

Core Financials

Final Internal Audit Report

2024/25

Cardiff and Vale University Health Board



Substantial Assurance

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Review Reference

Fieldwork

Executive Sign Off

Audit Committee

Executive Lead

Audit Team

CVU-2425-10

September 2024 - February 2025

5th March 2025

20th May 2025

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Executive Summary

Purpose

The review of Core Financial Systems was completed in line with the 2024/25 Internal Audit Plan for the Cardiff and Vale University Health Board (the 'Health Board').

Overview

Given that previous Core Financial Systems audits have received high levels of assurance, individual areas are now covered on a cyclical basis. Therefore, this year's audit covered General Ledger and Accounts Receivable, which was last audited in 2021/22 with an overall opinion provided of Substantial Assurance.

The general ledger records all financial transactions of the organisation and provides the basic information for the preparation of management accounts, financial accounts and financial returns. In order to maintain proper financial control, it is essential that adequate financial routines operate to protect the integrity of the ledger and that those routines are implemented in practice.

The collection of income due in a timely manner is crucial to the financial stability of the Health Board and important in meeting its financial targets and providing patient care.

We have concluded **substantial** assurance on this area. The significant matters requiring management attention include:

- A number of monthly payroll deduction reconciliations include a large number of transactions that have remained outstanding for a significant period of time.
- The current list of Health Board outstanding debts includes a large number of debts that have been owing for a significant period of time, in some cases over 10 years.

Full details of matters arising are detailed within the Findings & Agreed Action Plan. The following opportunities for enhancement have been identified that do not impact the overall opinion and are highlighted for management information:

- Clarification is needed for the process of removing access to the Oracle Financial system for staff that no longer require access or who have not accessed the system for a considerable amount of time.
- Ensure that all relevant and up to date Financial Control Procedures are accessible to Finance staff on the relevant section of the Finance Departments intranet (SharePoint) page.

Scope & Assurance Summary

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

Related Findings

Assurance

Objectives	Related Findings	Assurance
1 General Ledger – Access and changes to the general ledger are appropriately managed	-	Reasonable
2 General Ledger – All input to the general ledger is complete, accurate, timely and valid	-	Substantial
3 General Ledger – Month end reconciliations to the balance sheet are undertaken	1	Reasonable
4 Accounts Receivable – Debtor invoices are raised on a timely basis for all income due, and receipts are correctly recorded	-	Substantial
5 Accounts Receivable – Intra NHS debtors are managed appropriately	-	Substantial
6 Accounts Receivable – Outstanding and aged debt is appropriately monitored and followed up	2	Reasonable
7 Accounts Receivable – Debt write-off is managed appropriately	-	Substantial
8 General Ledger & Accounts Receivable - Procedural Guidance is in place, appropriate and up to date	-	Substantial

Management Actions



High Priority



Medium Priority

Themes



■ Finance Management & Control

Risk Types

Financial Loss

Findings & Agreed Action Plan

Objective 1: General Ledger – Access and changes to the general ledger are appropriately managed

Reasonable

Overview / Summary of Observations

An electronic process is in place for setting up new user access onto the Oracle system. The process requires approval from the individual's line manager as well as the Central Operations Team before submission to the NWSSP E-enablement Team who action it.

There is some confusion regarding the process for removing Oracle access for staff that have left the organisation or changed position and no longer require access. It is not currently clear whose responsibility it is to advise the E-enablement Team to remove the user.

Quarterly reports are issued by the E-enablement team to 'Oracle Responsibility Area Owners' within the Health Board for the owners to review and advise of any changes that need to be actioned. Our review of the quarterly report identified that there were a significant number of staff that still had Oracle access yet had not accessed the system for over six months.

The processes in place for requesting changes to the Chart of Accounts are appropriate and well managed. Testing undertaken on a sample of chart of account requests found that all requests were appropriate and had been actioned within an appropriate timescale.

Objective 2: General Ledger – All input to the general ledger is complete, accurate, timely and valid

Substantial

Overview / Summary of Observations

There are timetables in place detailing the deadline dates for key month end transactions to be completed prior to reporting the monthly financial position as well as for all 'feeders' (e.g. payroll) to be uploaded to the financial ledger.

Testing was undertaken on budget journals and expenditure reversing journals that had been uploaded/input to the financial ledger to ensure all transactions were appropriate and timely.

For the budget journals reviewed all adjustments actioned were appropriate and actioned on a timely basis.

For the reversing journals it was noted that the majority of transactions/adjustments were timely, justified and appropriate narrative was recorded. We did observe a number of transactions relating to the previous financial year, but robust explanations and information were provided to justify the transactions, such as awaiting replacement invoices from service provider.

It was also noted that a suspense account is in use for unidentified expenditure transactions and a reconciliation of the suspense account is completed on a monthly basis.

Overview / Summary of Observations

A schedule is maintained of all monthly balance sheet reconciliations that are completed, and all were found to be reviewed and authorised.

Testing was undertaken on a sample of balance sheet reconciliations to ensure that they were completed on a timely basis, values match the financial ledger and were authorised.

The results of our testing noted that there was a delay in completing and authorising reconciliations and there were a significant number of transactions that have been outstanding for a considerable period of time for a number of completed reconciliations.

