

Asset Management

Final Internal Audit Report

2024/25

Swansea University Health Board



Limited Assurance

Contents

Executive Summary	1
Findings & Agreed Action Plan	3
Appendix A	9

Review Reference

Fieldwork

Executive Sign Off

Audit Committee

Executive Lead

Audit Team

SBU-2425-04

October / November 2024

20 February 2025

20 March 2025

Darren Griffiths, Director of Finance and Performance

Osian Lloyd, Head of Internal Audit; Felicity Quance, Deputy Head of Internal Audit

Executive Summary

Purpose

A review of controls in place to manage key risks on the Asset Register.

Overview

Asset management is important in terms of both reducing the costs associated with assets and maximising the quality of services that those assets are used to provide. Standing Financial Instructions require that the health board maintains an asset register recording fixed assets in accordance with the Welsh Minister’s guidance. Capital equipment is currently recorded on the Finance Department’s fixed asset register with the capitalisation threshold being £5k. Medical devices (excluding scopes, stacks and imaging modalities) are also recorded on the central medical device database held by Medical Equipment Management Services (MEMS), which also records non-capital devices.

We note that the finance team with responsibility for asset management has experienced capacity issues over the past couple of years which has impacted the ability to complete some of the standard year end exercises to the level undertaken pre Covid-19 pandemic.

The audit covered capital and fixed assets including plant, equipment and estates assets. Physical verification and an assessment of the useful life of assets were not included as part of this audit, as they are undertaken by Audit Wales as part of the external audit. In addition, our audit did not include sample testing of additions, disposals and transfers of assets under construction.

We have concluded limited assurance on this area. Whilst three of the four objective areas have concluded as reasonable assurance, noting that half of the assets selected as part of the most recent physical verification exercise in 2023/24 could not be identified or work was not completed (NBV circa £1.2m), along with the lack of investigation work undertaken regarding the discrepancies, this does limit our ability to provide assurance around the completeness and accuracy of the health board’s fixed asset register. The matters requiring management attention include:

1. Review and update of the Financial Control Procedure, FCP 15 and Standing Financial Instructions to reflect current practices.
2. Enhancement of details recorded for additions that are made outside of the capital prioritisation bid; in addition to improved completion of the disposal / transfer forms.
3. Non-physical verification exercises not completed for of all equipment assets in line with the extant FCP 15.
4. Reporting and analysis of the results and exceptions of the physical verification exercise in a timely manner.
5. Reconciliation between the fixed asset register and the general ledger is not undertaken in accordance with the requirements of the FCP.

Scope & Assurance Summary

Objectives	The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion.	Related Findings	Assurance
1	Arrangements for fixed asset management, including the process for recording asset additions, movements and disposals, is documented within a financial control procedure.	1	Reasonable
2	The asset management system(s) is accurately updated to record asset additions, movements and disposals.	2	Reasonable
3	Assets recorded on the asset register are physically verified on a periodic basis.	3	Limited
4	The asset register is reconciled to the financial ledger / records.	3	Reasonable

Management Actions

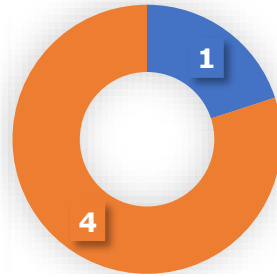


High Priority



Medium Priority

Themes



■ Policies & Procedures

■ Finance Management & Control

Risk Types

Financial Loss

Findings & Agreed Action Plan

Objective 1: Policies and Procedures **Reasonable**

Overview / Summary of Observations

A number of policies and procedures are in operation for the management of assets, including Schedule 6 of the Standing Financial Instructions (SFIs) (contained within the health board’s Standing Orders), Financial Control Procedure (FCP) 15 (*Capital Investment, Private Financing, Fixed Asset Registers and Security of Assets*) and the Capital Accounting Manual (specifically chapter 7). Procedure documents cover a range of aspects of asset management as well as a description of key roles in the management of assets and their respective responsibilities. However, we note that the review date for the SFIs and FCP had passed.

