

Facilities Systems Final Internal Audit Report

June 2022

Cwm Taf Morgannwg University Health Board



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Executive Summary

Purpose

The overall objective of the audit was to evaluate and determine the adequacy of the systems and controls in place in relation to the Facilities directorate’s processes for requisitioning goods and services, budgetary control and governance.

Overview

We identified a number of areas that require improvement.

The key matters requiring management attention include:

- The ongoing use of retrospective orders for payment of invoices despite existing agreements in place and lack of documentation to support the orders.
- Competitive quotations not being obtained or reliance on historic arrangements.
- Clarity around purchasing responsibilities between the Central Hub and the ILGs Facilities Teams.
- Review of the Oracle purchasing hierarchy.

Report Classification

Limited



More significant matters require management attention.

Moderate impact on residual risk exposure until resolved

Assurance summary¹

Assurance Area	Assurance
1 Requisitioning of Goods & Services	Limited
2 Budgetary Control	Reasonable
3 Governance	Reasonable

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

Key Matters Arising	Assurance Area	Control Design or Operation	Recommendation Priority
1 Procurement process training	1	Operation	Medium
2 Use of retrospective orders	1	Operation	High
3 Competitive quotations	1	Operation	High
4 Monitoring compliance with No PO, No Pay policy	1	Operation	Medium
5 Budgetary holder training	2	Operation	Medium
6 Areas of responsibility	3	Operation	High
7 Financial system approval hierarchy	3	Operation	High

1. Introduction

- 1.1 Our audit review of aspects of the Facilities Directorate was completed in addition to the 2021/22 Internal Audit Plan for Cwm Taf Morgannwg University Health Board (the 'Health Board').
- 1.2 During 2021 a number of financial and governance issues relating to the Facilities directorate were brought to the Director of Finance's attention by the Assistant Director of Facilities. This included the identification of over 800 invoices, totalling £364k from the period April 2020 to September 2021 that had not been processed through the financial system and remained unpaid. Other issues included the authorisation and subsequent payment of an invoice that did not relate to Facilities, and unidentified budget pressures potentially caused by the ability of Facilities staff based in the ILGs to be able to raise orders and charge costs to the central Facilities budget.
- 1.3 As a result of these issues, the Director of Finance asked us to look at the requisitioning, budgetary control and related governance arrangement within the directorate. Our review has not investigated the specific actions and events that lead to the above issues.

Requisitioning of Goods and Services

- 1.4 Alongside the Health Board's own 'Requisitioning of Goods and Services' Financial Control Procedure (FCP) is an all Wales 'No Purchase Order, No Pay' policy. The All-Wales policy requires invoices without an order to be returned to the supplier unpaid, and the supplier asked to request a purchase order (PO) number from the relevant department. The policy aims to ensure that goods and services are ordered in line with procurement rules, such as the right people authorising expenditure ahead of it being incurred, quotes are obtained where necessary, and spend is directed through catalogue suppliers where contracts are in place.
- 1.5 When invoices with no PO are returned to suppliers they are placed 'on hold' within the Health Board's financial system. This can have an impact on the Health Board's ability to achieve its statutory target of paying non-NHS suppliers within 30 days.

Budgetary Control & Governance

- 1.6 As part of the operating changes introduced in April 2020, the Facilities Directorate was restructured to a 'hub and spoke' model. The corporate facilities team (the hub) oversees services such as clinical engineering and waste across the Health Board, and the facilities teams embedded in each of the three ILGs (the spokes) oversee services such as catering, porter and cleaning in relation to their ILG. These teams report into the ILG management structure. The corporate team had a budget of approximately £15m for 2021/22 and the ILGs each have their own budgets.
- 1.7 A Budgetary Control FCP is in place that sets out the principles underlying the control over the Health Board's operating costs and monitoring performance against budget. Our review focussed on the budget monitoring controls, but not the budget setting process.

