

Endoscopy Unit Investment Final Internal Audit Report (Advisory)

April 2025

Cardiff & Vale University Health Board



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Acknowledgement

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Executive Summary

Purpose

The main purpose of the advisory review was to map the Endoscopy Unit revenue investment through to budgets and activity to establish the impact on baseline activity and funding, and the current position in terms of demand and capacity.

Overview

As this is an advisory review no assurance rating is provided. We identified several internal control deficiencies relating to the following:

1. The Endoscopy Expansion Revenue Expenditure proposal was not subject to Board approval. Subsequently, the final planned revenue expenditure was not agreed by Welsh Government (WG).
2. It was identified that the original revenue investment plan had not been followed, and alternative project plans were not communicated to the Board or WG. The contracted insourcing costs and project recurrent costs are adequately monitored against agreed budgets. However, a significant project budget reduction was not effectively communicated to all budget holders.
3. The project delivery to date has exceeded the planned treatment volumes but only by using extensive insourcing. Our forecast based upon current inhouse output estimates that the required treatment volumes will not be achievable.
4. Monitoring of progress against the original project proposals has not been requested and therefore not undertaken. Current theatre activity and expenditure is reported at an appropriate level. However, the new theatres are not included in the KPI reports. They were commissioned in February 2024 and their activity levels are still low. We could not establish any requirement to report project progress/activity to the Board or WG.

Report Classification

Assurance not applicable



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.

Advisory Audit Objectives

Our review sought to ascertain and evaluate if:

- 1 Determine if the revenue business case was subject to appropriate review and approval and if it clearly defined the anticipated outcomes and benefits to be gained from the investment.
- 2 Establish how the original revenue investment has been utilised to date and map how the funds have been moved into service budgets, including an assessment of the decision-making processes and associated governance arrangements.
- 3 Establish the impact that the revenue investment has had on the baseline endoscopy activity and the capacity available to meet current demand. Assess how these compare to the planned outcomes stated within the revenue business case.
- 4 Establish if there has been effective monitoring of how the revenue investment has been utilised and the impact on activity, and if this has been regularly reported to appropriate Health Board management, Committees and / or Board, and to Welsh Government as required.

In contrast to an assurance audit, we have not made formal recommendations but have identified opportunities that the Health Board may wish to take forward to address the highlighted deficiencies and further strengthen processes.

Opportunities:**Audit Objective**

1	Development of a live project register.	1
2	To improve records of meetings.	1
3	Introduce a project standard operating procedure.	1
4	Reassessing the original plan and lessons learned.	2
5	Improving project oversight.	1,2,3,4

1. Introduction

- 1.1 The advisory review of the Endoscopy Unit Investment was completed as an addition to the 2024/25 Internal Audit Plan for Cardiff and Vale University Health Board (the 'Health Board'), following a request from the Executive Director of Finance and Chief Operating officer.
- 1.2 A Business Justification Case (BJC) for the Expansion of Endoscopy Services at University Hospital Llandough (UHL) was submitted to the Board in May 2021. The BJC was linked to an associated revenue business case for the investment of £4,938,963 (2024/25) relating to revenue costs.
- 1.3 The revenue investment was funded from covid recovery/planned care funds.
- 1.4 Endoscopy services play an essential part in investigating suspected cancer and positive screening results, as well as providing follow-up for people with prior diagnoses and delivering interventional treatment. Endoscopy provides an equally important role for serious non-cancerous conditions, such as inflammatory bowel disease. Therefore, timely access to endoscopy procedures and surveillance is a priority for the Medicine Clinical Board and the Health Board.
- 1.5 This expansion was planned to deliver two additional endoscopy theatres, additional recovery space and decontamination area. Alongside this, it was proposed that the existing theatres would extend to weekend working to further increase capacity to better meet the growing demand on the service.
- 1.6 The Executive Director of Finance and Chief Operating officer are the Executive leads for this review.

Advisory Audit Risks

- 1.7 The potential risks considered in this review are as follows:
 - The investment has not been utilised in accordance with the plans detailed within the revenue investment case.
 - The investment has not increased endoscopy capacity and / or activity and has not therefore reduced waiting lists; and
 - The utilisation and impact of the investment isn't effectively monitored and reported, and issues are not identified or addressed.

2. Detailed Audit Findings

Objective 1: Determine if the revenue business case was subject to appropriate review and approval and if it clearly defined the anticipated outcomes and benefits to be gained from the investment.

- 2.1 The Gastroenterology, Endoscopy and Hepatology Directorate was commissioned in quarter three 2020 to develop a proposal to expand the Endoscopy service on the University Hospital Llandough (UHL) site. The proposal was due to be submitted to Welsh Government (WG) to request funding following approval by the Health Board. To manage the project an Endoscopy Project Team was established with a defined terms of reference. The Team was linked into the Health Board's established project reporting hierarchy. The hierarchy consists of four stages, with two key authorising stage gates for revenue expenditure which are the Business Case Approval Group (BCAG) and the Board.
- 2.2 Two project proposals were developed with one covering capital and the other for revenue expenditure but were drawn up in isolation drawing on different methodologies and external evidence to substantiate their proposals. These were initially overseen by the UHL Infrastructure and Sustainability Programme Board who are responsible for all relevant projects. Our review noted that there are no formal minutes taken for this Board and no Standard Operating procedures.
- 2.3 In stage two the proposals took separate pathways for authorisation with the same delivery target date of 27 May 2021 for submission to the Health Board's Board. Capital was overseen by the Capital Management Group (CMG) and revenue by the BCAG. Both papers had the same principal aims which was 'to provide a compelling argument for the expansion of Endoscopy provision, while also attaining Joint Advisory Group on Gastrointestinal Endoscopy (JAG) accreditation'.
- 2.4 Both proposals made reference to the increased demand for Endoscopy services and cited several key drivers. These included the WG increased screening programmes and projected data showing a progressive increase in cancer referrals. The proposals also included the additional detailed revenue expenditure to meet the anticipated increased demand and therefore the benefits of the investment.
- 2.5 The capital proposal had its final review by the CMG on 17 May 2021 and was submitted to the Board as planned on the 27 May 2021. The revenue expenditure proposal was not submitted. The Board resolved that:

'The content of the attached Business Justification Case (BJC) be noted.

