

Financial Management within Clinical Boards

Final Internal Audit Report

April 2024

Cardiff & Vale University Health Board



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Auditors:	Jayne Gibbon, Audit Manager Lucy Jugessur, Deputy Head of Internal Audit Ian Virgill, Head of Internal Audit
Executive sign-off:	Catherine Phillips, Executive Director of Finance
Distribution:	Robert Mahoney, Deputy Director of Finance (Operational)
Committee:	Audit & Assurance Committee



Audit and Assurance Services conform with all Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Chartered Institute of Public Finance & Accountancy in April 2023.

Acknowledgement

NHS Wales Audit and 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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Executive Summary

Purpose

The overall objective of the audit was to review the processes operating within the Clinical Boards around financial management, budgetary control and delivery of savings.

Overview

We have issued reasonable assurance on this area.

The matters requiring management attention include:

- Ensuring budget holders regularly access the financial system available to them.
- Ensuring that Clinical Boards identify and deliver savings schemes to deliver their delegated savings targets.

Other recommendations / advisory points are within the detail of the report.

Report Opinion



Some matters require management attention in control design or compliance.

Assurance summary¹

Objectives	Assurance
1 Sufficient, relevant and reliable information available to Clinical Board budget holders.	Reasonable
2 Clinical Boards work collaboratively with their Finance Business Partners.	Substantial
3 Clinical Board's Financial position presented and discussed.	Substantial
4 Clinical Board's have developed agreed achievable savings plans for 2023/24	Reasonable
5 Implementation of agreed savings plans are monitored, reported and acted upon.	Reasonable

¹The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion.

Key Matters Arising

	Objective	Control Design or Operation	Recommendation Priority	
2	Budget holders not accessing financial reports	1	Operation	Medium
3	Savings Plans 23/24 not being identified and achieved	4, 5	Operation	Medium

1. Introduction

- 1.1 Our review of Financial Management within Clinical Boards was completed in line with the 2023/24 internal audit plan for Cardiff and Vale University Health Board (the 'Health Board').
- 1.2 The Health Board were unable to deliver a balanced 3-year IMTP so have developed an Annual Plan 2023/24 which was taken to the Board meeting on 30th March 2023 and submitted to Welsh Government on 31st March 2023. The plan included a deficit of £88.4 million inclusive of a 4% savings ambition which equates to £32 million. In October 2023 the Health Board received £63 million of additional funding from Welsh Government. This resulted in a revised forecast deficit of £16.4 million inclusive of an additional £8.8 million reduction in expenditure, on top of the previous £32 million savings.
- 1.3 Each of the Health Board's Clinical Boards have delegated responsibility to manage their financial budgets, with support from designated Finance Business Partners.
- 1.4 In 2022/23 we undertook an audit of 'Financial Reporting and Savings Targets' within the Health Board and a Substantial Assurance was provided.
- 1.5 Our review focussed on the following three Clinical Boards:
 - Clinical, Diagnostics & Therapies Clinical Board (CD&T)
 - Children & Women Clinical Board (C&W)
 - Mental Health Clinical Board (MH)
- 1.6 The Executive lead for this review is the Executive Director of Finance.

Audit Risks

- 1.7 The potential risks considered in this review were as follows:
 - Financial targets are not met as budgets are not effectively monitored and controlled;
 - Forecasts are inaccurate leading to a continued deterioration of the forecast deficit for 2023/24; and
 - Failure to deliver savings targets.

2. Detailed Audit Findings

Objective 1: Sufficient, relevant and reliable information is available to Clinical Board budget holders to enable effective monitoring and review of their delegated budgets, which also facilitates the identification and management of high risk areas.

- 2.1 Budget holders receive an email each month notifying them that they can access the latest financial information for their area of responsibility. The email also

provides details of the top 5 favourable and adverse expenditure variances. However, there is no summary provided regarding the financial position of individual departments/budget areas. **(Matter Arising 1 – Low Priority)**

2.2 The information that all budget holders are able to access is as follows:

- Current period summary – The budget holder is able to review the current financial position (budget reports) for individual cost centres or at a summary level. Information can be accessed by using pivot tables.
- Current Period Transactions – The budget holder is able to review all transactions, pay, non pay and income. They are able to access the information for individual cost centres as well as by subjective.
- Multi Period Summary – The budget holder is able to review the financial position for the financial periods up to the previous two years.
- Multi Period Transactions – Transactions from the current reporting period as well as previous financial periods.
- Aged Debt – Budget holders are able to review details of outstanding debts for their area.
- Staff in Post – This provides details of all staff in post noting Whole Time Equivalent (WTE) as well as position. Salary costs are accessed via transactions.

2.3 In addition, Clinical Board Accountants provide Directorates with either a monthly written report and / or a monthly financial scorecard. The report and scorecard provide details of the current financial position noting key variances that are contributing to the financial position as well as the progress on savings schemes targets.