- 1.8 The relevant leads for the review are the Director of Finance and the Chief Operating Officer.
- 1.9 The potential risks considered in the review were as follows:
- Non-compliance with legislation or Financial Control Procedures or the Scheme of Delegation.
 - Lack of responsibility and accountability by budget holders resulting in poor budget management and failure to achieve financial balance.
 - Incorrect decisions made where staff are not suitably trained or supported to understand their budget reports.
 - Overspends occur and are not acted upon if budget holders are not provided with sufficient and timely budget information.
 - Inaccurate reporting of budget positions if scrutiny and monitoring of budget reports does not take place in a timely manner.
 - Inappropriate movements between budgets resulting in overspend if virement processes are not followed.
 - Unauthorised expenditure or expenditure above delegated limits if orders are not processed through the correct system.
 - Value for money not obtained where procurement processes are not followed.

2. Detailed Audit Findings

Area for assurance 1: Requisitioning of Goods and Services.

Policies and guidance

- 2.1 There is an up to date FCP for the requisitioning of goods and services. The FCP is published on the Health Board's intranet and is available for staff to view. The FCP provides an overview of the principles of the purchase to pay process, but the policy is silent on the use of 'call off' orders. **(Matter Arising 2)**
- 2.2 The FCP cross references to the 2018 All Wales 'No PO No Pay' policy, which is also available to staff on the intranet. It appears that the policy was well communicated throughout the Health Board when introduced, though through our fieldwork it appears that the application of the policy within Facilities has been poor. While staff told us that they had not received training in relation to the policy, it was unclear if they asked to be trained by the Procurement team. **(Matter Arising 1)**
- 2.3 We also note that additional guidance on procurement is available to staff on the Procurement pages of the NHS Wales Shared Services (NWSSP) intranet, which includes instruction videos and information relating to I-procurement.
- 2.4 Before a new user of the Oracle financial system can access the system a 'New User Set-Up form' is completed and authorised. Part of this process requires the new user to complete a training module and record this information on the form. This places the responsibility on the user to confirm they have an understanding

of the correct Oracle process. We understand that the Finance Systems Team do not action the setup, until training completion has been confirmed.

- 2.5 The form also requires the applicant to identify their level of responsibility, for example, requisitioner or approver. For approvers, additional information such as cost centres and financial limit are required.
- 2.6 Reviews of the Oracle approval hierarchy are undertaken by the Financial Systems Team. However, no information is distributed to departments, requesting managers to review the hierarchy for their area, for the identification of inaccuracies. **(Matter Arising 7)**

Retrospective orders

- 2.7 We tested a sample of retrospective orders for Facilities and confirmed that all related to suppliers that were already set up on the procurement system. We identified some instances where it appears that normal ordering processes should have been followed. The reasons for not raising these purchase orders in advance included existing arrangements with suppliers and need for services urgently as a result of Health Board's response to the pandemic. **(Matter Arising 2)**
- 2.8 From our testing we also noted that many of the invoices paid via retrospective orders were for services where there were already existing agreements in place such as All-Wales contracts, commercial contracts or lease agreements. Where such agreements are in place 'open / call off' orders should be considered for payment of invoices. **(Matter Arising 2)**
- 2.9 While management provided historical background information to support the use of suppliers within our sample, at the time of our fieldwork, the directorate was not able to provide appropriate supporting information in relation to many of the specific invoices that we tested. **(Matter Arising 2)**
- 2.10 As we did not see the supporting information for the retrospective orders in all instances, it was unclear who had placed and authorised the order. This resulted in us being unable to test if the person authorising the 'request' had exceeded the authorisation limits as per the Health Board's scheme of delegation.

Quotations

- 2.11 A number of invoices in our sample exceeded £5,000 and therefore required quotes to be obtained. For many, contract or lease information was provided, so quotes were not needed. However, some of the information provided to support the use of a particular supplier, including waivers, was many years old, suggesting that the contract arrangements had not been reviewed recently. **(Matter Arising 3)**
- 2.12 Where quotes were needed, we identified a small number of issues including one instance where the date of the quote post-dated the start of the service contract. **(Matter Arising 3)**

Monitoring

- 2.13 An 'Invoices on Hold' report is generated by the E-Enablement teams of NWSSP and then shared with the Accounts Payable and Procurement Teams for the Health