The submission of the BJC to seek approval from WG for the capital funding identified, be supported, whilst the Health Board will finalise the revenue costs required to operate the facility.'

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- 2.6 Under the supervision of the BCAG the revenue proposal underwent several iterations. This included Endoscopy Expansion Revenue BC V15 dated 28 April 2021 which was submitted to them by the Project Team on 5 May 2021 confirming forecast expenditure of £3,573,333 for 2024/2025. The minutes noted *'Due to the number of questions and queries which various BCAG members had in regards to this business case, the Chief Operating Officer agreed to go through the case outside this meeting with the Clinical Board with the commitment that when the business case came back to BCAG it would have answered all remaining queries and allow BCAG to make a final decision given the ongoing pressing need to find a solution for a highly pressured service.*
- Action: was noted in the minutes Finance to work with Clinical Board*
- The recommendation deferred for further consideration.'*
- 2.7 The queries the BCAG members had regarding the revenue business case and who raised them were not recorded in the minutes and neither were the responses provided by the previous Chief Operating Officer in mitigation of the concerns. **(Opportunity One)**
- 2.8 The BCAG terms of reference states that the eight principal members should in a twelve-month period attend at least 70% of the meetings. We reviewed attendance for the 2021/2022 financial year and established that a cumulative attendance register was not maintained and only four members reached the attendance criteria and two did not attend at all. **(Opportunity Two)**
- 2.9 The queries identified within the BCAG were not resolved in time for the Board meeting on the 27 May 2021. The Board did not minute an action/owner to follow up the approval of the revenue proposal at a future meeting and it was not therefore presented to the Board for approval. **(Opportunity Two)**
- 2.10 As detailed in paragraph 2.4, the Board approved the capital expenditure proposal which included a revenue expenditure table totalling £3.612m. Although not stated in the document, our review established that this revenue expenditure related to a five-day working week which is an important distinction from the subsequent revenue expenditure proposal that related to a seven-day working week.
- 2.11 The BJC was submitted to WG on the 14 June 2021. On the 12 November 2021 WG confirmed in an e-mail that the Capital Investment Ministerial Application was to be taken to the Minister for approval. The WG requested confirmation from the Health Board that the £3.612m revenue expenditure would be funded from the Health Board's Covid Recovery Plan (CRP) allocation of £22.6m (covering the period 1 April 2021 to 31 March 2024) that had been allocated by WG on 5 October 2021.
- 2.12 On 12 November 2021 a Capital Estates and Facilities email requested confirmation from the former Medicine Clinical Board Director of Operations, who replied the same day confirming that it was about £5m and forwarded the message to the former Chief Operating Officer for further clarification. On the
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18 November 2021 the former Chief Operating Officer's email response requested that the following words be used for the response: *"I can confirm that the £22.6m allocated to Cardiff & Vale UHB on 5th October will be used to support the revenue costs of the endoscopy theatre expansion at UHL."* The £3.612m revenue element within the BJC was not amended and received Ministerial consent on the 28 February 2022. The project team's planned proposal for consent had been set at 21 July 2021. The delayed WG approval meant there was at least a seven-month delay for the project.

2.13 The email from the former Chief Operating Officer dated 18 November 2021 formed the basis for the Endoscopy project team to plan the annual expenditure of £4.7m which is not detailed in the response to the WG. **(Opportunity One)**

2.14 The Endoscopy Expansion Revenue BC V16 dated the 11 June 2021 was reviewed again by BCAG on 16 June 2021. The expenditure detailed within the proposal had increased to £5,463,887 for 2024/2025. The BCAG approved the case 'in principle subject to the outcome of the reasonableness / value for money test' being brought back to them. The plan had not been amended to reflect the known delays to the project. Furthermore, it did not consider the effect on the patient numbers, staffing and cost of alternative solutions. **(Opportunity Three)**

2.15 On the 2 February 2022 the BCAG received the Final Endoscopy Expansion Revenue Business Case V17 dated the 18 November 2021 following the requested VFM review. The revenue value had now been revised to £4,938,963. The BCAG noted that the Expansion of Endoscopy case, previously approved in principle, had been brought back with reasonableness / value for money concerns addressed. The higher revenue valuations were known at the time the WG requested clarification on the CRP funding value. In addition, this paper was not presented to the Board for approval following on from their request noted on 27 May 2021. **(Opportunity One)**

2.16 Each of the Revenue Business Case iterations included a section 10 Risk Table and an additional narrative. For example, V12 6 April 2021 included:

- *Capital: Non receipt of capital monies from WG to proceed.*
- *Ability to recruit appropriately trained staff to all clinical posts, particularly endoscopy nursing posts as it is recognised there is a national shortage*

Additional note in the Risk Table:

It is important to note that there are historical challenges with staffing endoscopy units across the UK. Cardiff and Vale, as with many units in Wales, has suffered as a result and has been unable to attract and retain sufficient nursing staff to deliver the activity required to meet demand. The likelihood of being able to recruit suitable applicants for all posts is low even with a creative recruitment campaign. This poses a very significant risk in delivering on this expansion plan to meet the needs of our population.

