

Financial Management Final Internal Audit Report December 2022

Public Health Wales NHS Trust



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Committee:	Audit & Corporate Governance 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 and Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

Disclaimer notice - please note

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Executive Summary

Purpose

The overall objective of the review was to consider the management of financial plans at Directorate level.

Overview

We have issued substantial assurance on this area.

We identified one issue requiring management attention:

- The Budgetary Control Framework was last updated in 2015.

Report Opinion



Few matters require attention and are compliance or advisory in nature.

Low impact on residual risk exposure.

Trend



2020/21

Assurance summary¹

Objectives	Assurance
1 There are appropriate policies, procedures and guidance materials in place.	Substantial
2 Delegated budgets are clearly aligned with the integrated medium term plan and operational plan as appropriate.	Substantial
3 Budget holders have agreed budgets in good time prior to start of the financial year.	Substantial
4 Sufficient, relevant, reliable and timely information is available to budget holders.	Substantial
5 Monitoring and review of budgets and forecasting takes place.	Substantial
6 Budget variances are identified and action is taken.	Substantial

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

1. Introduction

- 1.1 Our review of Financial Management: budgetary control was undertaken in line with the 2022/23 Internal Audit Plan for Public Health Wales (the 'Trust').
- 1.2 Our previous review of financial management covered the process of managing budgets by the budget holders through to reporting information to the Board. This year's audit focussed on budget control within the directorates. This is important to any organisation's success as it sets targets for income and expenditure. The organisation can then hold itself accountable to those targets as the year progresses.
- 1.3 The relevant lead for the review is the Deputy Chief Executive/Executive Director of Operations and Finance.
- 1.4 The associated risks for the audit review were:
 - Financial targets are not met as budgets are not effectively monitored and controlled.
 - Forecasts are inaccurate leading to unexpected over or under spends and potential cash flow problems.

2. Detailed Audit Findings

Objective 1: There are appropriate policies, procedures and guidance materials in place that support the budgeting and forecasting processes, which cover the budget holder role and details responsibilities related to monitoring the annual budget and subsequent forecasts.

- 2.1 There is a detailed Budgetary Control Framework in place that is accessible to staff through the Trust's intranet. However, the document was last updated in 2015 (**Matter Arising 1 – Low Finding**)
- 2.2 The Framework includes detailed guidance on roles and responsibilities, budget setting and budgetary management.
- 2.3 Training sessions are provided to new budget holders as well as existing budget holders. A record is maintained of staff that attend the training sessions.

Conclusion:

- 2.4 There is guidance in place for budget holders although it has not been updated since 2015. Training sessions are available to budget holders on a monthly basis. (Substantial Assurance)

Objective 2: Delegated budgets are clearly aligned with the integrated medium term plan and operational plan as appropriate.

- 2.5 We understand that there is a reconciliation between the opening budgets that are uploaded to the financial system and the Trust's financial plan detailed within its Integrated Medium Term Plan (IMTP).
- 2.6 Each month, a Trust budget reconciliation is completed to reflect changes to the Trust's resource allocation and any internal budget virements.

Conclusion:

2.7 We confirmed that the opening budgets for the delegated budgets were clearly aligned with the integrated medium term plan and the operational plan. (Substantial assurance)

Objective 3: Budget holders have agreed budgets in good time prior to the start of the financial year.

2.8 Following agreement and approval of the Trust's IMTP Executive Directors are issued with a budget booklet detailing the opening budgets for their departments/areas. On receipt of the budget booklet the Executive Directors are requested to confirm/acknowledge acceptance of the budgets.

2.9 For the two Directorates that we reviewed we confirmed that the Executive Directors received notification of their budgets and confirmed acceptance for this financial year (2022/23) in good time.

Conclusion:

2.10 We confirmed that budget holders agreed opening budgets prior to the start of the 2022/23 financial year. (Substantial assurance)

Objective 4: Sufficient, relevant, reliable and timely information is available to budget holders to enable them to effectively manage their allocated budgets.

2.11 Budget holders access the financial information for their Directorate on a daily basis via Qlikview.

2.12 After the Trust's financial position has been formally agreed and reported to Welsh Government budget holders receive an email advising them that they are able to access the 'reported' financial position for their areas of responsibility.

2.13 The financial information that budget holders are able to access include:

- Financial position/budget report for each cost centre.
- Details of all monthly transactions.
- List of staff and associated monthly costs as well as previous months.
- Details of transfers of budgets or expenditure.

2.14 We met with budget holders as part of our fieldwork and confirmed that they regularly access the financial information through Qlikview for their areas, which assists them in any decisions that are required.

Conclusion:

2.15 Budget holders are able to access and receive financial information from which they are able to effectively manage their budgets. (Substantial assurance)

Objective 5: The monitoring and review of budgets and forecasting takes place through monthly structured, documented meetings between budget holders and business partners.

- 2.16 As part of the month end reporting process the Finance Business Partners are in regular contact with budget holders to discuss any variances/queries that are identified.
- 2.17 Once the Trust's financial position has been reported, the Finance Business Partners produce a Finance Report for each Directorate that they support, and it is issued to the budget holder. The report includes detailed information on the financial position, key points to note regarding pay and non-pay expenditure, and a spending forecast plan.
- 2.18 The Directorates Financial Report and spending plans are reported and considered at the Directorate's monthly Senior Management Team meetings. These are formal meetings with agendas and minutes in place.
- 2.19 There are informal meetings held between the Finance Business Partner and budget holders.
- 2.20 Each Directorate has a spending plan that is split by individual cost centres. Responsibility for updating and maintaining the spending plan are with the Directorate's budget holder.
- 2.21 The spending plans are reviewed by the Finance Business Partner and budget holder each month and the latest position is reflected in the Finance Report.
- 2.22 As well as being reviewed as part of the Finance Report at the Directorate's Senior Management Team, the spending plans are reviewed each quarter with Corporate Finance.

Conclusion:

- 2.23 Processes are in place for the monitoring and review of budgets and forecasting plans. (Substantial assurance)

Objective 6: Budget variances are identified and action is taken.

- 2.24 Budget variances are reviewed by budget holders and Finance Business Partners as part of the month end reporting process.
- 2.25 As part of the review process variances are investigated in order to determine the actions required. For example, additional funding required, action to be agreed to reduce expenditure.
- 2.26 The Directorates' Financial Reports identify key issues/variances and actions required to address them.
- 2.27 The impact of variances are also reflected in the Directorates' spending plans.

Conclusion:

- 2.28 There are processes in place that identify variances and ensure that actions are agreed to address the issues. (Substantial assurance)

Appendix A: Management Action Plan

Matter Arising 1: Budgetary Control Framework (Design)		Impact
<p>Whilst there is a detailed Budgetary Control Framework in place that budget holders are able to access it was last reviewed in May 2015 and may no longer reflect current working practices.</p>		<p>Potential risk of: Framework may be out of date due to changes in working practices</p>
Recommendations		Priority
1.1	<p>Management should ensure that the framework is reviewed, updated and approved at an appropriate forum as soon as possible.</p> <p>Management should also ensure that staff/budget holders are advised of any key amendments.</p>	Low
Agreed Management Action		Target Date
1.1	<p>The Budgetary Control Framework will be reviewed and updated as necessary and follow the appropriate governance and engagement process, via staff consultation and Audit Committee approval.</p>	March 2023
		Responsible Officer
		Angela Fisher, Deputy Director of Operations and Finance

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.
	No 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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