Board for review. After this review the report is shared with the Health Board's Finance Department for further review and action to address and clear the holds. We understand that departments are then contacted to discuss their invoices on hold. We note that Facilities has a large number of invoices on hold, potentially linked to the high volume of retrospective orders that need to be raised. In recent months Facilities has proactively requested copies of the report to help resolve those invoices on hold, however more work is needed to address the root causes. **(Matter Arising 4)**

Conclusion:

2.14 Overall, while we have been informed that staff are aware of the correct process for the requisition of goods and services. However, our testing identified areas where the process has not been followed and where improvements are needed. We acknowledge that Facilities is aware of the issues highlighted in this report and are taking steps to address them. We have provided Limited Assurance in this area.

Area for assurance 2: Budgetary Control.

Training

2.15 Staff have access the Budgetary Control FCP via the Health Board's intranet site. The FCP clearly sets out the responsibility of budget holders in being accountable for their delegated budgets. The FCP also confirms that support, in the form of business partners, will be available to budget holders from finance staff, who will be able to assist budget holders in performing their duties.

2.16 Finance Business Partners provide general budgetary control training to budget holders. In late 2021 a budget holder training pack was developed to aid the training delivery and ensure consistency across the Health Board. A recommendation has been made in our recent Financial Systems audit to increase the level of detail contained in that training pack. Our work within Facilities has identified that the pack has not been used to date in delivery of training to the Facilities budget holders. **(Matter Arising 5)**

2.17 In April 2020 the Health Board rolled out the QlikView application to budget holders to access budgetary information for their area of responsibility. At the time of our fieldwork, two of the six budget holders that we met had not received training on QlikView and as such continued to receive budget reports by email. We have seen conflicting information in relation to the offer of QlikView training to Facilities staff and the take up of it. **(Matter Arising 5)**

Monitoring and review

2.18 We saw evidence of budget monitoring within the directorate. Those budget holders that have received QlikView training and have access to the system can review their financial position dashboard a few days after month end. Those without access receive this information by email.

2.19 As part of the monthly financial reporting process the Head of Facilities and the Facilities Business Partner receive a copy of the 'draft' finance pack from the Finance Business Partner. The pack sets out the draft financial position as well as

information on key variances and is accompanied by a list of the month's transactions. Some variances have explanations whilst others require investigation by the Service Leads, who are the budget holders. The Finance Business Partner works closely with the directorate to refine and update the draft information and narrative, ahead of a final version of the pack being issued to the Head of Facilities

- 2.20 There are monthly meetings attended by the Director of Finance and Deputy Director of Finance, Finance Business Partners as well as the key budget holders within Facilities to review the financial position reported in the pack. Key variances, areas of concerns, comparison of financial position from previous month and also the forecast financial position are discussed.
- 2.21 The directorate has introduced monthly monitoring meetings with each of the Service Leads to review expenditure in the budget report. A record of actions agreed is kept for each meeting. The Finance Business Partner is in attendance at the meetings and provides varying levels of support to managers. **(Matter Arising 5)**

Conclusion:

- 2.22 There are appropriate processes and mechanisms for effective budget monitoring within Facilities. Whilst budget holders should be aware of their responsibilities, there appears to be a need for a more focused approach to training of budget holders, to ensure they can fully meet their responsibilities. We have provided Reasonable Assurance in this area.

Area for assurance 3: Governance.

- 2.23 In addition to the monthly budget meetings noted above, the financial position of the department is discussed at the performance meetings that take place with the Interim Chief Operating Officer.
- 2.24 The areas of responsibility for the central Facilities Hub and the ILGs Facilities teams were agreed as part of the Health Board's April 2020 operating model. However, our fieldwork identified ongoing issues related to responsibilities for ordering some goods and services. **(Matter Arising 6)**
- 2.25 We reviewed the Oracle approval hierarchy to confirm that staff identified as approvers were appropriate. We identified seven Facilities cost centres that had multiple approvers. Four of these cost centres appear to have an approver that is not part of the Facilities directorate. **(Matter Arising 7)**
- 2.26 The current scheme of delegation for the Facilities department is reflected in the Oracle approval hierarchy. We note that the limits assigned to staff are in line with the Health Board's Scheme of Delegation albeit there are queries with a number of approvers as identified above.
- 2.27 We understand that for instances where proposed expenditure would result in a budget being exceeded, staff are aware of the process to obtain prior approval. However, there had not been any recent instances that we could test to confirm this.