Key Findings	Risk & Impact	Agreed Management Action
<p>1 <u>Monthly Reconciliations</u></p> <p>Testing was undertaken on a sample of 20 balance sheet code reconciliations and the results are as follows:</p> <ul style="list-style-type: none"> • 1 / 20 (Accounts Payable Mth 7) - the reconciliation value did not match that of the financial ledger with a difference of £306.36. • 1 / 20 (Arranged recovery Mth 7) - there was a delay of over three months in the completion of the reconciliation. • 7 / 20 - There was a delay of almost three months from when the reconciliations were completed to when they were authorised. The reconciliations all related to the payroll deductions. • 14 / 20 - the reconciliations included outstanding entries that related to previous financial years with some as far back as 2006/07. The reconciliations all related to payroll deductions and the details were as follows: <ul style="list-style-type: none"> ○ Negative Payments (Months 4 and 7) ○ Whitchurch Mess Fund ○ Advanced Pay (Months 4 and 7) ○ Arranged Recovery (Months 4 and 7) ○ Gross Overpayment (Month 7) ○ Local Deductions (Months 4 and 7) ○ Rejected BACS (Months 4 and 7) ○ Car Salary Sacrifice Scheme (Months 4 and 7) <p>We also noted for the reconciliation relating to the Charter Housing payroll deduction that the outstanding balance related to accommodation fees that had been deducted and were awaiting offset from the invoices to be received. The reconciliation was discussed with the Finance Officer</p>	<p>Monies due to the Health Board may not be received.</p>	<p>Proposed Agreed Action:</p> <p>We will put appropriate arrangements in place to ensure that all reconciliations are authorised on a timely basis.</p> <p>We will review all reconciliations identified where there are significant numbers of outstanding transactions relating to prior financial years. We will then review all transactions to identify actions required to resolve the queries.</p>

<p>responsible for completing it and it was noted that separate invoices are issued for each individual by the provider once they have been notified of the amount deducted. It was acknowledged that this process and reconciliation needs to be reviewed.</p>		<p>Expected Evidence of Implementation: Documentation confirming new arrangements. Copies of updated reconciliations.</p>
<p>Theme: Finance Management & Control</p>	<p>Medium Priority Control Operation</p>	<p>Officer: Rhian Selwood Target Implementation Date: 31 /12 /2025</p>

Objective 4: Accounts Receivable – Debtor Invoices are raised on a timely basis for all income due, and receipts are correctly recorded **Substantial**

Overview / Summary of Observations

There is an electronic process in place for the requesting and cancellation of all Health Board invoices. Testing was undertaken on a sample of invoice/cancellation requests, and it was found that all had been actioned on a timely basis. The reasons for cancellation/credit notes were all deemed appropriate.

Our testing on a sample of income receipts noted that all income had been appropriately accounted for.

Objective 5: Accounts Receivable – Intra NHS debtors are managed appropriately **Substantial**

Overview / Summary of Observations

Welsh Government have issued guidance on the management of NHS Wales debtors which detail key dates and templates for the agreement of year end balances which the Health Board complies with. In addition, details of all NHS debtors are reported as part of the Health Board’s monthly monitoring returns. Any disputes on NHS Wales debts will be managed in accordance with the arbitration guidance issued by Welsh Government.

Monthly statements are issued for other NHS debts.

Overview / Summary of Observations

There is an agreed process (the dunning process for non-NHS bodies debts and monthly statements for Welsh NHS debts) in place for the management of outstanding debts and our testing on a sample of outstanding debts confirmed its application. However, we identified from the data that there is a substantial number of longstanding debts which despite being pursued have remained outstanding for a substantial length of time. The Health Board needs to undertake a review of such debts and also take a more proactive approach to resolving the situation, including writing off debts where appropriate.

Key Findings	Risk & Impact	Agreed Management Action
<p>2 Debt Follow Up</p> <p>Testing was undertaken on a sample of outstanding debts to ensure that the process was being complied with. The following was noted:</p> <ul style="list-style-type: none"> • 10 of the 20 sampled debts had either been paid or cancelled at the time of the testing. We note that all had been subject to the dunning process or the monthly statement process. • For the remaining 10 debts, whilst the dunning process had been complied with in terms of issuing reminder letters not all the outstanding debts had been referred to the Health Board’s debt collection agency as per the guidance in place. (We do acknowledge that the Health Board does not automatically refer outstanding debts to the ‘agency’ with each case judged on its own circumstances). • We note that all 10 debts have been outstanding for a considerable period of time with some outstanding for more than 10 years. • We also note that four of the 10 debts have been proposed for write off pending approval from the Clinical Board and a bad debt provision has been made for two of the debts. 	<p>The Health Board does not receive monies owed.</p>	<p>Proposed Agreed Action:</p> <p>We will undertake a review of all outstanding debts to determine actions to be undertaken.</p> <p>For those longstanding debts discussions will take place to determine whether these debts should be written off / provided for in accordance with Health Board guidance.</p>
<p>Theme: Finance Management & Control</p>	<p>Medium Priority</p> <p>Control Operation</p>	<p>Expected Evidence of Implementation:</p> <p>Details of review undertaken and resulting actions completed.</p> <p>Officer: Katie Callow / Rebecca Holliday Target Implementation Date: 30/9/2025</p>

Objective 7: Accounts Receivable – Debt write-off is managed appropriately

Substantial

Overview / Summary of Observations

The process for debt write-off is detailed in the Accounts Receivable Financial Control Procedure. We undertook testing on a sample of debts that had been written off to confirm compliance with the process. Our testing found that the write-offs were appropriate, and authorisation was in accordance with delegated financial limits. It was also noted that write offs were reported and approved by the Losses and Special Payments Panel as well as an update being provided to the Health Board's Audit Committee.

Objective 8: Procedural Guidance

Substantial

Overview / Summary of Observations

There are Financial Control Procedures (FCP) in place for Accounts Receivable and General Ledger that have both recently been reviewed and updated.

Whilst the FCP for Accounts Receivable could be located within the appropriate section of the Finance Department's intranet page at the time of the audit fieldwork the FCP for General Ledger could not be located.

We also noted that there is additional guidance in place for the completion and uploading of journals to the financial system (Oracle) as well as the process for requesting and actioning changes to the 'Chart of Accounts'.

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](#)

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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.