2.4 As part of our fieldwork, we reviewed a report detailing when budget holders last accessed their financial information via Sharepoint. Whilst the majority of budget holders had accessed the information recently there were examples of budget holders never having accessed the information and some budget holders had not accessed the information since 2021. **(Matter Arising 2 – Medium Priority)**

Conclusion:

2.5 Whilst all budget holders receive and are able to access reliable and relevant financial information it was noted that not all budget holders are accessing their financial information on a regular basis with some budget holders not accessing the information since 2021 and 2022. We have provided **Reasonable Assurance** for this objective.

Objective 2: The Clinical Boards work collaboratively with their Finance Business Partners to manage their financial budgets through structured, documented meetings.

- 2.6 Finance Business Partners / Clinical Board Accountants meet with budget holders on a regular basis with actual meetings varying from in-person to via teams. The frequency of meetings can vary from bi-weekly, monthly to quarterly. The more at risk a department's financial position is deemed to be the more frequent the meeting.
- 2.7 All meetings that take place between the Finance Business Partners / Clinical Board Accountants are regarded as informal and so no notes are kept. However, there are often e-mail exchanges after said meetings confirming actions agreed or requesting further information.
- 2.8 Finance staff can be contacted by the budget holder to assist with any queries they may have between each meeting held, and the reverse is also the case.
- 2.9 Discussions with a sample of budget holders confirmed that Finance are always contactable to answer any queries or concerns that they may have with their financial information. Finance staff will provide where possible additional information requested by the budget holders.

Conclusion:

- 2.10 Finance Business Partners / Clinical Board Accountants meet with budget holders on a regular basis to review the financial position. In addition, the Finance Business Partners / Clinical Board Accountants provide additional information as required and are able to assist with any queries. We have provided **Substantial Assurance** for this objective.

Objective 3: The Clinical Board's financial position is presented and discussed at appropriate meetings and actions are taken to address identified issues.

- 2.11 The Clinical Boards' financial positions are reviewed and discussed at the monthly clinical board meetings for the CD&T and Mental Health Clinical Boards. Whilst there is no monthly Clinical Board meeting for the Children & Women Clinical Board, finance is regularly discussed at the weekly Core Group meeting.
- 2.12 The financial position of the Clinical Boards are also standing agenda items at the monthly performance meetings that take place with the Health Board Executive Directors.
- 2.13 A review of the minutes / notes for a sample of meetings (monthly Clinical Board & Performance) confirmed that discussions have taken place regarding the Clinical Boards' financial positions focussing on the following areas:
- Current key pressure / risk areas;
 - Key priorities for the Clinical Board;

- Current and forecast financial positions; and
- Delivery of the Cost Reduction Programmes.

2.14 We also note that actions are noted in minutes and notes of meetings and these are followed up when reviewing the following month's financial position.

Conclusion:

2.15 The Clinical Boards' financial position is presented and discussed at appropriate meetings and also as part of the monthly performance meetings held with Health Board Executive Directors. We have provided **Substantial Assurance** for this objective.

Objective 4: The Clinical Boards have developed agreed achievable savings plans for 2023/24.

2.16 We noted that all Clinical Boards including the three Clinical Boards reviewed had identified savings targets to deliver the 1% Grip and Control Savings Target that was delegated at the beginning of 2023/24 and as at month 9 the full savings targets are forecast to be achieved for the year.

2.17 All Clinical Boards were required to identify saving schemes as part of the Corporate Central Themes Savings Target. We noted of the three Clinical Boards only the Mental Health Clinical Board had identified schemes to deliver its target of £1,463k as at month 9.

2.18 The CD&T Clinical Board had a delegated savings target of £1,358k and as at month 9 savings schemes totalling £642k had been identified leaving a shortfall of £716k. **(Matter Arising 3 – Medium Priority)**

2.19 For the Children & Women Clinical Board its delegated target was £1,185k and as at month 9 savings schemes totalling £661k had been identified leaving a shortfall of £527k. **(Matter Arising 3 – Medium Priority)**

Conclusion:

2.20 All three Clinical Boards had identified savings schemes to deliver the delegated 1% Grip Control savings targets. Two of the Clinical Boards did not have savings plans in place to deliver the targets in full for the Central Themes Savings Targets. We have provided **Reasonable Assurance** for this objective.

Objective 5: Implementation of agreed savings plans are monitored, reported and acted upon at Clinical Board level, and risks to achievement of savings targets are identified.

2.21 The progress on the Clinical Boards savings plans are monitored each month as part of the month end financial processes.

