

Savings Programme

Final Internal Audit Report

October 2023

Swansea Bay University Health Board

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

Acknowledgement:

NHS Wales Audit and Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

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Executive Summary

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 ¹

Assurance objectives	Assurance
1 Robust Savings Plans	Limited
2 Reducing Budget to Reflect Savings	Reasonable
3 Governance Arrangements	Reasonable

Purpose

To review the arrangements in place at the health board to ensure that savings plans are specific, realistic and measurable, and that monitoring arrangements are effective.

Overview

We have issued reasonable assurance on this area.

The matters requiring management attention include:

- Reviewing and finalised documented guidance to assist staff in developing, assessing and approving savings plans.
- Delegation letters were not returned by budget holders within the designated timescale.
- Providing financial training to reinforce documented guidance.
- Developing templates to ensure savings information is robustly recorded, evaluated and reported.

We recognise that this remains a very challenging time for the health board as well as for all NHS Wales organisations; with all health boards placed in enhanced monitoring for their finances by Welsh Government.

The health board is striving to identify savings to meet the 2023/24 target of £32.83m, yet there is still a gap of circa £10m to identify at the date of this report. There is also the risk that Welsh Government will request further savings to be sought, therefore increasing the challenge for the health board. Confirmation of this, and the percentage of savings, was awaited at the date of this report.

Key matters arising

Key matters arising	Assurance Objectives	Control Design or Operation	Recommendation Priority
1 Finalising Documented Guidance	1, 2, 3	Design	Medium
2 Delegation Letters to Budget Holders	1	Operation	High
3 Provision of Financial Training	1	Design	Medium
4 Robust Savings Plans	1	Design	Medium
5 Savings Evaluation	1,2	Design	Medium
6 Robust Savings Reporting	3	Design	Medium

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

1. Introduction

- 1.1 Swansea Bay University Health Board (the health board) approved the Integrated Medium-Term Plan for Recovery & Sustainability (2023/24 – 2025/26), which incorporates the annual Financial Plan for 2023/24, at its meeting on 30 March 2023. The Financial Plan remains unapproved by Welsh Government as it is not balanced, detailing a deficit of £86.6m with the delivery of £22.2m savings for 2023/24 (a 3.5% savings target compared to 4% previously). In addition, a further £10.63m of unmet recurrent savings has been carried forward from 2022/23 resulting in a total savings target of £32.83m to be delivered in 2023/24. At month 5, £22.38m of savings have been identified against this target, and £8.938m savings have been delivered (a year-to-date deficit of £4.528m against the delivery target).
- 1.2 Recent reporting of the Board Assurance Framework to the Board (July 2023) noted that the position had deteriorated in relation to the health board's strategic objective, *'Maintain and Deliver Sustainable Financial Health'* (reference 6). The Savings Project Management Office (PMO) that has recently been established to support savings delivery is recognised as a control to manage the major risk (92) *'Managing Financial Risk'* detailed on the health board's risk register.
- 1.3 Our audit has focused on the 2023/24 financial year, reviewing the arrangements in place to ensure that Cost Improvement Programme (CIP) savings plans are specific, realistic, and measurable and that monitoring and reporting is effective.
- 1.4 Whilst undertaking this audit, we have held discussions with Audit Wales to understand the themes arising from their work in relation to savings and cost improvement plans as they were finalising, *'Structured Assessment 2023 – Swansea Bay University Health Board'*.
- 1.5 Welsh Government has recently escalated the health board into enhanced monitoring for its finances and is currently working with all NHS Wales organisations to outline where savings need to be made to reduce significant budget deficits. We did not review the health board's submission as part of our audit. Our review is limited to the identification, delivery and reporting of savings plans only and will not consider budgetary control arrangements as this was covered in our audit of *'Financial Reporting and Monitoring'* (issued May 2022-reasonable assurance).
- 1.6 The key risks considered in this review were:
 - Balanced financial position not achieved by the health board, therefore breaching its statutory duty.
 - Decisions undertaken without sufficient financial scrutiny.
 - Corrective action for currently unsustainable services not taken in sufficient time; and

- Savings schemes prove to be detrimental to the quality of service delivery and lead to the failure to meet IMTP objectives.

