

Savings Planning & CIP

FINAL INTERNAL AUDIT REPORT 2018/19

Hywel Dda University Health Board

Private and Confidential

**NHS Wales Shared Services Partnership
Audit & Assurance Services**

Assurance Rating



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Auditor:	Mark Jones – Audit Manager

Executive sign off	Huw Thomas – Director of Finance Andrew Carruthers – Turnaround Director
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Committee	Audit & Risk Assurance Committee
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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.

Please note:

This audit report has been prepared for internal use only. Audit & Assurance Services reports are prepared in accordance with the Service Strategy and Terms of Reference, approved by the Audit & Risk Assurance Committee.

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1. Introduction and Background

The assignment originates from the Internal Audit Operational Plan 2018/19 and the subsequent report will be submitted to the Executive Director and Audit & Risk Assurance Committee.

The relevant lead Executive Director for the assignment is the Director of Finance, whilst the Turnaround Director is the relevant operational lead.

NHS organisations have incorporated Cost Improvement Programmes (CIP's) as part of their financial planning processes for many years in order to plan and deliver the savings they intend to make. However, noting the significant financial challenges facing NHS Wales, there is a clear need to ensure that the necessary savings are achieved whilst maintaining service delivery and quality.

2. Scope and Objectives

The overall objective of the review was to ensure that the Health Board has systems in place to support the effective identification, planning, monitoring and delivery of CIP's designed to assist the organisation in achieving its statutory responsibility to deliver services whilst remaining within its resource limit.

The following control objectives were considered:

- CIP targets are clearly communicated to responsible officers;
- Systems for the identification of CIP's promote input from and consideration of a wide variety of stakeholders, including clinicians;
- Benchmarking data is used to help identify savings opportunities;
- Proposed CIP's are based on accurate, realistic and timely information;
- CIP's are reviewed for strategic fit, achievability and potential impact on quality, and approved at an appropriate level;
- Staff responsible for delivering each CIP scheme and their accountability for quality, finance and performance are clearly identified;
- Approved CIP's include clearly measurable expected milestones and outcomes;

- Effective reporting and monitoring systems are in place, which include evidence of corrective or alternative action where performance is significantly off-profile;
- Previous CIP's are evaluated and successes and lessons learned shared; and
- Project Initiation Documents (PID's) and External Quality Assessments (EQA's) exist for all savings schemes.

The approach to audit assignments is risk-based, where the risks are identified with the lead manager. Subsequently, key staff were interviewed and documentary evidence was obtained and subjected to compliance and substantive testing.

We have allocated an assurance rating, dependant on the level of assurance Internal Audit are able to provide. There are four potential levels of assurance available, along with three recommendation priorities and these are described in Appendix B.

3. Associated Risks

The following inherent risks were considered during the audit:


- Ineffective strategic planning may be undertaken by the organisation;
- Staff may not be aware of the organisation's objectives and priorities;
- Progress towards key financial targets may not be adequately monitored;
- Inaccurate information may be reported to budget holders and the Health Board; and
- Significant financial and non-financial risks may not be identified.

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 level of assurance given to the effectiveness of the systems of internal control in place for the management of Cost Improvement Programmes is **Reasonable Assurance**.

RATING	INDICATOR	DEFINITION
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.

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.

5. Assurance Summary

The summary of assurance given against the individual areas tested is outlined in the following table:

		ASSURANCE SUMMARY *			
Audit Scope					
1	CIP Targets				✓
2	Stakeholder Engagement				✓
3	Benchmarking Data				✓
4	CIP Information				✓
5	Review/Approval of CIP's				✓
6	Staff Responsibility			✓	
7	CIP Milestones & Outcomes			✓	
8	Reporting & Monitoring				✓
9	Lessons Learned				✓
10	PID's and EQA's		✓		

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

Design of Systems/Controls (D)

The findings from the review have highlighted **2** issues that are classified as a weakness in the system control/design for the management of the Savings Planning & CIP function. These are identified in the Management Action Plan as (D).

Operation of System/Controls (O)

The findings from the review have highlighted **1** issue that is classified as a weakness in the operation of the designed system/control for the management of the Savings Planning & CIP function. This is identified in the Management Action Plan as (O).

6. Summary of Audit Findings

A sample of 10 CIP schemes was selected from the Savings Tracker maintained by the Assistant Director of Finance (Service & Cost Improvement/Performance), covering different directorates across the Health Board (following discussions with the Turnaround Director it was decided to focus on larger schemes e.g. bed closures). Meetings were subsequently held with the Lead Managers for the schemes and documentary evidence obtained and reviewed. The key findings by the individual areas tested are reported in the section below with full details in Appendix A:

Audit Scope 1 – CIP Targets

The Health Board's Turnaround Programme provides a robust process for the delivery of savings as part of ensuring the organisation meets its statutory duty to break-even over a 3 year rolling basis. Activity focuses on:

- Corporate savings plans;
- Directorate Holding to Account (HTA) meetings; and
- 60 Day Cycle meetings.

In addition the savings programme and financial position are regularly discussed at local business operations meetings.

No findings were noted in this area.

Audit Scope 2 – Stakeholder Engagement

For each of the sampled CIP schemes, it was confirmed with the appropriate manager that there had been input from all relevant stakeholders, including clinicians where applicable.

No findings were noted in this area.

Audit Scope 3 – Benchmarking Data

As previously stated, the Health Board's Turnaround Programme provides a robust process for the delivery of savings. The Turnaround monitoring process also encompasses a weekly Workforce Control Panel and a Non-Pay Control Group. Progress is reported to a monthly Turnaround Executive Team meeting, to the Health Board's Finance Committee and Public Board meetings.

At the time of the audit, 8 Directorates had an escalated status due to the assessed risk of them delivering their financial plans. These Directorates are monitored through monthly CEO HTA meetings. In addition, supplementary monthly HTA meetings are held with the Turnaround Director to maintain pace and mitigate any issues that arise.

The 60 Day Cycles process focuses on pan-organisational opportunities to drive patient focused benefits and savings. Themes include Operational Effectiveness, CHC, Theatres, Patient Communications, Travel and Subsistence, Non-Medical Equipment and Furniture Recycling, Roster Efficiency, Outpatient Redesign and Cataract Pathway. Meetings are held bi-monthly and each has an assigned Turnaround Team lead. Updates are reported to a monthly Turnaround Programme Group meeting.

No findings were noted in this area.

Audit Scope 4 – CIP Information

For each of the sampled CIP schemes, it was discussed with the appropriate manager whether the impact of savings on services was taken into account, and also whether potential impact on quality and safety was considered

Where relevant, all Lead Managers confirmed that impact on services and quality and safety considerations were taken into account when the CIP schemes were originally set up.

No findings were noted in this area.

Audit Scope 5 – Review/Approval of CIP's

As confirmed with the Turnaround Director, all CIP schemes are taken monthly to the Executive Team Turnaround meeting, and through the HTA process. Through these meetings, the continuous tracking of delivery of schemes, and their reporting on the savings tracker represents implicit approval of each scheme. Moving forward to 2019/20, the Health Board has tightened this process by implementing an electronic Project Management system which went live in April 2019 – this will be the tool used to monitor progress against each scheme, and will incorporate the initial sign-off and close-down process and will enable on-going review of the scheme both from financial and project milestone perspectives.

No findings were noted in this area.

Audit Scope 6 – Staff Responsibility

It was identified during the audit that the Health Board does not currently offer any CIP management training to relevant staff. It was noted that two of the lead managers interviewed had received any CIP management training with previous organisations in England.

A recommendation regarding the above is included in Appendix A.

Audit Scope 7 – CIP Milestones & Outcomes

The audit identified that a comprehensive delivery plan was in place, recording scheme details, milestones, risk assessment, an identified lead officer and success measures, for all but one of the sampled schemes. The one scheme where this wasn't present was the E&P Critical Care Surgical Reduction Scheme, where the Service Delivery Manager confirmed that an SBAR was produced for this scheme in June 2018, which included five possible options, however this was not approved at executive level.

A recommendation regarding the above is included in Appendix A.

Audit Scope 8 – Reporting & Monitoring

Each month Holding to Account (HTA) action notes and Turnaround Update Reports are presented to the Health Board's Finance Committee. Monthly savings plans and monitoring information are presented to both local and CEO HTA meetings.

In addition, for the sample of CIP schemes reviewed by Audit there were further reports specific to particular schemes. These included quarterly data for the Intensive Care National Audit and Research Centre (ICNARC), and reports relating to individual directorates e.g. Planned Care and joint Unscheduled Care performance reports with the triumvirate acute management team.

Monitoring of CIP schemes is done monthly with Finance representatives, fortnightly with the Turnaround Director in the HTA meetings, and monthly with the CEO. Papers relating to the sampled CIP schemes were reviewed and found to be satisfactory.

No findings were noted in this area.

Audit Scope 9 – Lessons Learned

For each of the sampled CIP schemes, it was discussed with the appropriate manager whether successful CIP schemes are shared with other directorates.

Each of the managers interviewed confirmed that successful schemes are shared with other directorates. This is done through a variety of Health Board meetings e.g. Triumvirate team meetings, Outpatients Transformation Group, Service Development Managers (SDM) team

meetings, Long Term Care (LTC) Initiative & Learning and the weekly General Managers (GM) meetings. In addition, successful lessons from the Energy Performance CIP have been shared with ABMU.

For each of the sampled CIP schemes, it was also discussed with the appropriate manager whether an end-of-period review is undertaken to identify lessons learned.

Lead Managers confirmed that an end-of-period review is done by the Turnaround Director. Monitoring quality indicators is important as this has identified that there needs to be a stage 2 to some schemes (as for Scheme 13 – Closure of Planned Care Ward, GGH). In addition to this, it was confirmed that schemes are shared and discussed at the weekly General Managers' meetings, or Triumvirate meetings etc., as outlined previously.

No findings were noted in this area.

Audit Scope 10 – PID's and EQA's

For each of the sampled CIP schemes, it was discussed with the appropriate manager whether PIDs and EQAs were present. From these discussions it was confirmed that there were no PIDs/EQAs in place for any of the CIP schemes sampled.

It was confirmed by the Principal Project Manager however, that for 2019/20, all Directorates will be asked to submit a PID for each savings scheme.

A recommendation regarding the above is included in Appendix A.

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	1	2	0	3

Finding 1: CIP Management Training (D)	Risk
It was identified during the audit that the Health Board does not currently offer any CIP management training to relevant staff. It was noted however that two of the lead managers interviewed had received CIP management training with previous organisations in England.	Lead Managers may be inadequately trained to successfully manage CIP schemes.
Recommendation	Priority
Consideration should be given to providing CIP management training within the Health Board.	MEDIUM
Management Response 1	Responsible Officer/ Deadline
Whilst there may be no formal CIP management training in the Health Board, the very nature of the way the Turnaround process works means there is a lot of 1:1 contact with budget holders working through plans, helping them learn where to look for opportunities, and how to translate those into savings plans as well as holding them to account for the plans they have. Therefore there is learning in action, even if that isn't seen formally as being such. In support of that, all directorates have been provided with check-lists of where to look for savings	

from a workforce perspective given the significant proportion of the budget that relates to staff, and also a further check-list associated with making non-pay savings and ensuring management grip on non-pay spend. In 2019/20 all directorates were also provided with an opportunities framework, signposting areas in their services where they may want to look for savings. There is evidence at directorate level that some have learned from the processes instigated through Turnaround and mirrored them at local level. For example, local vacancy control panels, local non pay approval processes, and establishing local performance management processes that take the corporate accountability approach to a local level.

That said, there is always opportunity to ensure better training opportunities are available. In addition, an area which does require focus as part of the whole CIP process is the skills in the organisation to deliver change. There are a number of developments in this area, for example the new Quality Improvement Collaboratives that will help skill the organisation in how to do change, but the development of a Hywel Dda Way is a key focus for the Executive Team.

Actions

1. Review the content of the Health Board's Managers Passport programme and in particular the finance module to ensure it adequately covers CIP management.
2. Identify the cohort of managers in the Health Board that would benefit from bespoke CIP management training, and scope from other organisations the best way to deliver this.

Lisa Gostling – July 2019

Lisa Gostling – October 2019

Action Plan

<p>3. Review and where necessary refresh, before re-issuing the Workforce and non-pay checklists and ask managers to sign to say they have received and reviewed them.</p> <p>4. Scope and implement a programme of development that runs alongside the Turnaround programme's more informal approach learning in action, to ensure there is a system that starts to embed the approach to CIP management that has longevity beyond the existing Turnaround Programme.</p>	<p>Andrew Carruthers – July 2019</p> <p>Andrew Carruthers – March 2020</p>
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Finding 2: CIP Scheme Delivery Plans (O)	Risk
A delivery plan was not in place for one of the sampled 2018/19 CIP schemes, although a SBAR was produced for this scheme in June 2018.	The CIP scheme may not be delivered as it was intended.
Recommendation	Priority
Comprehensive delivery plans recording scheme details, milestones, risk assessment, an identified lead officer and success measures should be in place for each appropriate (major and complex) CIP scheme.	MEDIUM
Management Response 2	Responsible Officer/ Deadline
In 2019/20 the Health Board are implementing a new piece of project management software to support PID monitoring and progress reporting. For the smaller schemes the revised PID associated with that system will cover the required delivery plan and stated information in sufficient detail. The more significant schemes will be required to develop a more detailed delivery plan that can be signed off via the HTA process. For the most significant schemes in terms of risk and value, an Executive Lead will be allocated to each one to oversee delivery, and where necessary, a delivery plan signed off at Executive Team.	Andrew Carruthers – September 2019

Finding 3: PID's/EQA's (D)	Risk
There were no Project Initiation Documents (PID's) or External Quality Assessments (EQA's) present for any of the 2018/19 CIP schemes sampled (as confirmed by the relevant Lead Managers).	Without a PID, a project can potentially lose direction and management/viability. An EQA can give assurance on quality and best practice.
Recommendation	Priority
Management to ensure that PID's and EQA's are present for all appropriate (major and complex) CIP schemes in the future.	HIGH
Management Response 3	Responsible Officer/ Deadline
All schemes in 2019/20 are required to have a PID completed, and an EQA where that is appropriate. The Director of Finance, Director of Nursing, Patient Safety & Quality, and the Turnaround Director will meet before the end of May 2019 to sign those off for the coming year. Any additional schemes identified through the year will be subject to the same process.	Andrew Carruthers – June 2019

2018/19 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** that arrangements to secure governance, risk management and internal control, within those areas under review, 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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