- 2.17 Despite the listed inherent risks, the revenue business cases continued to note planned delivery of increased capacity through increased staffing levels. These increased risks were not tracked and highlighted as the submissions progressed. **(Opportunity Three)**
- 2.18 Both proposals provided background information on the potential increasing gap between Endoscopy's current service supply backlog and future demand. Three possible solutions were presented for consideration. The separate capital and revenue proposals provided different tabulated and written assessment information to back up their preferred choice.

Conclusion:

- 2.19 The revenue business case was not subject to appropriate approval as it was not approved by the Board. The proposal clearly defined the anticipated outcomes and benefits to be gained from the investment. However, as the business case continued to develop, these were not updated to reflect reality and the changing inherent risks, for example the increased reliance on insourcing to meet demand and that the WG three-year timeline for funding would be exceeded. In addition, comprehensive meeting notes and records of actions were not kept in compliance with good governance, resulting in a lack of clear auditable information.

Objective 2: Establish how the original revenue investment has been utilised to date and map how the funds have been moved into service budgets, including an assessment of the decision-making processes and associated governance arrangements.

- 2.20 The Endoscopy Recovery Plan has been funded since April 2022/2023 via WG CRP allocation to the Health Board of £22.6m. The following table provides a breakdown of the allocated funding and a high-level summary of expenditure to 30 November 2024 and full year budget 2024/25. (see appendix B for a detailed breakdown)

WG Covid Recovery Funding period	Year 1	Year 2	Year 3	
Financial year	2022/2023	2023/2024	2024/2025	Total
\Final Endoscopy Expansion Revenue Business Case V17 (18.11.21)	£3,228,798	£4,365,822	£4,938,963	£12,533,583
Allocated budget from WG Covid Recovery Funding	£4,347,900	£4,776,000	£3,190,000	£12,313,900
Actual expenditure to 30 November 2024	£4,163,798	£2,499,882	£4,200,000	£10,863,680
Actual expenditure full year 1 and 2 plus forecast year 3	£4,163,798	£2,499,882	£4,776,000	£11,439,680

Expenditure by heading	Year 1	Year 2	Year 3	
	2022/2023	2023/2024	2024/2025	Total
Final Endoscopy Expansion Revenue Business Case V17 (18.11.21) Direct Pay Costs	£1,674,112	£2,316,287	£2,643,891	£6,634,290
Actual Pay Costs to 30 November 2024	£336,282	£966,632	£1,573,583	£2,876,497
Final Endoscopy Expansion Revenue Business Case V17 (18.11.21) CD&T	£248,147	£370,146	£402,090	£1,020,383
Actual CD&T Costs	£0	£0	£0	£0
Final Endoscopy Expansion Revenue Business Case V17 (18.11.21) Non Pay Costs	£1,306,539	£1,679,389	£1,892,982	£4,878,910
Actual Non Pay Costs to 30 November 2024	0	£25,884	£129,420	£155,304
Final Endoscopy Expansion Revenue Business Case V17 (18.11.21) Insourcing and Outsourcing Costs	£0	£0	£0	£0
Actual Insourcing and Outsourcing Costs	£3,827,516	£1,507,366	£2,496,997	£7,831,879
Final Endoscopy Expansion Revenue Business Case V17 (18.11.21) Total Costs	£3,228,798	£4,365,822	£4,938,963	£12,533,583
Total Actual Costs to 30 November 2024	£4,163,798	£2,499,882	£4,200,000	£10,863,680

- 2.21 As detailed above, the former Chief Operating Officer confirmed to the WG that the Endoscopy Expansion scheme expenditure (£3.612m) would be financed from the WG CRP. This decision effectively linked the long-term plans for Endoscopy expansion to short term WG pooled funding. **(Opportunity Four)**
- 2.22 Following the BCAG approval of the Final Endoscopy Expansion Revenue Business Case V17 on 2 February 2022, recurrent expenditure for the project from year one was set at £4.9m and later reduced to £4.7m. This did not reflect the phasing within the proposals of a three-year expenditure increase during the project. This was not communicated to the Health Board or the WG. **(Opportunity One)**
- 2.23 For the financial year 2023/2024 the WG CRP £22.6m was "top sliced" by £6.4m reducing the Health Board funding to £15.996m. New Directorate CRP funding allocation negotiations had to be undertaken as part of the Planned Care Funding Review. It was agreed by the Financial Lead for Planned Care and the former Managing Director Planned Care to cease all Endoscopy outsourcing to save £1.7m towards the targeted savings. Plans were then agreed with Finance to reduce Endoscopy future funding to recurrent expenditure of only (£3.1m). It should be noted that one of the projects original aims was to eliminate insourcing with inhouse services by 2024/25. The Financial Lead Planned Care and Managing Director Planned Care agreed that communicating the changes could have been better shared with wider Budget Holders who had already committed to £4.5m for Endoscopy services including insourcing costs of £2,496,997. **(Opportunity One)**
- 2.24 Endoscopy Recovery Plan budgets/expenditure are tracked by the Senior Clinical Board Accountant and reported monthly as part of the routine financial reporting procedures. Budgets are agreed and flexed to changing

circumstances. The routine reporting procedures do not provide a single historical view of expenditure against the Final Endoscopy Expansion Revenue Business Case V17 dated 18 November 2021. **(Opportunity Five)**

Conclusion:

2.25 We have noted that the original revenue investment plan had not been followed. This was due to construction delays that had not been appropriately considered in the planning oversight. As a result, alternative external resources had to be contracted to meet the projects' objective to reduce waiting times. The original and alternative project plans were not communicated to the Health Board in compliance with the project's governance procedures. The contracted costs and project recurrent costs are adequately monitored. However, a significant budget reduction (£1.7m) was not communicated.