2. Detailed Audit Findings

2.1 The table below summarises the recommendations raised by priority rating:

	Recommendation Priority			Total
	High	Medium	Low	
Control Design	-	5	-	5
Operating Effectiveness	1	-	-	1
Total	1	5	-	6

2.2 Our detailed audit findings are set out below. All matters arising and the related recommendations and management actions are detailed in [Appendix A](#).

Objective 1: There are robust plans in place to identify and achieve savings schemes, which have been assessed to confirm the accuracy of costs and achievable timescales, and with appropriate defined success measures to improve service delivery.

2.3 The health board has endeavoured to take both a 'top down' and 'bottom up' approach to identifying savings as service areas increasingly generate ideas for efficiencies in line with their individual savings target. Cross-service savings have been explored, particularly through the 'One Bay Way' approach to support the health board's vision (providing a high quality health board for less with one of its principles being releasing approximately 20% of current service costs), but while there are workstreams for monitoring and reporting on progress, it is in its infancy in terms of savings delivery. The expectation is that the wider benefits of this approach will not be seen for approximately another year.

2.4 A dedicated Project Management Office (PMO) was set up within Finance in early 2022 to:

- assist with the generation of savings ideas;
- develop a project management approach to savings approval, delivery, and benefits realisation; and
- provide a reporting and governance structure.

2.5 Progress with developing the PMO and associated processes has been impacted by resourcing issues. We acknowledge, however, that as our audit fieldwork was concluding, a recruitment exercise was being undertaken to have a full complement of PMO staff.

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- 2.6 A 'CIP Policy, Approach, Process and Governance' guidance document has been prepared and circulated as a draft version, that outlines roles and responsibilities, governance arrangements, processes, and key templates. Having finalised guidance that has been clearly communicated to staff will support consistency and assist in embedding the process (see **Matter Arising 1**). However, we acknowledge that the PMO service provision is currently being reviewed, which may affect the content. There is also an opportunity for the amended guidance to reflect the findings from this review before being finalised.
- 2.7 The draft guidance details that budgets may be excluded from savings, e.g., ring-fenced, contractual agreements, etc. Whilst a record is maintained indicating the rationale for some budget exclusions, not all could be evidenced. With the total savings target not currently achieved (see para 1.1), legitimate reasons should be provided for excluding savings from budgets (see **Matter Arising 5**) and will also assist with Welsh Government's requirements (see para 1.5) for outlining further savings to reduce budget deficits.
- 2.8 Budgetary guidance is also provided within the accountability letters. Schedule 6, para 5.2.1 of the Standing Financial Instructions states that the budget holder must sign the accountability letter formally delegating the budget. Accountability letters for the current financial year (2023/24) were issued to budget holders dated 23 June 2023 and detailed the requirement that they should be signed and returned within two weeks. Only two were received by this deadline. Despite the corporate finance team's efforts following up the signing of these letters with accountable officers, eight responses were received post-deadline and two are currently outstanding (Morriston and MHL D) with a further one being revised (Public Health Wales) (see **Matter Arising 2**). This has been recorded as an area for improvement on the Board Assurance Framework (ref 6), and we raised a similar recommendation in our 'Financial Reporting and Monitoring' audit report (May 2022).
- 2.9 Providing further budget holder training would also assist in clarifying the process and reinforce the need for transformational savings, noting that this was requested as part of budget holder feedback within our audit of 'Financial Reporting and Monitoring' (May 2022). Informal presentations on the CIP process have been provided both corporately and to Service Groups, and there is training for new budget holders and ongoing support through monthly finance meetings. However, no annual formal update training is currently provided (see **Matter Arising 3**).
- 2.10 The 2023/24 schedule of savings (see Table 1) details how the 3.5% target, as per para 1.1, is split across the service areas along with the £10.5m of unmet recurrent savings brought forward from 2022/23:

Table 1:

Service Areas	CIP @ 3.5% (£000)	B/f from 2022/23 (£000)	Total Target (£000)
Nursing Director	83	46	129
Medical Director	32	0	32
Workforce & Organisational Development	259	391	650
Digital Services	508	537	1,045
Finance & Estates	739	0	739
Board Secretary	83	0	83
Chief Operating Officer	827	493	1,320
Director of Transformation	38	0	38
Director of Strategy	87	0	87
Neath Port Talbot and Singleton (NPTS) Service Group	4,160	0	4,160
Morrison Service Group	7,810	6,510	14,320
Mental Health and Learning Disabilities (MH & LD) Service Group	2,568	870	3,438
Primary Care & Community Service Group (PCCSG)	2,728	962	3,690
Health Board Wide	0	820	820
Medicines Management	2,279	0	2,279
Total	22,200	10,629	32,830

