted for formal approval.</p>	<p>MEDIUM</p>
Management Response	Responsible Officer/ Deadline
<p>Agreed - a review of the new draft policy is currently being undertaken by Finance and the Health Board Charities Team with elements from the User Guide being incorporated to create one consolidated Policy. Feedback will be</p>	<p>Senior Finance Business Partner December 2020</p>


sought from Internal Audit as a critical friend to ensure all areas highlighted as part of this audit are adequately reflected, prior to submission for approval at the Finance Committee.	
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Appendix B - Assurance Opinion and Action Plan Risk Rating

2020/21 Audit Assurance Ratings

 **Substantial Assurance** - 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.

 **Reasonable Assurance** - 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.

 **Limited Assurance** - 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.

 **No Assurance** - The Board has **no assurance** arrangements in place to secure governance, risk management and internal control, within those areas under review, which 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.

Prioritisation of Recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows.

Priority Level	Explanation	Management action
High	Poor key control design OR widespread non-compliance with key controls. PLUS Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in control design OR limited non-compliance with established controls. PLUS Some risk to achievement of a system objective.	Within One Month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. These are 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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