

# Financial Systems Final Internal Audit Report

June 2022

Cwm Taf Morgannwg University Health Board



Partneriaeth  
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Bwrdd Iechyd Prifysgol  
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University Health Board



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### Acknowledgement

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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 Health Board’s processes for budgetary control and the requisitioning of goods and services, with a focus on the use of retrospective orders.

## Overview

We have issued reasonable assurance on this area.

The matters requiring management attention include:

- Absence of detailed guidance documents to assist budget holders and in relation to virement processing.
- Training provision is currently ad-hoc and could be more in-depth.
- Different methods in provision of budget reports to managers.
- Lack of review of virement transactions prior to posting on Oracle.
- Procurement refresher training has been lacking.
- The ongoing use of retrospective orders for purchases where normal ordering processes should have been followed.
- Not utilising data on retrospective order usage to target training provision.

Other low priority recommendations are within the detail of the report.

## Report Classification

Reasonable



Some matters require management attention in control design or compliance.

**Low to moderate** impact on residual risk exposure until resolved.

## Assurance summary<sup>1</sup>

Assurance objectives	Assurance
1 Up to date Budgetary Control FCP and training provision.	Reasonable
2 Delegated budgets in line with the Scheme of Delegation.	Substantial
3 Sufficient, relevant, and timely information for budget holders.	Substantial
4 Finance staff support in monitoring and reviewing budgets.	Substantial
5 Analysis, investigation and monitoring of budget variances.	Substantial
6 Budget reporting and scrutiny at ILG level.	Substantial
7 Budget virements are correctly processed.	Reasonable
8 Policies, procedures and training provision for requisitioning of goods and services.	Reasonable
9 Minimal use retrospective orders, with reasons recorded.	Limited
10 Authorisation limits.	Reasonable
11 Monitoring of non-compliance with the 'No PO, No Pay' policy.	Reasonable

12 Monitoring of the 30-day public sector payment target.

Substantial

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

Key Matters Arising		Assurance Objective	Control Design or Operation	Recommendation Priority
1	Detailed operational guidance	1	Design	Medium
2	Budget holder training	1	Operation	Medium
7	Virements	7	Operation	Medium
8	Procurement process training	8	Operation	Medium
9	Use of retrospective orders	9	Operation	High
11	Monitoring No PO compliance	11	Operation	Medium

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## 1. Introduction

1.1 Our audit review of elements of the financial systems was completed in line with the 2021/22 Internal Audit Plan for Cwm Taf Morgannwg University Health Board (the 'Health Board'). As part of our planning, we considered the financial systems work that we had previously undertaken and met with management to understand any significant changes to the financial systems. This year our review focussed on two areas of the financial system: budgetary control; and requisitioning of goods and services.

### Budgetary Control

1.2 As part of the Health Board's operating model that was introduced in April 2020, three Integrated Locality Groups (ILGs), based on geographical area, and a corporate ILG, which included overarching services such as Finance and ICT, were set up. Budgets have been delegated to each ILG and the Clinical Service Groups (CSGs) and departments that make up an ILG. Each ILG has an Assistant Director of Finance and dedicated finance team. As part of our previous directorate reviews (now called CSGs) we tested elements of budgetary control.

1.3 This review looked at the controls in place, and the flow of information, from the ILG down to CSGs and then to the wards or departments within the CSGs. Our review focused on the budget monitoring controls, but not the budget setting process.

### Requisitioning of Goods and Services

1.4 The all Wales 'No Purchase Order, No Pay' policy requires invoices arriving in the system without an order number 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 obtained where necessary, and spend using catalogue supplies where contracts are in place.

1.5 Invoices with no PO are returned to suppliers and placed 'on hold' within the financial system until this is addressed.

1.6 During the pandemic the Health Board experienced a higher-than-normal level of retrospective purchase orders raised for invoices that had been received without a PO number. To an extent, this is understandable given the operational pressures at that time. However, more normal business conditions have returned, and the associated controls should now have resumed. Our work focused on these controls.