Objective 3: Establish the impact that the revenue investment has had on the baseline endoscopy activity and the capacity available to meet current demand. Assess how these compare to the planned outcomes stated within the revenue business case.

2.26 The Final Endoscopy Expansion Revenue Business Case V17 (18 November 2021) included the following forecasts:

Recurrent demand and capacity deficit	2022/23	2023/24	2024/25
Total Demand	12,804	14,238	14,837
Core Capacity	8,025	10,700	10,700
Recurrent Demand & Capacity Gap	-4,779	-3,538	-4,137

They also detailed the projected figures for the agreed solution to build two new theatres at UHL:

	2022/23	2023/24	2024/25
Recurrent demand & capacity gap	-4,779	-3,538	-4,137
Solutions to meet gap:			
Additional weekend capacity (existing 6 rooms at UHL and UHW operating on Saturday)	1,224	1,224	1,224
Additional Capacity gained from 2 new theatres (operating Mon - Sat)	991 (PYE)	2,430	2,430
Additional Capacity gained from 2 new theatres (operating Sunday)	83 (PYE)		405
Additional capacity solutions	2,297	3,654	4,059

2.27 Following the BCAG approval of the business case on 2 February 2022 (see 2.15 above). Funding for the next three years of the project was assumed to be £4.7m. This figure represented the forecast expenditure for a completed project (October 2022). It did not reflect the ramping up process required to reach that level of performance (4,059 patients per annum see table above).

(Opportunity Three)

2.28 The two new theatres were officially commissioned in February 2024. In the interim period between the planned and actual commissioning dates, insourcing was used to fill the capacity gap (see table under paragraph 2.20). Insourcing expenditure over the period April 2022 to 30 November 2024 totaled £7,831,879 from the total expenditure of £10,863,680 (72%). The insourcing expenditure delivered the following procedures:

- 2022/23 - 7,436
- 2023/24 - 3,006
- 2024/25 - 4,623 (April to 30 November 2024)
- Total - 15,065 (32 Months)

(approx. 11,558 patients at an average 1.30 treatments per patient, see table below) **(Opportunity Four)**

Volume of Medical Procedures UHL and offsite UHW Insourcing invoiced to 30 November 2024									
Months 2024									
Room Label	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Total
Room 1 UHL	108	113	204	114	133	120	76	142	1,010
Room 2 UHL	112	113	192	111	134	127	92	160	1,041
Room 3 UHL	101	118	236	111	144	123	94	142	1,069
Room 4 UHL	125	122	226	119	149	137	108	197	1,183
Room 5 UHL New	29				12		12	115	168
Total	475	466	858	455	572	507	382	756	4,471
Offsite UHW									
Room 1 UHW	8		48					12	68
Room 2 UHW	9		50					25	84
Total	17	0	98	0	0	0	0	37	152
Grand Total	492	466	956	455	572	507	382	793	4,623
Total Patients treated	3,564								
Average treatment per patient	1.30								
Treated on a Weekend	3,204								

2.29 The following table provides an analysis of the original baseline forecast patient numbers compared to actual numbers 2024/25 to 30 November flexed to March 2025:

Patient Demand	Original BC 30.11.2021	Review Current Forecast
Year	2024/25	2024/25
Total	14,837	15,699
Core Capacity 4 UHL and 2 UHW 5 day week (2024/25 first 7 months actual then estimated)	10,700	7,698
Capacity Gap	4,137	8,001
Additional weekend capacity (existing 6 rooms at UHL and UHW operating on Saturday)	1,224	1,540
Additional Capacity gained from 2 new theatres (operating Mon - Sat)	2,430	3,079
Additional Capacity gained from 2 new theatres (operating Sunday)	405	513
Total Additional Capacity solutions	4,059	5,132
Potential remaining shortfall	78	2,868

Note: for the flexing a ratio of 1.23 treatments per patient has been used. This is based on the first eight months' actual numbers. Weekend working has been calculated over 52 weeks with output matching the weekday rates.

Our review is based on the average output in 2024/25 to date from the existing six theatres and, flexed to reflect the original VFM submission. This highlights a lower-than-expected average baseline output. Output from UHL, rooms 3 and 4, is a lot lower than the other rooms. An analysis of the output for all in-house sites is shown below.

UHL and UHW Count of Procedures Inhouse activity April to 30 November 2024 charged to Endoscopy recovery project									
Room Label	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Total
Clinical Research Facility			1					1	2
Room 1 UHL	108	143	111	169	176	121	159	152	1,139
Room 1 UHW	204	160	204	191	139	179	185	188	1,450
Room 2 UHL	121	110	111	147	140	121	147	108	1,005
Room 2 UHW	138	136	145	160	138	125	132	117	1,091
Room 3 UHL	100	92	120	100	106	111	108	116	853
Room 4 UHL	101	134	104	107	79	85	80	71	761
Room 5 UHL	38	64	122	41	27	17	23	44	376
Room 6 UHL		1	4			1		20	26
UHW off unit	6	13	1	2	3	10	4	3	42
Grand Total	816	853	923	917	808	770	838	820	6,745

There were approximately 5,512 patients that received the procedures detailed above.