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- 2.22 We noted that progress of the savings plans are reported as part of the monthly finance report for the three Clinical Boards and these are considered at the meetings detailed in 2.11 and 2.12.
- 2.23 With regards to the current position for the delivery of the Central Themes savings targets delegated to the Clinical Boards we note the following:
- As at month 9 CD&T Clinical Board was reporting a shortfall of £551k against the Central Themes Delegated Target with the year-end forecast being a shortfall of £558k. **(Matter Arising 3 – Medium Priority)**
 - As at month 9 Children & Women Clinical Board was reporting a shortfall of £518k against the Central Themes Delegated Target with the year-end forecast being a shortfall of £600k. **(Matter Arising 3 – Medium Priority)**
 - As at month 9 Mental Health Clinical Board was reporting a shortfall of £119k against the Central Themes Delegated Target. However, the year end forecast is an overachievement of £22k. **(Matter Arising 3 – Medium Priority)**
- 2.24 From our review of the financial reports provided for each Clinical Board we can confirm that any shortfall in delivering planned savings schemes is reflected in the current and year end forecast financial position.
- 2.25 The Health Board was placed in Enhanced Monitoring by Welsh Government for planning and finance and a bi-weekly Sustainability Group was assembled by the Health Board. The purpose of the group was to maintain oversight of the financial stewardship within the Clinical Boards and membership of the group included the Clinical Boards Triumvirate as well as Senior Finance Business Partners. Specific responsibilities noted in the group's terms of references included:
- Review achievement against savings targets for each area and agree impact of next steps.
 - Review and support development of recurrent savings plan.
- 2.26 The Sustainability Group has recently stood down as the forecasted 2023/24 financial position for the Health Boards is at a manageable position. However, a new weekly meeting has been introduced to provide oversight on the identification and subsequent delivery of savings schemes for the forthcoming year 2024/25. The meeting is chaired by the Deputy Director of Finance (Operational) and is attended by Clinical Board Service Leads, Workforce and Finance Leads.

Conclusion:

- 2.27 Updates on the progress of delivering the Clinical Boards' savings plans is regularly reviewed at key Clinical Board and Health Board meetings. At the current time, two of the Clinical Boards reviewed are forecasting a shortfall in delivering their delegated targets. We have provided **Reasonable Assurance** for this objective.

Appendix A: Management Action Plan

Matter Arising 1: Monthly Information E-Mail (Design)		Impact	
<p>We note that budget holders are advised that they are able to access the latest monthly information via an automated email from the Finance Department. The budget holders are provided with a summary of the Top 5 Adverse and Favourable Variances by expenditure subjective within the email.</p> <p>We were advised by a number of budget holders that this information is useful. However, the budget holders that have a large number of different departments within their area of responsibility would also welcome a similar summary of the current financial position by department. This would then allow them to focus initially on those departments that are experiencing financial issues.</p>		<p>Budget holders unaware of which departments are experiencing financial pressures.</p>	
Recommendations		Priority	
1.1	<p>Consideration should be taken by Management as to whether they want to provide additional information concerning the reported financial position by department in the monthly email that is issued to budget holders.</p>	Low	
Agreed Management Action		Target Date	Responsible Officer
1.1	<p>Finance support teams have been asked to liaise with their budget holders to review how reports are to be prepared and delivered.</p>	September 2024	Heads of Finance

Matter Arising 2: Budget holders not accessing financial reports (Operation)		Impact
<p>Audit was provided with a report that identified when budget holders last accessed the financial information available via Sharepoint. It was identified that most budget holders had accessed the financial information as recently as the last two financial months (December 2023 and January 2024). However, the following was observed for the three Clinical Boards:</p> <p>CD&T</p> <ul style="list-style-type: none"> Some budget holders have failed to access the information at all. For these individuals it may be that they are no longer budget holders and the details on the 'reports database' has not been updated; and Some of the identified budget holders had last accessed the information in early 2023 although, one budget holder last accessed the information in April 2022. <p>Children & Women</p> <ul style="list-style-type: none"> Some budget holders have failed to access the information at all. For these it may be that the individuals are no longer budget holders and the details on the 'report database' has not been updated; and It was also noted that for some of the identified budget holders the information was last accessed in early 2023 although one budget holder last accessed the information in December 2022. <p>Mental Health</p> <ul style="list-style-type: none"> Some budget holders have failed to access the information at all. For these it may be that the individuals are no longer budget holders and the details on the 'database' has not been updated; and It was also noted that for some of the identified budget holders the information was last accessed in September 2021 and September 2022. 		<p>Budget holders are not identifying any issues / risks for their areas of responsibility.</p>
Recommendations		Priority
2.1	<p>The Clinical Board Finance Teams should review the 'reports database' to ensure that all budget holders details are up to date and take appropriate action to remove those staff that are no longer budget holders and if applicable add the details of any budget holders that are missing.</p> <p>Consideration should also be given that the Financial Systems Team issue the report to each Clinical Board Finance Team on a quarterly basis for review.</p>	<p>Medium</p>