1.7 The relevant lead for the review is the Director of Finance.

1.8 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

### Budgetary Control

**Objective 1: An up-to-date Financial Control Procedure (FCP) is in place where budget holder responsibilities are clearly defined including the required processes for monitoring and reviewing budgets. Adequate training has been provided to budget holders to perform this role.**

- 2.1 The Budgetary Control FCP was updated February 2021. It sets out the responsibilities of budget holders and those with authority under the Health Board's Scheme of Delegation (SoD), in relation to managing spend against a budget, reviewing budget reports and taking appropriate action where variances occur. It outlines the role of the Directorate Support Accountants and Finance Business Partners on how they will assist budget holders in managing their budgets.
- 2.2 However, there are no guidance notes or desktop procedure documents to help staff apply the FCP. We have not seen any detailed budget holder or virement guidance to support budget holders, finance staff and others in undertaking their daily responsibilities in relation to these activities. **(Matter Arising 1)**
- 2.3 Finance staff provide training to budget holders. More recently, this has included training on QlikView, the system where budget holders can access their budget reports. Through our meetings with staff it appears that training is often *ad hoc*, one-to-one, and based on individual need.
- 2.4 To ensure a consistent approach to training, a task and finish group, made up of finance managers from across the ILGs, was established to design a budget holder training pack. The purpose of the pack is to provide staff with information to understand their responsibilities as budget holders, as well as their budget reports. The pack was finalised in October 2021 and issued to Finance Business Partners for dissemination and use when training budget holders.
- 2.5 The training pack provides a good overview for budget holders and explains their responsibilities. However, it does not provide detail on the process budget holders should take when reviewing budget reports and other associated documents, nor any detailed information on the QlikView system. We acknowledge that the pack

has been designed to support finance staff when delivering training, but we did not see how many staff have been trained using the pack, and if feedback has been obtained to see if it is meeting budget holder needs. **(Matter Arising 2)**

- 2.6 We are aware of other *ad hoc* training sessions provided by the Finance Delivery Unit and Assistant Finance Directors that have been organised on an individual ILG basis.

**Conclusion:**

- 2.7 Whilst the Health Board has a Budgetary Control FCP in place, there is no detailed information to support staff in the application of the FCP. Similarly, while a high-level training pack has been developed, it relies on finance staff across the ILGs to deliver detailed training to budget holders. We have provided Reasonable assurance in this area.

**Objective 2: The delegation of budgets within ILGs is clearly defined, is in line with the Scheme of Delegation and budgets are formally agreed by budget holders.**

- 2.8 The Scheme of Delegation (SoD) requires budget holders to sign off budgets at the start of the financial year. For 2021/22, because of the ongoing pandemic, normal budget sign off processes were not followed. An accountability letter with budget schedules was sent to the ILGs for comment. Following the consensus of the ILG Directors, who are the key budget holders, each ILG responded via email to the Chief Operating Officer (COO). This deviation away from the requirements of the SoD is deemed a reasonable approach given the operating environment at that time.
- 2.9 Our review of the SoD identified some minor inconsistencies in the job titles given in relation to the budget sign off requirement between the spreadsheet version of the SoD and the narrative 'Additional Delegations' version. One refers to Clinical Directors and Directorate Managers and the other to Locality Directors and Clinical Service Group Managers. **(Matter Arising 3)**

**Conclusion:**

- 2.10 While the 2021/22 financial budget was signed off by the COO due to pandemic pressures, the ILG Directors, as the key budget holders, were also appropriately involved in the approval process. We have provided Substantial Assurance in this area.

**Objective 3: Sufficient, relevant and timely information is available to budget holders, including forecasts of the year-end position and staffing resources.**

- 2.11 QlikView extracts data from the financial system and is used by budget holders for reviewing and monitoring their budgets. QlikView's financial information is updated and available on the fifth day of each month. The reports provide information on the annual budget, monthly budget, actual spend and variances, cumulative financial positions, and staffing resources.

- 2.12 The budget holders are told by email when the new monthly report is available. We identified one instance where the budget holder was not receiving the email for a number of months. **(Matter Arising 4)**
- 2.13 Our testing identified that whilst most budget holders have access to QlikView, more recently appointed budget holders did not have this access, despite being in post for a number of months. During our fieldwork some budget holders identified difficulties in accessing and understanding the system (Matter arising 2 relates to training). Where access is not available, or budget holders are unsure of the system, their budget reports are emailed to them by their Finance Business Partner. Emails are also sent as a means to reinforce the responsibilities of budget holders. **(Matter Arising 4)**
- 2.14 To supplement the standard reports available via QlikView (or email), Finance Business Partners can provide a number of other reports to budget holders. This may be if a 'deep dive' is needed into a certain budget or aspect of a budget.

#### Conclusion:

There is sufficient, relevant and timely information available to budget holders, although there is some minor variation in how the information is accessed. Some budget holders are reliant on emailed reports and do not use QlikView. We have provided Substantial Assurance in this area.