2.11 We reviewed a sample of six savings schemes (Morrison, NPTS, PCCSG, MHL, Medicines Management, and Digital Services). A risk rating had been applied in all cases to note the confidence with delivery, along with a timescale for the Red, Amber and Green (RAG) status to become 'green'. Due to the nature of the savings proposal, the project management templates (as detailed in the CIP guidance) were only used in one case (MHL). No consistent savings documentation was used, resulting in a lack of evidence to support the calculation, assessment and approval of savings schemes. Other enhancements identified included providing

detail for the rationale/impact of the saving, robust success measures, demonstrating alignment to the health board's Recovery & Sustainability Plan and ensuring that there is a robust mechanism for retaining savings information (see **Matter Arising 4**).

Conclusion:

2.12 While there is documented guidance to assist with embedding a consistent process, it has not been finalised due to the review of the PMO and associated resourcing issues. Informal financial training has been provided, but the process needs to be formalised to confirm that staff receive training appropriate to their needs. Accountability letters have been issued, but despite reminders, three remain unsigned. There is a lack of robust documentation in place to support the identification, assessment and approval of savings schemes, and further detail is required to assist in determining the confidence in delivering the savings proposal. Noting also the significant shortfall against the overall target (see para 1.1), we therefore provide **limited** assurance for this objective.

Objective 2: Review and reporting of operational budgets to confirm these are reduced to reflect the delivery of recurrent savings.

- 2.13 Master CIP trackers are maintained by finance business partners to record the current position of the individual savings schemes by service area.
- 2.14 Of the six recurrent savings schemes reviewed (see para 2.11), four had been removed promptly from the operational budget. The remaining two schemes had not been removed as their RAG status was 'amber' in terms of the confidence of their delivery.
- 2.15 For one of the savings schemes (MHLD – Section 117 cases), the amount removed from the budget was higher (£607k) than that recorded in the CIP tracker (£583k). The PMO have also had issues reconciling the CIP master trackers to the ledger (the 2022/23 year-end reconciliation highlighted a £300k difference), which could impact the accuracy of reporting (see **Matter Arising 5**).
- 2.16 While Quality Impact Assessments (QIA) can be undertaken as part of assessing savings schemes prior to approval (as documented within '*CIP Policy, Approach, Process and Governance*'), none were carried out for the savings schemes within our sample as a project management approach had not been carried out. Further, there is no mechanism in place to enable post-evaluation of savings plans to determine benefit realisation and lessons learnt. This would develop good practice to confirm the impact of savings plans on service delivery, and to understand the reasons when plans are not achieved (see **Matter Arising 5**).

Conclusion:

2.17 Savings have been removed from operational budgets promptly, but there is no benefit realisation plan in place to confirm that the expected outcomes and benefits have been achieved, and identify any lessons learnt. We provide **reasonable** assurance for this objective.

Objective 3: Appropriate governance arrangements are in place for the allocation and oversight of the delivery of savings, including an escalation process where financial sustainability is not achieved/recovered.

Delivery Oversight

- 2.18 An appropriate governance framework for the approval of the 2023/24 Financial Plan was evidenced – presented to both Executive Board and Management Board (15 March 2023); and approved by the Board (30 March 2023). The Financial Plan was also presented to the Performance & Finance Committee (25 April 2023) post-submittal to Welsh Government, noting the Deputy Director of Finance’s explanation that there had been weekly meetings with independent members prior to its submission.
- 2.19 Weekly CIPs operational reporting, to senior management and service areas, has been undertaken providing an overview of the savings programme, including an indication of the position with recurrent savings. The template could be enhanced to provide more detail on the progress made to deliver individual savings schemes, clarify risks, as well as having robust actions to address concerns and give more confidence on delivery (see **Matter Arising 6**).
- 2.20 Monthly CIP meetings are held for some Service Groups (Neath Port Talbot & Singleton, Morriston and Primary Care). For the remaining service areas, there are regular finance meetings that provide an opportunity to discuss savings progress. In these cases, the level of discussion and scrutiny of savings was not always evident from review of meeting minutes (see **Matter Arising 6**). Minutes could not be provided from recent CIP and Financial Improvement Board meetings due to a recent change of personnel at Morriston.
- 2.21 There is regular oversight and monitoring of savings through financial reporting to the Management Board, Performance & Finance Committee, the Board and Welsh Government. The Performance & Finance Committee’s terms of reference, approved by Board in September 2022, refers to their role in monitoring the delivery of savings programmes.
- 2.22 The Management Board, Performance & Finance Committee and the Board receive financial updates, incorporating delivery against the savings target (including where there is a shortfall of recurrent savings), and a brief overview of challenge areas. To ensure effective oversight, senior management and the Performance & Finance Committee should receive more detailed information on savings in line with that specified in the draft ‘*CIP Policy, Approach, Process and Governance*’ guidance: ‘*the monthly Finance and Savings Performance report summarises CIPs and risks*’. It is noted that Audit Wales have identified a similar enhancement through their Structured Assessment (2023) work, therefore we have not replicated a recommendation in this report.