Conclusion:

2.28 We note that key issues regarding the directorate are reported to the performance meeting with the Interim Chief Operating Officer. However, there needs to be greater clarity in terms of responsibilities between the Central Facilities Hub and the ILGs Facilities Teams for ordering goods and services. Furthermore, management should review staff approvals within the department to ensure that appropriate staff can approve expenditure. We have provided Reasonable Assurance in this area.

Appendix A: Management Action Plan

Requisitioning of Goods and Services

Matter Arising 1: Procurement process training (Operation)	Potential Impact
<p>New users are required to undertake a procurement training module before they are given access to the Oracle I-Procurement financial system. The training covers aspects of the procurement process, including referencing the All-Wales No PO No Pay policy, so those staff that have been given Oracle access since the introduction of the policy in 2018, should be aware of it. While we understand that refresher training is available for users of the system, there is no requirement for staff to undertake this training on a periodic basis. As such we saw no evidence of staff attending, or requesting to attend, refresher training.</p> <p>In addition, during our fieldwork we were mindful of the level of staff awareness and knowledge of the 'No PO No Pay' policy. We have seen evidence of Health Board wide communications when the policy was launched in 2018 that included an explanation of the policy and links to further training material. However, from our fieldwork it appears that the application of the policy by the Central Facilities Hub has been poor. While it is not clear why this matter had not been previously addressed, we note that the department has now acknowledged this, and has delivered a number of 'Lunch and Learn' procurement process sessions for staff.</p>	<p>Non-compliance with legislation, Financial Control Procedures or the Scheme of Delegation.</p>
Recommendations	Priority
<p>While the lunch and learn sessions should improve the knowledge of staff, management should ensure that there are structured training arrangements in place for the Oracle I-Procurement module for all staff responsible for, and involved with, the delivery of the purchase to pay process.</p>	<p>Medium</p>

Agreed Management Action	Target Date	Responsible Officer
<p>Arrangements have been made for structured training on the Oracle I-Procurement module for all staff responsible for, and involved with, the delivery of the purchase to pay process.</p>	<p>Completed</p>	<p>Wayne Lewis - Head of Technical Services</p>

Matter Arising 2: Use of retrospective orders (Operation)	Potential Impact
<p>We selected a sample of 32 paid invoices where a retrospective order had to be raised. We undertook testing to ensure that reasons for the use of retrospective orders were recorded and that the original verbal or email order to the supplier remained within the authorisation limits of the person who requested the order to be placed. We made the following observations from our review of information we received and our meetings with members of the Facilities Hub:</p> <ul style="list-style-type: none"> Many of the payments made by Facilities relate to goods and services where contracts are in place. Our testing confirmed that for a number of invoices in our sample, contracts, leases or agreements were in place. It is therefore unclear why retrospective orders were used in these instances and alternative orders not used, such as 'call off / open orders' as these would negate the need to raise retrospective orders. <p>During our discussions with Procurement, reference was made to the use of 'call off and open' orders. However, there is no information in the FCP in relation to 'call off' orders, nor is there guidance in place regarding when 'call off / open' orders should be considered. Recently discussions taken place between Facilities and Procurement to identify a better mechanism for generating orders where contracts or leases are in place that better aligns to the controls set out in the FCP.</p> <ul style="list-style-type: none"> Our sample included a number of invoices that related to costs for leased vehicles. For some of these invoices existing orders were in place that covered the period of the lease, meaning the invoices should be paid against the original order as opposed to a retrospective order being raised. Whilst for some transactions there was historical information to support the use of the supplier, no information was provided in relation to the transactions that led to the payment of the invoice in our sample. While staff were able to provide a context to the invoice, we were unable to establish if initial requests were within the authorisation limits of that individual. 	<p>Non-compliance with Financial Control Procedures or the Scheme of Delegation.</p>