Agreed Management Action	Target Date	Responsible Officer
2.1 The Reports database is not the only platform for availability and review of financial information and support teams follow up with primary budget holders in monthly (or more often) meetings. Finance support teams will review their distribution at the same time as they liaise with budget holders on information needs to ensure that distribution lists are appropriate and up to date.	September 2024	Heads of Finance

Matter Arising 3: CRP Savings Schemes not being identified and achieved (Operation)	Impact
<p>A review of the savings scheme plans in place for the three Clinical Boards noted the following observations:</p> <p>CD&T Clinical Board</p> <p>Our review of the savings plans in place for the Central Corporate Schemes allocated target noted that whilst the Clinical Board had identified a number of schemes there was still a substantial gap of £716k to meet its allocated target of £1,358k as reported in the month 9 financial report.</p> <p>A review of the progress of the savings plans position as reported in the month 9 financial report noted a shortfall of £551k to date with a forecast year end shortfall of £558k.</p> <p>Children & Women Clinical Board</p> <p>Our review of the savings plans in place for the Central Corporate Schemes allocated target noted that whilst the Clinical Board had identified a number of schemes there was still a substantial gap of £527k to meet its allocated target of £1,185k as reported in the month 9 financial report.</p> <p>A review of the progress of the savings plans position as reported in the month 9 financial report noted a shortfall of £518k to date with a forecast year end shortfall of £600k.</p> <p>Mental Health Clinical Board</p> <p>A review of the progress on delivering the savings noted that as at month 9 the Clinical Board had reported savings of £1,334k being delivered against a target of £1,453k resulting in a shortfall of £119k. The shortfall is attributable to Central Themes Savings Target. With regards to the forecast year end position the Clinical Board was forecasting an overachievement of £22k attributable to the Central Themes target. It was also noted that £900k of the savings identified for this year was nonrecurrent.</p>	<p>Clinical Boards fail to deliver its forecast financial position</p>

Recommendations		Priority
<p>3.1</p> <p>Clinical Board Finance Senior Management need to work with Heads of Services/Departments to identify deliverable savings schemes in order to meet its delegated savings target for Corporate Central Savings Themes.</p> <p>Where existing savings schemes are failing to deliver their planned savings in total, Finance and Senior Management need to work with Heads of Services/Departments to identify actions that can be introduced to deliver the delegated savings targets.</p> <p>Where it has been identified/confirmed that identified schemes will not deliver expected savings then Heads of Services/Departments should ensure that additional deliverable savings schemes are identified to address the shortfall.</p> <p>Where non recurrent savings have been identified management should review schemes to ascertain if they could be made recurrent, or identify additional schemes.</p>		<p>Medium</p>
Agreed Management Action	Target Date	Responsible Officer
<p>3.1</p> <p>The responsibility for delivery of the financial savings target is a key objective for the senior leadership team in each Clinical Board with the support and key input of the respective Finance Business Partner / Head of Finance.</p> <p>All savings targets for the UHB in the financial year are allocated to a Clinical Board level in the annual budget setting exercise as part of the development of the UHB financial plan.</p> <p>Finance Business Partners work with the Clinical Board leadership teams to continually develop savings ideas for Month 1 and then throughout the financial year.</p> <p>The Chief Operating Officer and Director of Finance, alongside the planning functions, ensure that the savings targets are shared and that plans are actively</p>	<p>1st April 2024- Governance Structure in place for whole year monitoring and reporting against this key component of the UHB's Financial Plan for 2024-25</p>	<p>Clinical Board Senior Leadership Team supported by the COO/DoF and overseen by the UHB Savings Governance Structure</p>

<p>developed before the beginning of the financial year, and onwards into the financial year where shortfalls still exist.</p> <p>The delivery of the cost savings target is a fundamental, high risk, component of the financial strategy of the UHB and this is reflected in the UHB's Risk Register, monthly reports to the Finance Committee and Welsh Government.</p> <p>Alongside this the UHB operates an enhanced scrutiny governance structure to which the Clinical Board Senior Leadership Team is accountable for savings delivery. This governance structure includes:-</p> <ul style="list-style-type: none"> • Monthly Executive Performance Reviews • Monthly (All) Clinical Boards Finance meeting • Sustainability Board (to oversee savings framework) chaired by the CEO • Weekly or Bi Weekly Savings Group – Attended by COO <p>This structure also exists to re-invigorate processes where areas are forecast to fall short of target or deliver in entirely new areas of opportunity.</p>		
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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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Partneriaeth
Cydwasaethau
Gwasanaethau Archwilio a Sicrwydd
Shared Services
Partnership
Audit and Assurance Services

NHS Wales Shared Services Partnership
4-5 Charnwood Court
Heol Billingsley
Parc Nantgarw
Cardiff
CF15 7QZ

Website: