

Hywel Dda University Health Board

Finance Team Transformation

Final Internal Audit Report

November 2020

Private and Confidential

NHS Wales Shared Services Partnership

Audit and Assurance Services



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Review reference:	HDUHB-2021-17
Report status:	Final Internal Audit Report
Fieldwork commencement:	18 th September 2020
Fieldwork completion:	17 th November 2020
Draft report issued:	18 th November 2020
Management response received:	18 th November 2020
Final report issued:	23 rd November 2020
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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 Finance Team transformation 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 Finance.

2. Scope and Objectives

The overall objective of the review was to evaluate and determine the management and progress made in the restructure and transformation of the Finance Department, 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 whether clear and appropriate progress in the transformation of the Finance Department was evident.

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

- Clear and sound proposals for the transformation of the Finance Department have been documented and formally approved;
- Detailed plans are in place that identify set milestones and target completion dates;
- Arrangements are in place to capture the progress of the departmental transformation, including lessons learned and arising issues; and
- Reports are submitted to the appropriate group or committee on the transformation progress.

3. Associated Risks

The potential risks considered in this review were as follows:

- Inadequate transitional proposals that are detrimental to the Finance function;
- Missed milestones and target dates resulting in significant delays in the transformation process; and
- Lack of reporting arrangements in place.

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 Finance Team Transformation 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 and processes in place for the management of the risks associated with the Finance Team transformation covered within the review were satisfactory. The audit concluded that clear and sound proposals for the transformation of the Finance Department were captured in short and long term strategic plans.

We noted that arrangements were embedded within current working practice to capture lessons learned and issues arising, along with the reporting on progress within the Finance Department through weekly senior finance team meetings, staff development sessions and also via the Finance Committee. The Finance Department should consider sharing good practices and lessons learned from their implemented transformation methodology with other directorates and services that are planning future structural and procedural changes.

The audit also highlighted that progress with some projects and schemes as part of the transformation programme tested during this audit had not been fully

captured or documented. To enhance the current project management process within the Finance department, a formal continuous quality improvement model should be introduced to capture and document the continuous proactive improvements made during this transformational phase.

5. Assurance Summary

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

Audit Risk		Assurance Summary*			
					
1	Clear and sound proposals for the transformation of the Finance Department have been documented and formally approved				✓
2	Detailed plans are in place that identify set milestones and target completion dates			✓	
3	Arrangements are in place to capture the progress of the departmental transformation, including lessons learned and arising issues				✓
4	Reports are submitted to the appropriate group or committee on the transformation progress				✓

* 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 Finance Team Transformation. This is identified in the Management Action Plan as (D).

Operation of System/Controls

The findings from the review have highlighted no issues that are classified as weaknesses in the operation of the designed system/control for Finance Team Transformation.

6. Summary of Audit Findings

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

OBJECTIVE 1: Clear and sound proposals for the transformation of the Finance Department have been documented and formally approved

In 2018 following a period of consultation with employees, a Finance Directorate Modernisation Plan and organisational change process (OCP) document was submitted and approved by the Executive Team for the investment of approximately £1m to develop and restructure the Finance Directorate.

The Finance Directorate established a 5-year roadmap setting out the tasks and changes required to be undertaken to ensure the Finance Directorate met their overall objectives through the completion of key goals and targets. We can confirm that annual Finance Strategy documents had been developed and implemented for 2019/20 and 2020/21.

No matters arising.

OBJECTIVE 2: Detailed plans are in place that identify set milestones and target completion dates

The transformation of the Finance Department was set out in the *Hywel Dda Finance Function 5-Year Roadmap* document. The document sets out key process to be undertaken in order to achieve the goal of transforming the Finance Department.

The 5-Year Roadmap paper is also supported by an annual strategy document. We can confirm that an annual strategy document has been developed for 2019/20 and 2020/21. The Finance Strategy document sets out the restructure of the Finance Directorate into the following four portfolios:

- Corporate Finance
- Financial Accounts and Corporate Reporting
- Finance Business Partnering
- Contracting and Commissioning

We can confirm that each of the portfolios noted above had identified objectives that included defined short and medium term goals, and project plans with explicit schemes. Short term objectives and goals that contribute to the departmental transformation were captured in the Finance Business Partners timetable for 2020/21. The timetable identifies key deadline dates and

milestones of identified tasks, designated lead individuals and narrative on progress.

A review was undertaken of identified projects and schemes in the Finance Strategy 2019/20 to establish whether they had been completed by their designated target dates or where there was any variance, this was identified and noted. Concluding testing, it was noted that progress with some projects had not been formally documented.

Given the development and maturity of the Finance Team structures and processes since the approval of the OCP in 2018, to further enhance the project management process embedded by the senior finance team during this transformation period, a formal continuous quality improvement model should be introduced to ensure tasks and projects are captured and documented the continuous proactive improvements made during this transformational phase.

See Finding 1 in Appendix A.

OBJECTIVE 3: Arrangements are in place to capture the progress of the departmental transformation, including lessons learned and arising issues

The Hywel Dda Finance Department 5-Year Roadmap document set out the tasks required to implement the departmental transformation. Two of the key projects that were identified during 2019/20 and 2020/21 was the restructuring of the functions and roles within the department, and the achievement of internal reporting on working day one.

Concluding a review of information, we can confirm that progress was made on restructuring arrangements in the department including the reassignment and 'slotting in' of staff to the new structures, the revision of roles and responsibilities, and the reporting of progress at staff presentation away days. In addition, the approach undertaken to implement and embed the internal reporting on working day 1 each month was documented in a presentation. The presentation set out the benefits of the new reporting deadline and also the timetable of the phased approach to integrate this within the department, with the system rolled out in Month 9 of 2019/20.

Arrangements were also in place to capture the progress of the departmental transformation including lessons learned and arising issues, through the implementation of a summary of outstanding issues log. The log records outstanding issues with identified officers and dates assigned, and the identification of lessons learned following the action undertaken to mitigate the identified risks.

No matters arising.

OBJECTIVE 4: Reports are submitted to the appropriate group or committee on the transformation progress

The progress of the departmental transformation is regularly reported at the weekly Senior Finance Team meetings. The meetings are attended by all senior finance individuals who provide updates against their assigned topics or schemes.

Progress against designated projects and schemes that contribute to the departmental transformation process is captured and maintained in the timetable spreadsheet that is completed by the Finance Business Partners. This spreadsheet supports the weekly updates provided at the Senior Finance Team meetings.

A *Mid-term Review of Strategic Objectives Direction and Objectives* was presented at a Finance Department development day in November 2020 that provided staff with an update of the functions achievements in regard to the transformational changes made to date and the future goals required to be attained within 2020/21.

In addition, the *Interim Finance Enabling Plan* submitted to the Finance Committee in March 2020 provided an update on the transformational changes made within the Finance Department during 2019/20 and the future amendments that will be rolled out during 2020/21.

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	1

<p>Finding 1 – Continuous Improvement (D)</p>	<p>Risk</p>
<p>To further enhance the project management process embedded by the senior finance team during this transformation period, a formal continuous quality improvement model should be introduced to ensure tasks and projects are captured and documented the continuous proactive improvements made during this transformational phase.</p>	<p>Missed milestones and target dates resulting in significant delays in the transformation process.</p>
<p>Recommendation 1</p>	<p>Priority level</p>
<p>Management should implement a formal continuous quality improvement model to ensure tasks and projects capture and document the continuous proactive improvements made during this transformational phase.</p>	<p>MEDIUM</p>
<p>Management Response</p>	<p>Responsible Officer/ Deadline</p>
<p>Having recognised and acknowledged the risk that has been highlighted through the audit, the finance roadmap will be reviewed and then revised to incorporate a more formal approach to managing key objectives across the team, providing a supportive and constructive management response to ensure that deadlines are transparently managed, and appropriate actions taken to mitigate, where possible, slippage to milestones.</p> <p>Actions will commence immediately to start the implementation of the project management approach, and will be targeted to be fully embedded by 31st March 2021 in line with our renewed objective setting process for FY2022.</p>	<p>Assistant Director of Finance</p> <p>31st March 2021</p>

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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