<p>In all instances, the notes section within Oracle did not have information to explain why a retrospective order was used. While this is not a process requirement it meant that we had to trace supporting documents though the staff who were involved in raising the retrospective order.</p> <p>We acknowledge that some of the invoices within our sample were Covid related which may have resulted in normal procurement processes not being followed due to the pressures that the Heath Board were facing at that time.</p>	
<p>Recommendations</p>	<p>Priority</p>
<p>2.1 Management should ensure that staff that have responsibility for managing contracts and for approving requisitions and approving purchase orders in relation to those contracts are following the procurement process set out in the Requisition of Goods and Services Financial Control Procedure and the All-Wales No PO No Pay policy.</p>	<p>High</p>
<p>2.2a Those members of staff with responsibility for managing contracts should work with colleagues in Procurement to identify the contracts where it would be appropriate to have alternative mechanisms for raising orders and paying invoices, for example the use of 'call off / open' orders.</p> <p>2.2b In liaison with Procurement, clear guidance should be developed around when it may be acceptable to utilise 'call off/ open' orders and the process staff need to follow to ensure appropriate controls are in place. The FCP should also be updated accordingly.</p>	<p>Medium</p>
<p>2.3 Where a retrospective order is deemed appropriate staff should be encouraged to complete the notes section in Oracle explaining the reason for the use of a retrospective order, including details of who requested the goods and services to be procured.</p>	<p>Medium</p>
<p>2.4 Documentation to support all orders should be retained and made available if required.</p>	<p>High</p>

2.5 Staff should be reminded of the importance of checking on the Oracle system for existing open orders when needing to make lease payments, as opposed to raising a new (retrospective) order.		Low
Agreed Management Action	Target Date	Responsible Officer
<p>2.1 We have worked with procurement and finance colleagues to co-produce an agreed process compliant with All Wales No PO No Pay Policy. In addition to this piece of work we have worked with our procurement business partners and with our contractors/suppliers to ensure they are fully aware of their obligations under the P2P process.</p> <p>The hierarchy for approval of requisitions has also been agreed with finance and procurement colleagues and is being rolled out.</p>	Completed	Wayne Lewis - Head of Technical Services
2.2a We have worked with procurement and finance business partners to co-produce an agreed process compliant with All Wales No PO No Pay Policy. There is also an agreement that allows us to raise retrospective orders against Emergency PO's for specific contracts.	Completed	Wayne Lewis - Head of Technical Services
2.3 Noted and agreed staff have been advised.	Completed	Wayne Lewis - Head of Technical Services
2.4 A process is being developed to ensure all documentation in relation to orders for goods/services are available in the Oracle financial system.	30 June 2022	Wayne Lewis - Head of Technical Services
2.5 Noted, agreed and actioned	Completed	Wayne Lewis - Head of Technical Services

Matter Arising 3: Invoices requiring competitive quotations (Operation)	Potential Impact
<p>Our sample of invoices included 19 with a value greater than £5,000, which would require quotes to be obtained. In a number of cases that we tested a contract or lease was already in place, so quotes were not obtained for the transaction we were reviewing. However, we identified:</p> <ul style="list-style-type: none"> • The date of a quotation provided for a maintenance/service agreement was after the agreement started. • For invoices relating to security costs for a Health Board property, whilst we were informed that a 'statement of need' was completed we have been unable to determine if quotations for the service were obtained. • Some of the information provided to support the transactions in our sample was historical background information. This included contracts, lease agreements, quotation documents and waiver forms. We note that in some instances this information was up to ten years old, suggesting that there has been no recent review by contract managers on the use of the supplier. 	<p>Health Board may incur unnecessary excess expenditure. Value for money not obtained where procurement processes are not followed.</p>
Recommendations	Priority
<p>3.1 In liaison with Procurement, a review exercise should be undertaken by those managers with responsibility for overseeing contracts to ensure that the arrangements with existing suppliers are appropriate and that the Health Board can demonstrate best value for money.</p>	<p>High</p>
<p>3.2 Management should remind staff that procurement guidance requires three quotations to be obtained where expenditure for goods or services to be procured are expected to exceed £5k. Consideration should be given to providing refresher training in relation to this.</p>	<p>Medium</p>

Agreed Management Action	Target Date	Responsible Officer
3.1 An initial review meeting has now been set up with Facilities procurement business partner and all managers responsible for overseeing contracts to ensure that the arrangements with existing suppliers are appropriate and that the Health Board can demonstrate best value for money. Monthly contract meetings with procurement business partners have also now been set up to ensure a rolling review of all Facilities contracts is in place.	Completed	Russell Hoare -Assistant Director OSS (Facilities)
3.2 All staff have been reminded that procurement guidance requires three quotations are to be obtained where expenditure for goods or services to be procured are expected to exceed £5k. Procurement P2P initial training has now been provided for Facilities Central Services staff in relation to this.	Completed	Russell Hoare -Assistant Director OSS (Facilities)

Matter Arising 4: Monitoring compliance with the No PO No Pay process (Operation)	Potential Impact
<p>A monthly 'invoices on hold' report is generated by Shared Services and shared with the Accounts Payable and Procurement Teams for the Health Board for review. The review identifies issues, queries and genuine disputes against individual invoices. The updated report is shared with the Health Board's Finance Department for further review and action.</p> <p>We understand that previously the Facilities hub did not automatically receive information regarding invoices on hold from finance, as departments were only contacted as and when required. In some cases, the contact would involve meetings taking place between Procurement and department representatives.</p> <p>In our recent audit of Financial Systems we noted that non-compliance letters were not issued to departments where it had been identified that they have not complied with relevant policies, including inappropriate use of retrospective orders.</p> <p>As such, managers within the directorate were not routinely being made aware of issues and so may have not been able to address root causes. We have been informed that directorate are now working with Procurement to receive the invoice on hold reports, so key members in the directorate can review them for their areas.</p>	<p>Problem areas are not identified, and work is not undertaken to prevent re-occurrence.</p> <p>Value for money not obtained where procurement processes are not followed.</p>
Recommendations	Priority
<p>Management should liaise with Finance and Procurement colleagues to ensure ongoing regular receipt of details of any invoices on hold for Facilities and then review and take appropriate action to 'release' the hold.</p> <p>When reviewing the reason for the 'holds' management should note the issues, such as use of retrospective orders and take appropriate action, including arranging further training of staff if necessary, to ensure that the issues do not recur.</p>	<p style="text-align: center;">Medium</p>

Agreed Management Action	Target Date	Responsible Officer
Weekly (invoices on hold) lists are now shared with the Facilities Hub for review and action.	Completed	Wayne Lewis - Head of Technical Services

Budgetary Control

Matter Arising 5: Budget holder training (Operation)	Potential Impact
<p>In April 2020 the QlikView finance application was rolled out for budget holders as a means to access budgetary information for their area of responsibility and negate the need to issue electronic copies of budget reports. Due to the pandemic, the circumstances at that time meant there was no formal training timetable for budget holders on using the QlikView application.</p> <p>We have confirmed that QlikView training has been provided to some of the budget holders within Facilities, though this has been on an ad-hoc basis. Not all staff have been able to take up the offer of training provided by the Finance Department, with some staff stating they have not been provided with the opportunity to attend training. At the time of our fieldwork two of the six budget holders that we met had not been trained on QlikView. As such, those members of staff that have not been trained receive electronic versions of their budget reports.</p> <p>We understand that the Finance Business Partner provides varying levels of support to service leads at the monthly finance monitoring meetings, specifically when interpreting and interrogating the budget reports for the service areas.</p> <p>In late 2021 a health board wide budget holder training pack was developed, but we understand that this has not been used to provide training to staff within the Facilities directorate.</p>	<p>Incorrect decisions made where staff are not suitably trained or reported or supported to understand their budget reports.</p>
Recommendations	Priority
<p>5.1 A training needs assessment of all budget holders within the Facilities directorate should be carried out to identify those that need training on the QlikView system and those that need general budgetary control training. In liaison with the Finance Business Partners, a consistent approach to training delivery should be adopted across the directorate.</p>	<p>Medium</p>