The SFIs were scheduled for review in September 2024. From discussion with management, it is not anticipated that any significant changes will be applied. FCP 15 was scheduled for review in Q3 2023/24 but had not been completed at the date of fieldwork. An update presented to the Audit Committee (November 2024) notes that it is now scheduled for review in Q4 2024/25. See **Key Finding 1**.

The scope of the FCP reflects the key elements of the process e.g. the processes for physical verification of assets and activities / elements e.g. additions, disposal and movement forms. However, job titles and names are outdated and, in line with the findings arising from this report, there are opportunities to update the document to better reflect and provide more clarity on current practices. In addition, there is no reference to the specific asset management systems used by capital, i.e. the Real Asset Management (RAM) System which is used to manage fixed assets. See **Key Finding 1**.

Key Findings	Risk & Impact	Agreed Management Action
<p>1 Review of Policies and Procedures</p> <p>Both the SFIs and FCP 15 require review and update.</p> <p>In line with the findings arising from this report, there are opportunities to better reflect and provide more clarity on current practices in particular areas of asset management, including asset verification and reconciliation processes.</p>	<p>Inconsistent and / or incorrect application of guidance, leading to inaccurate asset records, loss or misappropriation of assets and / or misstatement of asset values.</p>	<p>Agreed Action:</p> <p>FCP 15 will be updated in Q1 2025/26 to reflect the agreed changes in this report.</p> <hr/> <p>Expected Evidence of Implementation:</p> <p>Approval by Audit Committee.</p>
<p>Theme: Policies & Procedures</p>	<p>Medium Priority</p>	<p>Officer: Ian MacDonald, Assistant Director of Finance</p> <p>Date: June 2025</p>
	<p>Control Operation</p>	

Overview / Summary of Observations

The process for posting additions, movements and disposals is outlined within the SFIs and FCP. Managers in Directorates are responsible for informing the Finance Directorate of changes to assets, which will require amendment to the register. The Principal Finance Manager (Capital) is then responsible for authorising all additions, disposals or other amendments made to the Fixed Asset Register.

Additions

Fixed asset purchases are funded from the capital allocation and coded to designated Capital Analysis Codes in the Oracle accounting system denoting capital purchase through the routine procurement cycle. The Capital Finance Team identify new assets through analysis of expenditure within the general ledger (monthly transaction pivots). We have noted that within some other NHS Wales organisations, services purchasing assets are also required to complete and sign a fixed asset additions form to provide the Capital Finance team with the details necessary to populate the asset register fields. Whilst this isn't currently a requirement within the health board, we acknowledge that the same information will be gathered for those purchases that are made through the electronic capital prioritisation bid process. For those purchases which fall outside this process, the details recorded could be enhanced further to reflect the requirements for inclusion in the fixed asset register. See **Key Finding 2**.

Disposals

Asset disposals are notified by the asset owners who complete a disposals form. These identify the item being sold, the reason for disposal and, if applicable, an estimate of sale proceeds. Owners completing disposal forms are required to sign and date these and forms should be completed by the asset owner at the time of the asset disposal and forwarded to the Capital Finance Team. We note anecdotally that disposal forms are not normally completed by the service, as the majority of medical equipment assets are firstly returned to MEMS. From there, they may be held in reserve as spares to be used as required at times of equipment breakdowns or disposed of at auction through the NHS Wales Auction Contact. For non-MEMS disposals, when the forms have not been completed at the point of disposal, these may be completed at a later date when the physical verification exercise identifies that the asset has been disposed of and is no longer held. The Capital Finance Team therefore run a disposals report at the end of each financial year, which is based on a combination of the disposal forms received, items identified as no longer held through the verification process and disposal proceeds received from the MEMS team. This identified 1,249 assets, with an aggregated NBV of £55,671.38, recorded as disposed during 2023/24. See **Key Finding 2**.

Movements / Transfers

Asset owners are also required to notify the Capital Finance Team of the movement of fixed assets to new locations. Asset location records were included within the physical verification testing documented under audit objective three below, where half of the assets selected could not be verified. This suggests that a significant number of 'Amendments to Fixed Asset Forms', as per the FCP, are not received from the service areas. See **Key Finding 2**.

The health board's asset register, the RAM Asset Management System, is currently updated annually, at financial year end. Although we note that the Capital Finance Team are looking to move to quarterly updates in 2025/26 which is in line with what we have observed at other NHS Wales organisations. There is no requirement for the RAM system to be reconciled to the EBME asset system, or the E-Quip database which is used to record those assets maintained by EBME (Electronics & Biomedical Engineering).

We have not undertaken detailed testing of additions, movements and disposals at this audit noting that this work was undertaken by Audit Wales as part of the financial statements audit, with no exceptions reported.

Key Findings	Risk & Impact	Agreed Management Action
<p>2 Equipment records</p> <p>The FCP states that <i>the basic information for equipment purchases should be extracted from the Purchase Order and/or invoice, but advice should be sought from the appropriate manager where clarity is needed.</i> This is a different process to some other NHS Wales organisations where an additions form is completed by the relevant manager confirming purchase cost and location of the asset for inclusion in the fixed asset register. We note that where purchases are through an electronic capital prioritisation bid, the essence of the additions form is reflected; however, further enhancement to the details recorded for those purchases made outside of this bid process is required.</p> <p>Further, noting the number of assets that could not be located during the course of the physical verification exercise (for the 2023/24), compliance with the expectations of the FCP regarding verification of asset information is not evident across Directorates.</p>	<p>The record of the equipment in the asset register is incomplete.</p>	<p>Agreed Action:</p> <p>It should be noted that advice provided by the MEMS, is that it is rare for medical equipment to be moved to a totally different location on a permanent basis and is most likely moved around local areas on the same site as part of the normal business of running a hospital – for example items of equipment are shared between departments on a need to have basis.</p> <p>Agreed that the verification process will be enhanced with the completion of full equipment details on addition to the Fixed Asset Register by the quarter following addition – including make, model, serial number, department, MEMS E-Quip system reference and going forward the possible addition of passive tags to some appropriate items of medical equipment. Part of this work will review how to enhance the use of technology to collect this information.</p>
<p>Theme: Finance Management & Control</p>	<p>Medium Priority</p> <p>Control Operation</p>	<p>Expected Evidence of Implementation:</p> <p>Updated FCP 15 and from Q1 2025-26, an on-going reconciliation and sign-off process to ensure a complete asset record on RAM.</p> <p>Officer: Ian MacDonald, Assistant Director of Finance</p> <p>Date: July 2025</p>

Overview / Summary of Observations

We sought to establish the process adopted to verify the existence of the assets recorded in the registers.

As defined within Section 6.3.1.2 of FCP 15, the health board operates an annual verification review of their equipment assets as part of the year end accounts / audit process: *On an annual basis the Finance Directorate shall produce a list of equipment assets held on the register. This list will be subject to a non-physical verification, as well as an annual independent physical verification process.* The physical verification exercise is undertaken over a 3-year cycle; therefore, what is subject to a physical verification one year will be subject to a non-physical verification during the other two years. The physical verification is typically undertaken during the summer months (due to capacity), and given the timing for this work we note that known changes (based on the ledger) since the latest year end exercise are not factored in. We also note that at the date of close of fieldwork, the 24/25 exercise had yet to complete .

For the health board's land and building assets, these form part of the national NHS Wales quinquennial revaluation. The last revaluation took place in 2022/23.

Non-Physical Verification

Section 6.3.1.2 of FCP 15 states that *'For those assets maintained by EBME (Electronics & Biomedical Engineering), the verification process will utilise information held on their E-Quip database. The most recent service date maintained on the E-Quip database will be utilised for the non-physical verification. This process should normally be completed by December of each financial year. For assets not maintained by EBME i.e. Radiology, Pathology, IM&T and Estates, a list will be distributed to the appropriate managers for verification.'*

Save for IT assets, the non-physical verification exercise has not been completed since before the Covid-19 pandemic; and we were advised that the exercise for 2024/25 would not be completed by December 2024 as expected by the extant FCP (due to capacity issues which, we note, have now been resolved). See **Key Finding 3**. Upon completion of the exercise, as we have evidenced for the IT assets, the managers will return the list with annotations regarding active / inactive assets (and to be disposed of) for inclusion in the update to the fixed asset register

Some of the EBME assets (7% of the 43,630 recorded) have been tagged via the MobileView RFID system and such is cross referenced with e-Quip which can assist in completion of the verification exercise. Recognising the cost attributed to this tagging exercise, those high value devices which move between departments have been prioritised for tagging; and we acknowledge that the health board is looking to tag more assets which will reduce the need for some of the time-consuming verification exercises, as well as help with tracking asset movements. The status field within the e-Quip system could be used to assist in the verification exercise. See **Key Finding 3**.

Physical Verification

2023/24 was the first year the physical verification exercise resumed post the Covid-19 pandemic (2019/20 being the last year of review).

We reviewed the results of the departments reviewed in the 2023/24 exercise and noted that 437 (49%) of the 891 assets reviewed could not be verified

Section 15.7.3 of the SFIs states that *'All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Director of Planning and Director of Finance'*; section 6.3.1.4 of FCP 15 further states that *'instructions shall be provided to managers to feedback any inaccuracies in this data and any omissions. The Finance Directorate shall act on this information and, if necessary, amend the Fixed Asset Register'*. Such was not completed at the point of conclusion (October 2023) of the verification exercise. See **Key Finding 4**. We note that a follow up exercise to identify those that could not be verified commenced at the conclusion of our audit fieldwork (November 2024). This identified that 363 of the assets that had not been verified had a nil Net Book Value (NBV), with the remaining 74 having a collective NBV of £1.2m.

Key Findings	Risk & Impact	Agreed Management Action
<p>3 Non-Physical Verification of Assets</p> <p>For 2023/24, the annual non-physical verification exercise was undertaken only in respect of IT assets rather than all equipment assets as the FCP defines – and we note that this has been the case since 2019/20.</p> <p>The 'status' field within the e-Quip system is populated for the location of the asset. Whilst we were informed that it is reviewed by the Capital Finance Team, there is no documentary evidence to support that this is currently used as part of the verification exercises.</p> <p>Theme: Finance Management & Control</p>	<p>Inconsistent and / or incorrect application of guidance, leading to inaccurate asset records, loss or misappropriation of assets and / or misstatement of asset values.</p> <p>High Priority</p> <p>Control Operation</p>	<p>Agreed Action:</p> <p>The outstanding assets from the 2023/24 verification process have been incorporated into the 2024/25 verification process.</p> <p>A download/reports from the E-Quip system will be maintained as part of the reconciliation process.</p> <p>Expected Evidence of Implementation:</p> <p>Reconciliation report for annual verification exercise reviewed by the Assistant Director of Finance.</p> <p>Update FCP 15</p> <p>Officer: Ian MacDonald, Assistant Director of Finance</p> <p>Date: March 2025 (reconciliation) / June 2025 (FCP 15)</p>
<p>4 Physical Verification of Assets</p> <p>2023/24 was the first year the physical verification exercise resumed post the Covid-19 pandemic and we recognise that, due to capacity issues within the finance team, the exercise was unable to be completed within the historically preferred timeframe (during the course of the summer months). At the time the physical verification was able to be completed, almost half of the assets selected as part of the exercise, could not be identified.</p> <p>There was no evidence of these discrepancies being investigated nor communicated to the Director of Planning and Director of Finance as per the requirements of the FCP.</p> <p>Theme: Finance Management & Control</p>	<p>As per finding 3.</p> <p>High Priority</p> <p>Control Operation</p>	<p>Agreed Action:</p> <p>The outstanding assets from the 2023/24 verification process have been incorporated into the 2024/25 verification process.</p> <p>Expected Evidence of Implementation:</p> <p>Reconciliation report for annual verification exercise reviewed by the Assistant Director of Finance.</p> <p>Officer: Ian MacDonald, Assistant Director of Finance</p> <p>Date: March 2025 (reconciliation) / June 2025 (FCP 15)</p>

Overview / Summary of Observations

Section 1.1.2.5 of FCP 15 states that '*The Capital Finance Team shall, on a monthly basis, reconcile capital acquisitions [other than donated], from the Fixed Asset Register to the Financial ledger. Any variances identified shall be dealt with as appropriate.*' Whilst capital acquisitions are routinely recorded on the general ledger throughout the year, noting that the RAM is not updated until the financial year end, there is no monthly reconciliation process as the FCP describes. See **Key Finding 5**.