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- 2.30 The two new UHL theatres' (Rooms 5 and 6 UHL) total output was 402 procedures up to the 30 November 2024 as shown in the table above. The actual number of patients treated was 292. The costs incurred for the year-to-date 30 November 2024 are £1,703,003. (See appendix B)
- 2.31 Insourced charges in the same period for 3,564 patients were £2,496,997 (appendix B).
- 2.32 Based upon the final year projected output of 4,059 patients. On a pro rata basis, the output to 30 November 2024 should be 2,706 patients. Project actual output is 3,856 patients of which only 292 were achieved via the original planned method. **(Opportunity Four)**

Conclusion:

- 2.33 The project has delivered additional capacity, but only as insourcing contracts have been used. One of the original projects' aims was to eliminate insourcing as it is an expensive option. Our estimation of future performance based on the current 2024/25 actual output and forecast demand, flexed to the original VFM presentation, highlights a risk that output will not currently match demand even if they adopt the original planned seven-day shifts.

Objective 4: Establish if there has been effective monitoring of the how the revenue investment has been utilised and the impact on activity, and if this has been regularly reported to appropriate Health Board management, Committees and / or Board, and to Welsh Government as required.

- 2.34 Endoscopy activity is monitored and reported weekly via the Endoscopy Delivery Group and a weekly performance review meeting with the Chief Operating Officer. The Senior Clinical Board Accountant monitors transactions against budgets and this is reported to the Assistant Director of Finance. The project budget has been monitored and reported separately from the existing theatres since April 2022/23.
- 2.35 Ad hoc reports are produced for the Manager Director Planned Care providing analysis on current issues and suggested future solutions, for example Endoscopy Expansion Progression in April 2024 highlighting ways to improve theatre utilisation rates.
- 2.36 The Finance and Performance Committee Integrated Performance Report includes monthly Endoscopy volume tracker updates with commentary. In October 2024 the Committee minutes noted '*Endoscopy remained the biggest challenge and risk for the Health Board but plans for some non-recurrent support and the investment requests were submitted to WG*'. This has also been highlighted in the Corporate Risk Register that went to the Board meeting in November 2024.
- 2.37 We have been unable to establish if the WG monitors the projects progress beyond the initial authorisation of expenditure.

Conclusion:

2.38 Project expenditure and theatre performance statistics are collected and reported on a regular basis to the Diagnostic Delivery Group, Health Board Planned Care meetings and the Finance and Performance Committee. Reports are tailored to the recipient's requirements, which does not include the production of historically based consolidated project overview. As a result, progress is not tracked against the original plans, which limits oversight and restricts the Health Board's ability to learn lessons.

Appendix A: Opportunities for improvement and development

Finding 1: Revenue funding not approved by the Board	Residual Risk
<p>The terms of reference for the Endoscopy Expansion project team included a reporting hierarchy which detailed two formal internal stages for sign off of the Revenue Business Case prior to passing the proposals to the WG. The initial stage was to be approved by the Business Case Approval Group (BCAG) and then the Board. Our document review established that the BCAG reviewed several iterations of the planned revenue proposal for Endoscopy. The final proposal V17 dated 18 November 2021 was not presented to the Board for acceptance in compliance with the Endoscopy Project Team's terms of reference.</p> <p>The Endoscopy capital expenditure proposal was reviewed and agreed by the Board on the 27 May 2021 and it detailed revenue expenditure at a value of £3.612m which was accepted by Welsh Government. However, there was a change to the planned expenditure to £4.9m in the final submission of the revenue proposal to the BCAG which was not communicated to WG.</p> <p>The endoscopy expansion project expenditure plan adopted a budget for 2022/23 of £4.7m that was assumed to run for the three years, covered by the WG Covid Recovery Plan which was not submitted to the Board for approval. This was materially different to the original expenditure of £3.612m included in the Capital Investment Proposal which was submitted to the Board and the WG.</p> <p>The former Chief Operating Officer communicated to the WG that the WG Covid Recovery Fund would be used to fund the Endoscopy Expansion but did not clarify the value or that the final years planned funding would be used throughout the three-year funding timeline and not tapered as per the revenue expenditure proposal.</p>	<p>The UHB and WG are unaware of the expenditure, do not have the ability to challenge the proposals content and understand the inherent risks.</p> <p>Expenditure is allocated without an appropriate level of delegated authority</p> <p>Allocation of limited funds has not been subject to appropriate review.</p>

Opportunity 1		Priority
<p>In future, all project revenue expenditure over the required values, in line with the Health Board's scheme of delegation, should be approved by the Board and any significant changes to the expenditure should also be reported and approved accordingly.</p> <p>To aid this process for future projects, the Health Board should consider establishing a centralised live project register for projects over an agreed value and to provide updates to the Board. The register would map progress against key milestones and report on significant changes to plans and inherent risks.</p>		<p>N/A - Advisory Review</p>
Management Response 1	Target Date	Responsible Officer
<ul style="list-style-type: none"> The Health Board will set up a centralized live project register for all projects exceeding an agreed value (for planned care projects this will sit in relevant clinical boards and be monitored through monthly tracking meetings but also report into the planned care board run by Cath Wood (Director of Planned Care). This register will map progress against key milestones, report on any significant changes to plans and highlight inherent risks (delays in implementation, financial discrepancies, impact of risks and mitigation) This will ensure that all project revenue expenditure will be reported and aligned to operational delivery. The planned care board will feed into the post implementation review via the Investment Group on a regular basis but also by exception if significant risks present. 	<p>Quarter 1 25/26</p>	<p>Paul Bostock, Chief Operating Officer</p>