5.2 Consideration should be given to producing a training guide to accompany the training session that would cover accessing the system and also understanding the 'finance dashboard' that the budget holder will access as well as its application.		Low
Agreed Management Action	Target Date	Responsible Officer
5.1 A training needs assessment has been completed of all budget holders within Facilities. In liaison with Procurement staff, general budgetary control training and guidance through Procurement P2P training has now been provided for Facilities Central Services staff. Facilities Governance Manager has met with Finance Systems team to discuss and arrange a QlikView training plan and an accompanying training guide for those staff identified in the training needs assessment.	Completed	David Williams - Governance and Compliance Manager
5.2 Cross reference action to 5.1.	Completed	David Williams - Governance and Compliance Manager

Governance

Matter Arising 6: Areas of responsibility (Operation)		Potential Impact
<p>The areas of responsibility for the Central Facilities Hub and the ILG Facilities Teams were agreed when the Health Board introduced its new operating model in April 2020. There are schedules in place that list the areas of service that each is responsible for, however these do not provide any detailed guidance or clarity on purchasing and budgetary responsibilities.</p> <p>We understand that there are ongoing responsibility issues for some of the services within Facilities such as stationery ordering, transport requests and storage. Such as where orders are raised by an ILG team that relate to services managed by the Central Hub and therefore adversely impacting on their budget.</p> <p>We note that the directorate is aware of these issues and is undertaking work to address them.</p>		Expenditure inappropriately authorised.
Recommendations		Priority
<p>For those issues that have been identified management should review the circumstances and take appropriate action to ensure that there is no recurrence of the issue. Management should also consider providing further information and guidance that clarifies purchasing responsibilities for the Central Facilities Hub and the ILGs Facilities Teams.</p> <p>Management should also consider reviewing the original schedules drawn up as part of the revised operating model to see if the details are still applicable or whether any changes are required. Where changes are required, management should ensure that they are approved by an appropriate forum. The changes should then be communicated to all relevant staff and the Oracle purchasing hierarchy and scheme of delegation should be amended as require</p>		High
Agreed Management Action	Target Date	Responsible Officer
Work programme has been initiated with finance colleagues to identify where ILG generate demand that the Facilities Hub have no managerial control over.	Completed	Wayne Lewis - Head of Technical Services

Processes have been developed to capture spend against activity and demand generated by the ILG's with initiatives to mitigate and reduce this spend where possible.		
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Matter Arising 7: Financial system (Oracle) approval hierarchy (Operation)		Potential Impact
<p>We obtained a report of staff who can approve transactions within Oracle against Facilities' cost centres. Of the 32 cost centres within Facilities seven had more than one approver. For four of these, the second authoriser did not work within Facilities. At the conclusion of our fieldwork we had not received a reason to explain why these individuals were able to approve Facilities directorate transactions.</p> <p>The Financial Systems Team review Oracle users' access on a quarterly basis. Historically, information reports were distributed to managers for confirmation of accuracy. However, as we previously raised in last year's financial systems audit report, no information regarding the approval hierarchy is issued for managers to review details of Oracle users in their areas and advise of any changes required.</p>		Expenditure may be incurred by departments without proper authorisation.
Recommendations		Priority
7.1 The approval hierarchy for the department should be reviewed as soon as possible to ensure the details and approval limits of staff listed are correct. Where discrepancies are identified management should investigate and take appropriate action.		High
7.2 The Financial Systems Team should issue copies of the Oracle approval hierarchy to all departments of the Health Board on a regular basis for scrutiny and conformation that details are correct.		Medium
Agreed Management Action	Target Date	Responsible Officer
7.1 CTM Financial Systems were contacted 12 th May 2022 to provide the details – approval limits and staff listed for each cost code within Facilities Hub. This list was circulated to the senior management team (16 th May 2022) to review for accuracies. Finance business partners were provided with a list of cost centres in May 2022 requesting to enable any hierarchy approval corrections for all of the Facilities cost centres.	Completed	Jacky Griffiths - Technical Services Manager

7.2 An electronic diary note has been set up for 27 th June and quarterly thereafter to repeat the process detailed in 7.1 to ensure continued accuracy.	Completed	Claire Masters – Facilities Manager
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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.
	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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