Section 6.4.2.8 of FCP 15 also states that '*The Principal Finance Manager (Capital) shall be responsible for reconciling the Fixed Asset Register and Financial Ledger' and 'for producing all the Capital asset notes required for the Annual Accounts in the appropriate format, and for producing clear working papers reconciling the Fixed Asset Register, general ledger, and Annual Accounts.'* However, as above, only an annual exercise is completed which results in a journal posting the transactions captured within the general ledger and supporting working papers throughout the year (see objective 2). From similar reviews undertaken at other NHS Wales organisations, we note that formal monthly/quarterly reconciliations are undertaken between the general ledger and the fixed asset register.

Review of the annual reconciliation noted nil variances which would be expected noting it is journal update of all transactions from the year, and no exceptions were raised by Audit Wales as part of the financial statements audit.

Key Findings	Risk & Impact	Agreed Management Action
<p>5 Reconciliation</p> <p>Whilst capital acquisitions are recorded on the ledger throughout the year, the requirement of the monthly reconciliation to the fixed asset register as per the FCP (and as is undertaken at other health boards) is not completed. This is due to the RAM only being updated on an annual basis.</p> <p>We note that it is the health board's intention to move to a quarterly reconciliation in 2025/26, noting that the Projects Module that was used within the RAM system (until 2022/23) prevented completion of reconciliations more frequently than an annual basis.</p>	<p>Misstatement of physical asset holdings within the RAM.</p>	<p>Agreed Action:</p> <p>A quarterly upload from the ledger to the RAM Fixed Asset register will commence in 2025/26.</p> <p>Update FCP15.</p> <hr/> <p>Expected Evidence of Implementation:</p> <p>Quarterly reconciliation signed off by the Assistant Director of Finance.</p> <p>Update FCP 15.</p>
<p>Theme: Finance Management & Control</p>	<p>Medium Priority</p>	<p>Officer: Ian MacDonald, Assistant Director of Finance</p> <p>Date: July 2025</p>
<p>Control Operation</p>		

Appendix A

Assurance Opinion

	Substantial	Few matters require attention and are compliance or advisory in nature. Low impact on residual risk exposure.
	Reasonable	Some matters require management attention in control design or compliance. Low to moderate impact on residual risk exposure until resolved.
	Limited	More significant matters require management attention. Moderate impact on residual risk exposure until resolved.
	Unsatisfactory	Action is required to address the whole control framework in this area. High impact on residual risk exposure until resolved.
	Advisory	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 Findings

Priority	Explanation
High	Significant risk to achievement of a system objective OR evidence present of material loss, error, or misstatement. Poor system design OR widespread non-compliance.
Medium	Some risk to achievement of a system objective. Minor weakness in system design OR limited non-compliance.

Website: [Audit & Assurance Services - NHS Wales Shared Services Partnership](#)

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The report is based on the review work undertaken and is not necessarily a complete statement of all weaknesses that exist or potential improvements. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, no complete guarantee or warranty can be given with regard to the advice and information contained.

Our work does not provide absolute assurance that material errors, loss or fraud do not exist. Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management of the Swansea University Health Board. Work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, or all circumstances of fraud or irregularity. Effective and timely implementation of recommendations is important for the development and maintenance of a reliable internal control system.

Public Sector Internal Audit Standards

Audit work undertaken by NHS Wales Audit and Assurance Services conforms with the International Standards for the Professional Practice of Internal Auditing and associated Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Chartered Institute of Public Finance & Accountancy in April 2023.