#### **Objective 4: The monitoring and reviewing of budgets against actual performance takes place with the support of key finance staff.**

- 2.15 Each CSG has a Finance Business Partner to provide the CSG Manager with financial support. Our testing confirmed that Finance Business Partners and budget holders meet at least monthly to review the budgetary financial information, where they share the latest figures, service reviews, risk, opportunities and forecast update.
- 2.16 We have also seen evidence of CSG Managers having one to one meetings with the Head of Service budget holders within their CSGs.

#### Conclusion:

- 2.17 Budgets are regularly monitored and reviewed by budget holders and their supporting Finance Staff. We have provided Substantial Assurance in this area

#### **Objective 5: Budget variances are analysed, investigated, and monitored. Corrective actions are taken where there is a budget over or under spend above the set limit.**

- 2.18 In July 2021 a finance pack template was introduced for budget monitoring at a CSG level and at a consolidated ILG level. The pack provides an overview of the budget position and greater detail on material variances. We note that the Finance Business Partner determines the threshold for 'material variances' within in the finance pack.
- 2.19 Our testing confirmed that the pack is used at an ILG level, and in the six CSGs that we sampled. We saw evidence of communication between finance staff and

budget holders that provided additional information regarding key variances and risks identified within the pack.

- 2.20 Our testing of budget variance information within the packs identified that no explanations had been provided for material variances at 1/6 CSGs, for two consecutive months. We also note that the level of explanation for variances differed between CSGs. **(Matter Arising 5)**

**Conclusion:**

- 2.21 The format of the monthly finance pack means an emphasis is placed on identifying key variances and providing explanations with a view to talking corrective action in problem areas. While we identified that in some instances the explanations could be improved, we have provided Substantial Assurance in this area.

**Objective 6: Budget information is appropriately reported and scrutinised at relevant meetings within the ILG, and up to the ILG Board.**

- 2.22 Budget report information and scrutiny takes place at numerous levels within the Health Board. As stated in 2.11 above, monthly budget reports are available for CSG Managers and budget holders to review and scrutinise with support from their Finance Business Partners. There are CSG operational meetings with budget holders where budget information is discussed.
- 2.23 We confirmed that, for the six CSGs in our sample, monthly finance packs prepared at a CSG level were used to inform the CSG performance meetings. These performance meetings are between the CSG, the ILG Directors and business partners and include a review of the finance arrangements.
- 2.24 We saw evidence that the consolidated finance packs were used to prepare the slide packs for the monthly ILG performance review meetings at each ILG. These meetings are attended by the ILG Directors, business partners and Interim Chief Operating Officer. We note that performance across a number of themes, including finance, is considered.
- 2.25 In July 2021, dedicated monthly finance meetings were reinstated, which allowed greater scrutiny of the financial position at ILG and CSG levels, than had taken place in the performance review meetings. Meetings are attended by the ILG Directors, Director of Finance, Deputy Director of Finance and the ILG Assistant Director of Finance.
- 2.26 Each ILG Board has responsibility for financial governance. Board meetings are held quarterly, but at the time of our fieldwork, some ILGs had suspended their meetings due to the pandemic, and some were choosing to hold alternative meetings. In our recent report relating to ILG Governance we raised a matter regarding the lack of Board meetings in some ILGs. We note that management are reviewing the arrangements and as such we have not re-raised a matter in this report.

**Conclusion:**

2.27 There are appropriate reporting arrangements in place demonstrating a good monitoring and scrutiny process of the budget information. We have provided Substantial Assurance in this area.

**Objective 7: Budget virements are correctly processed, including sufficient evidence trail of the transfer and authorisation process, by participating budget holders.**

2.28 Virements are recorded by the finance support staff on a central budget virement index. A virement reference number is allocated to each transaction, and the index records the unique file reference for the virement.

2.29 We tested a sample of ten virements from each ILG. We identified three instances where there was no backing information, which includes authorisation, to support the virement. **(Matter arising 6)**

**Conclusion:**

2.30 There is a reasonable level of documentation and authorisation of virements, the production of a budget virement guide as noted previously will strengthen the virement process. We have provided Reasonable Assurance in this area.

**Requisitioning of Goods and Services****Objective 8: There are policies and procedures in place that clearly set out the process to follow when requisitioning goods and services, with training provided to relevant staff.**

2.31 An up-to-date Financial Control Procedure in relation to the requisitioning of goods and services is available to staff via the Health Board's intranet site. The FCP provides an overview of the principles of the purchase to pay process.

2.32 The FCP also provides information on emergency situations when confirmation orders can be used.

2.33 No reference is made to retrospective orders in the FCP, but that is to be expected as such orders contravene the principles behind the purchase to pay process.

2.34 The FCP references the All-Wales 'No PO No Pay' policy that was introduced in 2018. An updated copy of this policy is available on the Health Board's intranet. The policy lists categories of expenditure that are excluded from the policy, such as business rates, taxis, utilities and phone charges. In these cases, purchase orders are not required to be raised in advance.

2.35 Prior to being given access to the Oracle finance system, new users are required to complete a 'New User Set-Up form' that is signed by the user and their line manager. The form states access to the system will not be granted until training has been completed and we have been informed by the systems team that they will not action the set up until training has been confirmed.

2.36 We note that staff have access to instruction videos via NHS Wales i-Procurement. We also note *ad hoc* training events that have taken place such as the session run

by the Deputy Head of Procurement in June 2021 on the launch of the All-Wales Procurement Manual.

- 2.37 However, from our discussions with CSG managers and during our fieldwork we saw no evidence that refresher training in relation to the purchase to pay process had taken place. **(Matter arising 7)**

**Conclusion:**

- 2.38 There is a range of information in place to support purchasing processes. However, training appears to be focused on new users of the finance system, with *ad hoc* events for staff with purchasing responsibilities. There does not appear to be ongoing refresher training to ensure staff remain compliant with current processes. We have provided Reasonable Assurance in this area.

**Objective 9: The use of retrospective orders is minimal, with reasons for use recorded.**

- 2.39 We analysed invoices received by the Health Board during the period April 2020 to November 2021. We identified that 24% (38,690) of the invoices required retrospective orders to be raised so that they could be processed and paid.
- 2.40 Our testing of a sample of retrospective orders for two CSGs identified instances where the use of a retrospective order was appropriate. Equally, there were a number of instances where it appears that the normal ordering process should have been followed, or alternative processes should have been considered, such as using of 'call off orders', but this was not done. The reasons for not raising purchase orders in advance included staff not being aware of due process, and historic arrangements with suppliers. **(Matter arising 8)**
- 2.41 For the sample of orders we reviewed, no information was contained in the notes function within the financial system to explain why a retrospective process was undertaken, or to provide background information about the transaction. During our fieldwork staff that were involved in the order were not able to provide information such as the reason for not following a normal ordering process, in all instances, or paperwork in relation to the order. **(Matter arising 8)**

**Conclusion:**

- 2.42 Our review on the appropriate use of retrospective orders in a sample of cases indicates that there were occasions where this could have been avoided and normal ordering processes should have been followed. We have provided Limited Assurance in this area.

**Objective 10: Where retrospective orders were completed, the original order remained within authorisation limits of the person who placed the order and they obtained quotes where necessary.**

- 2.43 As noted in 2.42 above, we did not see supporting information for retrospective orders in all instances. It was often unclear who had placed the order, either verbally or by email, and who had authorised the order to be placed. So, we were unable to test if the orders raised exceeded the authorisation limits in the scheme of delegation.

2.44 Our sample of invoices included ones for more than £5,000 and therefore would require quotes to be obtained. In all of the cases in our sample, contracts were in place with the supplier, so quotes were not needed. As such, in these instances, while retrospective, we did not identify any other issues with these orders.

**Conclusion:**

2.45 For the higher value transactions in our sample, we confirmed that value for money had been sought as contracts were in place with the suppliers. However, we were unable to determine if initial orders raised were within the authorisation limits set out in the scheme of delegation. We have provided Reasonable Assurance in this area.

**Objective 11: Monitoring of non-compliance with the 'No PO, No Pay' policy is undertaken to identify trends with individuals or departments and for action to be taken.**

2.46 The All-Wales No PO No Pay policy was introduced in 2018, at which time we understand that communication about the policy was issued to Oracle Users.

2.47 During our fieldwork we saw evidence that non-compliance with the policy was monitored through the weekly 'Invoices on Hold' report, and there was a monthly report of all confirmation and retrospective orders. The 'Invoices on Hold' report is analysed by supplier and is used to monitor a range of issues including where there are no POs related to invoices that have been received. A retrospective order report allows for specific monitoring around the lack of POs.

2.48 The FCP has an additional control which requires staff to be issued with a 'non-compliance' letter where it is identified they have breached the No PO NO Pay policy. However, at the time of our fieldwork, these letters were not being issued as the procurement team focussed on improving central processes, such as working with suppliers to not accept orders without a PO reference number. **(Matter arising 9).**

**Conclusion:**

2.49 The process for monitoring non-compliance with the No PO No Pay policy is normally undertaken on a supplier basis. Targeting departments or individuals to identify possible training needs does not appear to be taking place. We have provided Reasonable Assurance in this area.

