

Hywel Dda University Health Board

Core Financial Systems – Financial Reporting Arrangements

Agreed Internal Audit Report

March 2020

Private and Confidential

NHS Wales Shared Services Partnership

Audit and Assurance Services



| Contents | Page |
|--------------------------------------|---|
| 1. Introduction and Background | 4 |
| 2. Scope and Objectives | 4 |
| 3. Associated Risks | 4 |
| <u>Opinion and key findings</u> | |
| 4. Overall Assurance Opinion | 5 |
| 5. Assurance Summary | 6 |
| 6. Summary of Audit Findings | 7 |
| 7. Summary of Recommendations | 9 |
| | |
| Appendix A | Assurance Opinion and Action Plan Risk Rating |
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| Committee: | Audit & Risk 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 Core Financial Systems was completed in line with the 2019/20 internal audit plan. The review sought to provide the Health Board with assurance on the financial reporting arrangement within the organisation. The lead Executive Director for the review was the Director of Finance.

2. Scope and Objectives

The overall objective of the review was to ensure that there are appropriate arrangements in place for the accurate and timely reporting of financial performance information to operational leads, Health Board and Welsh Government.

The main areas reviewed were:

- The engagement of budget holders with Finance employees to ensure assigned budgets are regularly monitored and managed;
- Directorate leads are provided with up-to-date financial performance information to aid in the management and development of financial risks and operational savings;
- Regular finance updates providing accurate positions and forecasts to the Finance Committee and Health Board; and
- The timely submission of monthly returns to the Welsh Government in line with national requirements.

3. Associated Risks

The inherent risks considered in the review were as follows:

- i. Lack of engagement between budget holders and Finance leading to a budget overspend;
- ii. Directorates do not received adequate financial information to manage operational risks and develop savings;
- iii. Lack of/ irregular reporting of the organisation's financial current and forecasted positions to the Health Board and Finance Committee; and
- iv. Late reporting of monthly submissions to the Welsh Government.


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 Core Financial Systems 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. |





The review of core financial systems within the Health Board identified positive engagement between Finance Business Partners, budgets holders and directorate management in regard of financial reporting arrangements.

The Health Board was compliant in providing the required financial information to the Welsh Government in their monthly returns that were submitted within deadline. In addition, key figures reported in the monthly returns reconciled to the regular reports received by the Finance Committee and Health Board.

No key findings were identified during this review, which has resulted in a Substantial Assurance rating being awarded.

5. Assurance Summary

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

| Audit Objective | | Assurance Summary* | | | |
|-----------------|--|---|--|---|---|
| | |  |  |  |  |
| 1 | The engagement of budget holders with Finance employees to ensure assigned budgets are regularly monitored and managed | | | | ✓ |
| 2 | Directorate leads are provided with up-to-date financial performance information to aid in the management and development of financial risks and operational savings | | | | ✓ |
| 3 | Regular finance updates providing accurate positions and forecasts to the Finance Committee and Health Board | | | | ✓ |
| 4 | The timely submission of monthly returns to the Welsh Government in line with national requirements | | | | ✓ |

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

Design of Systems/Controls

There were no issues that are classified as weaknesses in the system control/design for Core Financial Systems.

Operation of System/Controls

There were no issues that are classified as weaknesses in the operation of the designed system/control for Core Financial Systems.

6. Summary of Audit Findings

OBJECTIVE 1: The engagement of budget holders with Finance employees to ensure assigned budgets are regularly monitored and managed

Finance Business Partners engage with budget holders on a regular basis with extensive reviews of the performance and the scrutiny of individual cost lines to supporting financial schedules. A review of engagement between the Finance Business Partner and budget holders within the following Trauma & Orthopaedic (T&O) cost centres noted the implementation of action plans to address specific overspends.

- T&O Glangwili/ Prince Philip Hospital (0017)
- T&O Bronglais General Hospital (0556)
- T&O Withybush General Hospital (0660)

The Finance Business Partner are present on-site at their allocated areas of responsibility every week. This level of interaction and engagement allows the Finance Business Partner to be available to discuss any areas of concerns, to scrutinise budgets, and provide general support and guidance to budget holders. Furthermore, this allows the Finance Business Partner to gain an extensive knowledge of the various operating arrangements that allows them to provide the necessary support.

No matters arising.

OBJECTIVE 2: Directorate leads are provided with up-to-date financial performance information to aid in the management and development of financial risks and operational savings

Regular high-level meetings are undertaken between the Finance Business Partner, Senior Finance Business Partners and the General Managers to discuss budget performance of various cost centres within their directorates or services. The directorate leads engage with the Finance Business Partner on a weekly basis and are in constant receipt of financial information. It was evident from the review that current financial information is circulated to relevant key personal within the directorate.

Following these budget scrutiny reviews, the Finance Business Partner disseminates the revised budget, dashboard, forecast and KPI's to the relevant directorate and budget holder. A review of the following services confirmed that senior directorate/service managers were issued regular financial information during the period Month 6 – Month 10:

- Anaesthetics
- Ophthalmology
- General Surgery, Breast Care and Ears, Nose & Throat (ENT)
- Endoscopy
- Trauma & Orthopaedics

No matters arising.

OBJECTIVE 3: Regular finance updates providing accurate positions and forecasts to the Finance Committee and Health Board

Financial presentations were prepared and presented to the Finance Committee for the sampled period Month 5 - 7. In addition, the financial presentation forms part of the reporting pack presented to the Health Board. The review also confirmed the information presented at the Finance Committee and Health Board was consistent with the information submitted to WG.

No matters arising.

OBJECTIVE 4: The timely submission of monthly returns to the Welsh Government in line with national requirements

The WG Financial Monitoring Return Guidance for 2019/20 (WHC 2019/013) stipulates the statutory requirements of the Health Board to ensure that the following is submitted by the deadline of 5pm on both working day 5 (WD5) and working day 9 (WD9).

- i. A summary of revenue financial performance by working day 5 (WD5); and
- ii. Full financial monitoring return and commentary by working day 9 (WD9).

A sample of monthly returns (Months 5-7) was tested to ensure submissions had been sent before the stated deadlines. Testing confirmed that the sampled monthly returns had been submitted on time. One return (Month 7 WD9) had initially been submitted within the deadline. However, an error had been identified by Finance that required an adjustment and resubmission of the monthly return.

The sampled monthly submissions were supported by evidence of review and authorisation by both the Director of Finance and the Chief Executive.


No matters arising.


7. Summary of Recommendations


No findings were identified during this review.


Appendix A - Assurance Opinion and Action Plan Risk Rating

2019/20 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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