Finding 2: Administrative Governance issues	Residual Risk
<p>The Endoscopy Expansion Project was established with a defined project terms of reference which included a reporting hierarchy. This extended from the project team through a series of groups to the Board and finally Welsh Government. Our review noted several failures in the governance of the proposals administration and risk monitoring:</p> <ul style="list-style-type: none"> • The Business Case Approval Group (BCAG) was the first review point for the revenue expenditure proposal. Its terms of reference states that the eight principal members should in a twelve-month period attend at least 70% of the meetings. Our review tracked attendance for the 2021/2022 financial year and established that cumulative attendance register was not maintained and only four members reached the attendance criteria and two did not attend at all. • The BCAG did not maintain a record of key discussions that resulted in the budget moving to £3.1m from £4.9m. • The Project Team did not maintain a live risk register to track proposal risks and their mitigating actions, and these were not therefore effectively reported to the BCAG. • The Board minutes dated 27 May 2021 did not include an action owner to continue to monitor the revenue expenditure proposal. 	<p>Key decision-making forums do not maintain secure accurate records. As a result, institutional knowledge is not retained, lessons learnt, and decision makers held to account.</p> <p>Decisions are made without an appropriate committee member oversight.</p>
Opportunity 2	Priority
<p>All key decisions and discussions should be recorded and evidenced within the BCAG meeting minutes and an action log should be produced to record and track all actions relating to the project.</p> <p>Members of the BCAG should attend the required meetings or send a representative when they are unable to attend.</p> <p>The project team should maintain a register of all project risks that is subject to regular review and updating and is reported to the BCAG.</p>	<p>N/A - Advisory Review</p>

Management Response 2	Target Date	Responsible Officer
<ul style="list-style-type: none"> BCAG has now been replaced by the Investment Group. All key decisions made within clinical board, planned care board or executives will be recorded and evidenced in the investment group moving forward through relevant minutes and actions. An action log will be produced to record and track actions relating to projects/investments. Senior Responsible officer (For Endoscopy JE, Deputy Director of Operations Medicine) will maintain a register of delivery risks, which will be subject to regular review and updated in regular agreed intervals through relevant board including relevant clinical board, planned care board and investment group. 	<p>Quarter 1 25/26</p>	<p>Jesse Ayertey, Senior Responsible Officer</p>

Finding 3: Lack of clear Project Management Governance arrangements		Residual Risk
<p>The Endoscopy Expansion Project had an agreed terms of reference but was not managed in accordance with a standard agreed Health Board operating procedure that would help to define the projects framework, reporting rules and template presentation. This is highlighted by the following examples:</p> <ul style="list-style-type: none"> • The various project iterations produced did not take into consideration risks that had already crystallised and were included in the term of reference for example, the delayed project start date, demand, growth changes, recruitment challenges and project affordability. • Project risks were not properly assessed and reported at an appropriate level. • There was no Responsible Accountable Consulted and Informed (RACI) table mapping governance oversight. • The two capital and revenue proposals were produced using different backing information for shared risks and opportunities. • The two proposals followed different authorisation hierarchies and were mainly produced in isolation and different formats. 		<p>Projects are not managed to an agreed quality standard.</p> <p>Work is produced in isolation duplicating effort and wasting limited resources.</p> <p>Published proposals are not produced to a defined framework and quality standard.</p>
Opportunity 3		Priority
<p>The Health Board should ensure that all future projects are managed in accordance with a standard operating procedure in order to strengthen the governance arrangements. This would improve assurance by reporting, tracking risks at key stage gates and help to consolidate project resources and present data.</p>		N/A - Advisory Review
Management Response 3	Target Date	Responsible Officer
<ul style="list-style-type: none"> • The Health Board will ensure future projects are managed in accordance with standard operating procedures. Having reviewed available documentation, it is clear there is a need to refresh documentation strengthening governance 	Quarter 2 25/26	Mike Bond, Director of Workforce and Financial Improvement

<p>arrangements. These will include, tracking of delivery, tracking of risks and mitigation at key stages, consolidating project resources, clarity of accountability and responsibility through SRO function.</p> <ul style="list-style-type: none"> • Development and utilisation of responsible accountable consulted and informed (RACI) table (already partially utilised in a number of projects across the organisation. The SOP will stipulate the need for this for projects over an agreed value. • Project team establish one project steering group with key stakeholders for major projects. Documentation is standardised and follows organisational templates. Both capital and review bids for one project are presented together to ensure transparency and risks are understood and reflected appropriately to support clear decision making. 	<p>Quarter 1 25/26</p> <p>Quarter 1 25/26</p>	<p>Catherine Wood, Director of Operations – Planned Care</p> <p>Andrew Gough, Deputy Director of Finance</p> <p>Jesse Ayertey, Senior Responsible Officer</p> <p>Jesse Ayertey, Senior Responsible Officer</p>
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Finding 4: Key project targets have not been achieved.		Residual Risk
<p>Our review established that the following key aims set out in the Final Endoscopy Expansion Revenue Business Case V17 dated 18 November 2021 had not been achieved to date:</p> <ul style="list-style-type: none"> To reduce reliance upon expensive insourcing services - In the 30 months the project has been running insourcing expenditure over the period totalled £7,831,879 from a total expenditure of £10,863,680 (72%). Reducing insourcing by increased inhouse activity - The two new theatres were officially handed over to the Health Board in February 2024. In the 2024/25 financial year the new theatres have treated 292 patients. However, the original plan on a pro rata basis stated that 1,890 patients would be treated. The original plan included enhanced 7 day working across all theatres which has not been achieved. Forecast total core capacity has not been achieved based on an extrapolation of current actual output. 	<p>The UHB will not meet its key objectives.</p> <p>Reputational damage</p>	
Opportunity 4		Priority
<p>The Health Board should carry out a detailed review and assessment of the future plans for Endoscopy provision to ensure that the capital and revenue investments that have already been made are effectively utilised to enable achievement of the project's key aims.</p>		<p>N/A - Advisory Review</p>
Management Response 4	Target Date	Responsible Officer
<ul style="list-style-type: none"> The Health Board under the auspices of the medicine clinical board have started to carry out a detailed review and assessment of future plans for endoscopy provision with an agreed timeline for delivery. There is also a review of the revenue investments already made, clearly evidencing as per this audit report the way in which resource has been deployed and what has been delivered. The focus is now on driving a plan that delivers a 	<p>Quarter 1 25/26</p>	<p>Jesse Ayertey, Senior Responsible Officer</p> <p>Mike Bond, Director of Workforce and Financial Improvement</p> <p>Kris Prosser, Finance Business Partner</p>

<p>realistic effective and efficient, sustainable service within an agreed timeline, including the utilisation of the LHP.</p> <ul style="list-style-type: none"> Further work is being undertaken including an establishment review for endoscopy that encompasses the full resources available for the endoscopy service, how they are being deployed, what is currently being delivered, against expected activity including productivity and efficient gains aligned to GIRFT and JAG. This will also form part of the MCB QIEP. 	<p>Quarter 1 25/26</p>	<p>Jesse Ayertey, Senior Responsible Officer</p>
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Finding 5: Ongoing project oversight		Residual Risk
<p>Regular reports of theatre utility and financial expenditure are produced as part of an agreed reporting hierarchy. These contain actual and forecast information; however, these are produced separately and do not provide a consolidated view of the project progress against the original plan. This view has not been requested as part of the reporting cycle and therefore not produced.</p> <p>Our review noted that the project did not have a single overarching person consolidating and tracking risks and issues associated with the project progress. For example, changes to the budget because of WG funding changes were not communicated in a timely manner to budget holders. Consequently, planned expenditure exceeded the funds available and there was a risk that without mitigating action current and future operational commitments could not be met.</p>		<p>Overarching historical and current baselined project data is not available for review. Limiting management’s ability to learn lessons and apply them in real time.</p> <p>Without a clear project lead responsibility can dissipate resulting in poor oversight and decision making</p>
Opportunity 5		Priority
<p>There is an opportunity to improve governance and communications by adding a Responsible, Accountable, Consulted and Informed (RACI) table for Committees and other forums to ensure decisions are shared with all affected parties enabling the retention of auditable communication trails.</p>		<p>N/A - Advisory Review</p>
Management Response 5	Target Date	Responsible Officer
<ul style="list-style-type: none"> The Health Board will improve governance and communication by adding a RACU table for the relevant governance structure and committees. This will ensure that decisions are shared and made in the correct forum aligned to organisational policy. The capturing and retention of auditable communication trails is critical and will support good governance and facilitate improved learning. 	<p>Quarter 1</p>	<p>Mike Bond, Director of Workforce and Financial Improvement</p> <p>Jesse Ayertey, Senior Responsible Officer</p>

<ul style="list-style-type: none">In additional each project/development will have a single overarching person designated as senior responsible officer to consolidate and track risks and issues associated with progress.	Immediate	Jesse Ayertey, Senior Responsible Officer
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Endoscopy Unit Expansion at UHL VFM paper 30.11.2021 verses Actuals								
Direct Pay Costs Staff Type	WTE	Budget Year 2022/23	Actual 2022/23	Budget Year 2023/24	Actual 2023/24	Budget Year 2024/25	Actual 30/11/24	Forecast 2024/25
Senior Nurse	1	£29,844		£59,688		£59,688		
Qualified Nurse Band 6(UHL)	3.78	£103,394	£38,787	£142,934	£78,846	£183,273	£104,603	£141,000
Band 6 - Qualified Nurse (UHW)	New				£8,166		£75,489	£51,000
Qualified Nurse Band 5	18.73	£477,977	£72,839	£666,904	£141,676	£764,176	£278,231	£396,000
Band 3 - HCSW (Decon Tech)	5.65	£136,163	£36,013	£179,756	£47,093	£207,833	£62,680	£116,000
Band 4 - Development Nurses	New				£53,682		£30,899	£62,000
Band 5 Nurse pre-assessment	1	£17,073		£34,145		£34,145		£26,000
Band 6 co-ordinator	1.77	£37,666		£75,332		£75,332		
Band 7 - Hepatology & Gastro Manager	New		£13,761					£24,000
Band 8A - Nurse Endoscopist	New		£49,191		£63,497		£66,653	£49,000
Band 8A - Trainee Nurse Endoscopist	New						£18,146	
Band 8A - Senior Nurse	New		£10,180		£64,957		£68,126	£60,000
Band 8A - Endoscopy Manager	New				£27,117			
Band 8A - Clinical Nurse Specialist	New				£12,222		£18,799	
Reception staff	2.35	£21,303		£33,138		£55,625		£34,000
Band 3 - A&C (Co-ordinators)	3	£51,866		£77,799	£21,004	£77,799	£20,602	£52,000
Band 4 - A&C (Secretary)	2.5	£37,340		£74,680	£22,879	£74,680	£76,686	£67,000
Band 4 - HCSW (Decon Tech)	New							
Band 4 Waiting list Validation co-ordinator	1	£14,936		£29,872	£12,018	£29,872	£33,079	£18,000
Consultants	2.5	£165,457	£115,511	£330,913	£175,394	£330,913	£585,655	£344,000
Consultant (Locum - Cancers)	New				£144,436		£1,110	
Endoscopy Fellow	1	£53,414		£53,414	£40,717	£53,414	£39,381	£68,000
Band 4 - A&C (Recovery & JAG Accreditation)	New							£17,000
Agency Nurses (Recruitment Gap)	New							£272,000
Consultant WLI payments weekend working		£527,679		£557,712	£52,928	£697,141		£286,000
Gastroenterology								
Middle Grade Doctor (Fellow)	New						£20,996	
F3 Doctor	New						£52,921	
Physician Associate	New						£19,528	
Direct Pay Costs Total	44.28	£1,674,112	£336,282	£2,316,287	£966,632	£2,643,891	£1,573,583	£2,083,000
CD&T								
Reporting Consultant	1.34	£112,776		£179,707		£199,934		£181,000
Band 5 Practitioner	0.17	£3,756		£5,634		£6,385		
Band 4 AP	0.12	£3,149		£3,149		£3,778		
Band 2 MLSW	0.34	£4,648		£6,972		£7,902		
Band 2 Clerical Officer	0.34	£4,648		£6,972		£7,902		
Band 2 Admin Support	0.84	£11,621		£17,663		£19,522		
Band 7 Dietician	0.4	£11,211		£22,421		£22,421		£16,000
Band 6 Radiographer	0.38	£10,265		£18,139		£18,139		
Radiology Consultant	0.7	£72,801		£86,037		£92,655		£70,000
Band 4 Medical Secretary	0.35	£5,917		£10,455		£10,455		
A&C	0.5	£7,355		£12,997		£12,997		
Total CD&T	5.48	£248,147		£370,146		£402,090	£0	£267,000
Total Direct costs and CD&T	49.76	£1,922,259	£336,282	£2,686,433	£966,632	£3,045,981	£1,573,583	£2,350,000
Direct non Pay Costs								
Equipment set up costs		£29,331						
Server Costs		£3,000		£3,000		£3,000		
Consumables		£1,118,178		£1,381,244		£1,528,071		
Maintenance Contracts Equipment		£0		£23,012		£87,547		
		£1,150,509		£1,407,256		£1,618,618		
Support Departments								
Cleaning		£40,940		£66,328		£66,328		
Estates		£19,140		£38,279	£25,884	£38,279	£129,420	
Waste		£3,231		£5,691		£5,691		
Security		£1,836		£3,671		£3,671		
Energy combined		£49,700		£87,550		£87,550		
Water		£5,000		£8,800		£8,800		
Rates		£13,063		£26,125		£26,125		
Linen		£1,425		£1,425		£1,425		
		£134,335		£237,869	£25,884	£237,869	£129,420	£0
Direct non Pay and Support Departments Total		£1,284,844		£1,645,125	£25,884	£1,856,487	£129,420	£0
Clinical Diagnostics and Therapeutics		£21,695		£34,264		£36,495		
		£1,306,539		£1,679,389	£25,884	£1,892,982	£129,420	£0
Insourcing and Outsourcing								
Equipment - Additional Room Set-up Costs	New				£3,624		£27,351	
Consumables for Additional Lists	New				£5,992		£78,537	£825,000
VISA Costs	New				£48,160		£7,456	
Weekend Working at UHW (2 theatres)	New				£70,136			£241,000
Mobile Unit	New		£1,876,436		£166,971			£239,000
In Health Nurses	New		£86,100					
Insourcing Contract - UHL	New		£1,545,272		£892,134		£1,955,333	£1,121,000
Insourcing Contract - UHW	New						£15,696	
Insourcing - UHB staff	New		£165,443		£116,857		£122,500	
Insourcing - Non Pay	New		£154,265		£203,492		£290,125	
			£3,827,516		£1,507,366		£2,496,997	£2,426,000
Total Costs		£3,228,798	£4,163,798	£4,365,822	£2,499,882	£4,938,963	£4,200,000	£4,776,000
WG Covid Relief Fund Recovery Plan Budget allocation		£4,347,900		£4,776,000		£3,190,000		

Appendix B: Assurance opinion and action plan risk rating

Audit Assurance Ratings

We define the following levels of assurance that governance, risk management and internal control within the area under review are suitable designed and applied effectively:

	Substantial assurance	Few matters require attention and are compliance or advisory in nature. Low impact on residual risk exposure.
	Reasonable assurance	Some matters require management attention in control design or compliance. Low to moderate impact on residual risk exposure until resolved.
	Limited assurance	More significant matters require management attention. Moderate impact on residual risk exposure until resolved.
	Unsatisfactory assurance	Action is required to address the whole control framework in this area. High impact on residual risk exposure until resolved.
	Assurance not applicable	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 Recommendations

We categorise our recommendations according to their level of priority as follows:

Priority level	Explanation	Management action
High	Poor system design OR widespread non-compliance. Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in system design OR limited non-compliance. Some risk to achievement of a system objective.	Within one month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. 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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