**Objective 12: Monitoring of payments that breach the 30-day public sector payment target is undertaken to establish if there are any links to the retrospective orders.**

2.50 In line with the Public Sector Payment Policy (PSPP), the Health Board must pay suppliers within 30 days of receipt of a valid invoice. It had been our intention to undertake analysis of data where the 30-day target had been breached, to understand if there was a link to the use of retrospective orders. However, we have since established that a pre-requisite to paying within the 30-day timeframe is that the supplier has quoted a valid PO that was obtained in advance of supply. As such analysis of the data was not carried out.

- 2.51 A PSPP target of 95% is in place, and the Health Board's performance is reported to the Audit and Risk Committee. The report for the February 2022 committee shows that whilst the Health Board did not meet its target in the early part of 2021/21, in more recent months there have been improvements meaning the year-to-date average of number of invoices paid in the 30- day timeframe is 95.4%.
- 2.52 Monthly PSPP reports are provided by NWSSP Accounts Payable and data is shared with the Health Board. However, the data is not analysed by department/ CSG/ ILG, but on a supplier basis.

**Conclusion:**

- 2.53 There is periodic reporting and monitoring of the 30-day PSPP to the Audit and Risk committee. We have provided Substantial Assurance in this area.

## Appendix A: Management Action Plan

### Budgetary Control

Matter Arising 1: Detailed operational guidance (Design)		Potential Impact
<p>The Health Board has an up-to-date Budgetary Control Financial Control Procedure (FCP) in place. However, there are no additional desktop procedures for budget holders to refer to in helping them fulfil their roles and ensure consistency of approach across the Health Board.</p> <p>In relation to budget monitoring, written guidance is not available on the steps to follow for example when, comparing budgets to actual expenditure, understanding variances, checking for mis-codings, and reconciliations to staffing reports. We have also not seen any written guidance on the use of QlikView - the platform which is used by the budget holders to review and monitor their budget reports.</p> <p>We tested the virements process and note that the Scheme of Delegation (SoD) highlights different types of virements such as within a department, or between directorates, and the level of staff authorisation required. The FCP states that authorisation is required where there is a transfer of funds from one directorate to another. However, there is no detail showing the documents to be used when recording and processing virements, such as a virement input pro forma and virement index, or who is responsible for completing these documents.</p>		<ul style="list-style-type: none"> <li>• Risk of a lack of consistency where there is staff turnover.</li> <li>• Greater reliance on finance staff to guide and support budget holders.</li> <li>• Inconsistency in the processing of virements across the Health Board.</li> </ul>
Recommendations		Priority
Guidance notes / desktop procedures should be developed to provide more detailed explanations on the budgetary control and virement processes to be followed to ensure compliance with the FCP.		<b>Medium</b>
Agreed Management Action	Target Date	Responsible Officer
An updated process document will be put in place for virements to ensure consistency and understanding across the Health Board.	July 2022	Head of Corporate Finance

Matter Arising 2: Budget holder training (Operation)	Potential Impact
<p>As part of their role in supporting budget holders, and ensuring they have the right level of knowledge and ability to take ownership of their budget, Finance Business Partners (FBPs) and Directorate Support Accountants provide training to budget holders. We meet with three Finance Business Partners and six Clinical Service Group (CSG) managers and it appears there is a mixed approach to training, although most are <i>ad hoc</i> one to one sessions.</p> <p><u>Budget holder training pack</u></p> <p>The recently launched budget holder training pack provides a high-level overview of NHS finance and budget management. It outlines the expectation on budget holders and briefly explains the monthly budget reports. The training pack does not provide detailed information on how to go about reviewing and analysing budget reports, although we acknowledge that the pack is to be used as an aid for finance staff when training budget holders, so more detailed discussions may take place during the training sessions.</p> <p>We note a three-month post implementation review was scheduled to obtain feedback on delivery of the training pack, but we have not seen the outcome of this review, or how many budget holders have been trained to date using the new pack.</p> <p><u>QlikView training</u></p> <p>The training pack refers to the use of QlikView to access budget reports. All budget holders should be trained on, and have access to, the QlikView system in order to access and interrogate their budget reports.</p> <p>Our contact with a sample of six CSG budget holders identified a broad spectrum of training provision, from those who were relatively new in post and had not yet received any training, to those who were experienced and wanted greater functionality. In one CSG there appeared to be more reliance on email reports sent from finance, instead of using the QlikView budget reports, potentially due to lack of confidence when using the system.</p>	<p>Incorrect decisions made where staff are not suitably trained or supported to understand their budget reports</p>

<u>Scheme of Delegation training</u>		
The training pack refers to the Health Board's SoD and the requirement for budget holders to read and understand the SoD. SoD training is managed by the central finance team as it links to Oracle access. Those that are identified as needing training have the requirement attached to their ESR profile. We met with six CSG budget holders and note that three were unfamiliar with the requirement, with some completing the on-line module during the course of our fieldwork.		
<b>Recommendations</b>		<b>Priority</b>
2.1a To support budget holders in their roles, management should develop a more consistent approach to training provision and delivery, with detailed training materials created that incorporate the use of QlikView. (See also recommendation from Matter arising 1)		<b>Medium</b>
2.1b Consideration should given to providing training and refresher training to wider groups of staff at the same time, such as all budget holders within a CSG. This will allow more efficient use of the Finance Business Partners time, ensure consistent approaches are being adopted and allow budget holders to learn from one another.		
2.2 The Scheme of Delegation training requirements set up against ESR accounts should be reviewed to ensure that those who require training as part of their role have been identified and informed of this requirement.		<b>Medium</b>
<b>Agreed Management Action</b>	<b>Target Date</b>	<b>Responsible Officer</b>
2.1a) The team will undertake a review of the use of Qlikview and training requirements and how this can be best monitored. A number of areas receive their budget information through "finance packs" outside of qlik which provide further information currently unavailable through the system.	Sept 2022	Senior Finance Team

2.1b As per 2.1a, this will be reviewed to understand how training will be delivered and monitored across the different areas.		
2.2 We will review the budget holder training requirements and monitoring on ESR and ensure there is appropriate training undertaken by budget holders	Sept 2022	Head of Corporate Finance

<b>Matter Arising 3: Scheme of Delegation - Description of Job Titles (Operation)</b>		<b>Potential Impact</b>
<p>Our review of the SoD in relation to the budget sign off process identified that different terminology is used in different parts of the documentation. The spreadsheet version of the SoD states sign off should be undertaken by the Clinical Directors and Directorate Managers. The 'additional delegations' document requires sign off at the ILG level by Locality Directors and CSG Managers. The two documents use different terminology for the same post. It appears that only parts of the SoD have been updated to reflect the job titles used in the new operating model.</p>		Inconsistent and inappropriate decisions made.
<b>Recommendations</b>		<b>Priority</b>
<p>Management should ensure the SoD documents are updated to ensure consistency, reflecting the current job titles.</p>		<b>Low</b>
<b>Agreed Management Action</b>	<b>Target Date</b>	<b>Responsible Officer</b>
<p>Agreed – this review and update is being undertaken as part of the restructure of the operating model and will be updated accordingly.</p>	August 2022	Head of Corporate Finance

<b>Matter Arising 4: Budget Holder Access to Sufficient Information (Operation)</b>	<b>Potential Impact</b>
<p>Whilst we were able to confirm that our sample of six CSG budget holders had received information to review and scrutinise their budgets each month, we also identified:</p> <ul style="list-style-type: none"> <li>• While the QlikView system is in use within all ILGs, our fieldwork identified instances where budget holders are not correctly set up to access the correct reports, or as mentioned above, require additional training on the system. As such, they receive their budget reports by email from their finance team. These reports are in a slightly different format to those obtained via QlikView.</li> <li>• Despite being in post for over two months, one budget holder had not been trained and did not have access to QlikView, so receives budget reports via email.</li> <li>• One budget holder who has access to QlikView, was no longer receiving a notification/ automated email informing them that their monthly reports were available to review.</li> </ul> <p>We also note that Finance Business Partners have a greater functionality within QlikView and are often asked to run additional reports to supplement the information budget holders can view on QlikView. Our discussions with budget holders identified certain staff that would like to use the greater functionality of QlikView.</p>	<p>Overspends occur and are not acted upon if budget holders are not provided with sufficient and timely budget information.</p>
<b>Recommendations</b>	<b>Priority</b>
<p>To ensure a consistency in approach across the Health Board, all budget holders should have relevant access to, and training on, QlikView, to enable them to scrutinise and monitor their budget information appropriately.</p> <p>Presenting opportunities for staff to learn how to use the additional functions of QlikView should be considered.</p>	<p><b>Low</b></p>

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<b>Agreed Management Action</b>	<b>Target Date</b>	<b>Responsible Officer</b>
Monitoring of the use of Qlikview is undertaken by the Systems team. As per action 2.1a a review will be undertaken on the use of Qlikview and how this can be applied consistently	Sept 2022	Senior Finance Team

<b>Matter Arising 5: Analysis of Budget Variances (Operation)</b>		<b>Potential Impact</b>
<p>Monthly finance packs are prepared for CSGs using a standard template. Our testing of a sample of finance packs for six CSGs confirmed that analysis, investigation and monitoring of budget variances was being done.</p> <p>Where material variances are identified within a CSG, budget holders are required to provide explanations within the finance pack. We identified one CSG where for two consecutive months, five material variances did not have an explanation or reason recorded in the finance pack. This was inconsistent with other CSGs and means that full information was not included when the finance pack was reviewed by the ILG Directors, and Director and Deputy Director of Finance.</p>		No follow up or further investigation leading to further unexplained variance.
<b>Recommendations</b>		<b>Priority</b>
Management should ensure there is consistency by providing explanations for variances as required.		<b>Low</b>
<b>Agreed Management Action</b>	<b>Target Date</b>	<b>Responsible Officer</b>
An updated finance pack is being developed and material variances are flagged for comment.	Immediate	All finance staff

<b>Matter Arising 6: Virements (Operation)</b>		<b>Potential Impact</b>
<p>From the virement index, we tested a sample of ten virements from each of the three ILGs. Our testing identified:</p> <ul style="list-style-type: none"> <li>For 3/30 of the virements which required authorisation, we did not receive evidence to confirm that the correct authorisation was in place. These all related to Rhondda Taf Ely ILG.</li> <li>2/30 had the incorrect virement number recorded within the virement index. Both related to Merthyr Cynon ILG.</li> </ul> <p>Across the ILGs virement journals are prepared and entered into Oracle by the Finance Business Partner but there was no evidence of a review prior to posting and as such no evidence of a segregation of duties.</p>		<p>Inappropriate movements between budgets resulting in poor financial control and loss of control on spend if virement processes are not followed.</p>
<b>Recommendations</b>		<b>Priority</b>
6.1 In line with the Scheme of Delegation, management should ensure authorisation is sought and retained prior to virements being input on Oracle.		<b>Low</b>
6.2 In order to mitigate any form of error, virement journals being signed off by both the preparer and reviewer.		<b>Medium</b>
<b>Agreed Management Action</b>	<b>Target Date</b>	<b>Responsible Officer</b>
6.1 Agreed, as per action 1, an updated process will be developed.	July 2022	Head of Corporate Finance
6.2 We will update the requirements of review/sign off as part of the updated process.	July 2022	Head of Corporate Finance

### Requisitioning of Goods and Services

Matter Arising 7: Procurement process training (Operation)		Potential Impact
<p>New users undertake a procurement training module before they are given access to the financial system. While we understand that refresher training is available for users of the system, in the CSGs where we undertook testing, we saw no evidence of staff attending this training. We note that there is currently no periodic training in place for existing staff.</p>		<p>Non-compliance with legislation or Financial Control Procedures or the Scheme of Delegation.</p>
Recommendations		Priority
<p>Management should ensure that there are structured refresher training arrangements in place for staff responsible for, and involved with, the delivery of the purchase to pay process.</p>		<p><b>Medium</b></p>
Agreed Management Action	Target Date	Responsible Officer
<p>We will update the SharePoint page within CTM with links to the NWSSP e-enablement training.</p> <p>We will offer training sessions and increase engagement to departments to ensure participation</p> <p>NWSSP e-enablement team are developing online training.</p>	<p>July 2022</p>	<p>Esther Price Head of Procurement</p>

**Matter Arising 8: Use of retrospective orders (Operation)****Potential Impact**

We obtained a breakdown of invoices received by the Health Board between April 2020 and November 2021. Our analysis of the data identified that nearly a quarter of POs were raised retrospectively:

<b>Total invoices received</b>	<b>157,931</b>	<b>100%</b>
PO raised after invoice date	20,745	13%
PO raised same date as invoice date	17,945	11%
PO appropriately raised prior to invoice date	119,241	76%

Based on the volume of retrospective orders, we tested a sample of 20 invoices from the Women & Children's CSG in Merthyr Cynon ILG, 10 invoices from the Women & Children's CSG and 10 from CAMHS CSG in Bridgend ILG. In relation to the ten Bridgend Women & Children's CSG invoices, no supporting evidence was provided, and we were unable to complete our testing. For the remaining 30 invoices, we requested evidence to confirm why retrospective orders were used. Our review of the available information identified a variety of reasons and in some cases the use of retrospective orders was appropriate.

In a number of instances, while it was reasonable for orders to be raised in advance, such as for booking training courses, this had not been done. The reasons given for using retrospective orders were:

- Historical practice to raise orders this way for regular transactions with known suppliers.
- Staff were not aware of the correct process to follow.
- Urgent orders - however, we were unable to see clear evidence to explain why the normal ordering process could not be followed.

Inappropriate purchasing of goods and services.

Value for money not obtained where procurement processes are not followed.

A number of the invoices in our sample related to purchases where contracts were in place with the supplier for the regular supply of services, such as specialist bed hire or agency worker costs. In these instances, it was unclear why retrospective orders were used and alternative orders not utilised, such as 'call off' orders.

In all instances, the notes section within Oracle contained no information to explain why a retrospective order process was used. While this is not a process requirement it meant that we had to trace emails and supporting documents through the staff who were involved in raising the retrospective order, which was not always possible if staff were no longer in post. Furthermore, the lack of information relating to the initial request to provide the goods or services, meant we were unable to establish if the initial requests were within the authorisation limits of that individual.

In a small number of cases, we identified that suppliers were set up on Oracle in order for the retrospective order to be raised, which may mean that the procurement team supplier checks had not been undertaken.

Recommendations	Priority
8.1 Management should ensure that staff responsible for approving requisitions and processing purchase orders are aware of the correct procurement process as stated in the Requisition of Goods and Services FCPO and the All-Wales No PO No Pay policy.	<b>High</b>
8.2 In cases where it is appropriate, management should explore the use of alternative mechanisms for raising orders and paying invoices, for example the use of 'call off' orders.	<b>Medium</b>
8.3 Where a retrospective order is deemed appropriate, staff should be encouraged to complete the notes section of Oracle explaining the reason for use of a retrospective order, including details of who requested the goods or service to be procured.	<b>Medium</b>
8.4 Documentation to support all orders should be retained made available if required.	<b>Medium</b>

Agreed Management Action	Target Date	Responsible Officer
<p>8.1 - Procurement will increase the training and cascade information relating to the No PO No Pay policy.</p> <p>We will identify the areas of retrospective ordering, implement a plan and ensure bespoke training to these areas.</p>	July 2022	Esther Price – Head of Procurement
<p>8.2 As above, we will identify the areas where retrospective orders are raised and review alternative mechanisms for order or payment.</p>	March 2023	Esther Price – Head of Procurement
<p>8.3 Where retrospective orders are deemed acceptable, further training will be given to end users to ensure notes are completed within Oracle</p>	March 2023	Esther Price - Head of Procurement
<p>8.4 Documentation will be made available via SharePoint.</p>	March 2023	Esther Price - Head of Procurement

<b>Matter Arising 9: Monitoring compliance with the No PO No Pay process (Operation)</b>		<b>Potential Impact</b>
<p>A number of reports are generated to monitor compliance with the No PO No Pay policy including an 'invoices on hold report' and a 'retrospective and confirmation orders report'</p> <p>The retrospective and confirmation order reports are generated monthly and are analysed to identify those areas of the Health Board with high volumes of such transactions. The FCP refers to letters being sent to individuals and CSG managers when it is identified that they have not complied with the relevant procurement policies. However, at the time of our audit, due to resource constraints, these non-compliance letters were not being issued, instead there is a focus on improving processes centrally from a supplier perspective.</p> <p>Whilst we can see monitoring of non-compliance with the No PO No Pay policy taking place, it was not clear how this monitoring is used to identify training needs or to alert individuals and departments within the Health Board when they do not comply with the policy.</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>
<b>Recommendations</b>		<b>Priority</b>
<p>As sending individual letters to staff when it is identified they are non-compliant with the policy is time consuming, consideration should be given to alternative methods of ensuring departments that are persistently non-compliant are made aware, with support and training provided in an attempt to prevent ongoing non-compliance.</p>		<b>Medium</b>
<b>Agreed Management Action</b>	<b>Target Date</b>	<b>Responsible Officer</b>
<p>Training on No PO and retrospective orders will be made available to respective areas. Non Compliance letters will still be issued.</p>	July 2022	Esther Price - Head of Procurement

## 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:

	<b>Substantial assurance</b>	Few matters require attention and are compliance or advisory in nature. <b>Low impact</b> on residual risk exposure.
	<b>Reasonable assurance</b>	Some matters require management attention in control design or compliance. <b>Low to moderate impact</b> on residual risk exposure until resolved.
	<b>Limited assurance</b>	More significant matters require management attention. <b>Moderate impact</b> on residual risk exposure until resolved.
	<b>No assurance</b>	Action is required to address the whole control framework in this area. <b>High impact</b> on residual risk exposure until resolved.
	<b>Assurance not applicable</b>	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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