Escalation Process

- 2.23 Further clarification is required to clearly outline the escalation process where savings are not being achieved in line with target timescales or will not be achieved (see **Matter Arising 1**). This would ensure that prompt action can be taken to prevent the health board incurring additional financial pressure if savings are not delivered.
- 2.24 Two service groups (Morrison and Neath Port Talbot & Singleton (NPTS)) are subject to enhanced monitoring arrangements, to provide further oversight in relation to run rate and savings delivery, through weekly meetings chaired by the Chief Executive. However, there is no clear and consistent documentation recording the outcomes of these meetings (see **Matter Arising 6**). Updates in relation to their financial recovery are provided to the Management Board, Performance & Finance Committee and Board. From our review of Performance & Finance Committee meeting minutes, there was evidence of its scrutiny of the escalation process and the current financial position of the two service groups.

Savings Programme

- 2.25 The finance report (Period 5 2023/24) presented to Performance & Finance Committee (26th September 2023) details the following actions:
- *"Focused attention to ensure that 100% of the schemes are identified at the end of Q1 23/24. **All Service Group Directors and Corporate Directors**"*
 - *"Focused attention to ensure that 100% of the schemes identified at the end of Q1 are green and amber by the end of Q2 23/24. **All Service Group Directors and Corporate Directors**"*
- 2.26 The health board continues to face a challenging financial situation requiring £32.83m savings to be delivered, inclusive of the £10.63m recurrent savings not achieved from 2022/23. At Period 5, £22.38m of savings have been identified with £12m of this being recurrent. Table 2 details the savings identified against the target, including the shortfall for recurrent savings:

Table 2- Month 5 Overview:

Service Areas	Total Target (£m)	Actual Identified (£m)	Shortfall (£m)	Recurrent Identified (£m)	Shortfall (£m)
Corporate	4.12	5.21	-1.08	1.56	2.57
NPTS Service Group	4.16	4.08	0.08	1.19	2.97
Morrison Service Group	14.32	3.00	11.32*	2.11	12.21*
MH & LD Service Group	3.44	3.31	0.14	1.73	1.71

Primary Care & Community Service Group	3.69	3.69	0.00	1.87	1.82
HB Wide	0.82	0.82	0.00	0.82	0.00
Medicines Management	2.28	2.28	0.00	2.73	-0.45
Total	32.83	22.38	10.45	12.00	20.83

* Morryston Service Group has the highest variance (noting that there has been an increase to its CIP target of £760k due to numerous costs centres transferring from NPTS to Morryston)

- 2.27 Month 5 financial reporting details that £8.938m savings have been delivered to date (the deficit against the monthly savings target is detailed in Table 3). This means that £3.413m savings have to be delivered each month for the rest of the financial year in order to meet the £32.83m target.

Table 3 – Delivery Against Total Savings Target:

Target	Month 1 £m	Month 2 £m	Month 3 £m	Month 4 £m	Month 5 £m	Year To Date £m
Deficit/ Surplus	1.63	1.07	0.731	0.436	0.658	4.528

- 2.28 The Board Assurance Framework (ref 6) details that the PMO's role is to "support the delivery of savings plans and create a pipeline of opportunities for future savings". The PMO have used several tools to enable them to identify pipeline opportunities for the next financial year (2024/25) and these will be further explored to identify those that can be taken forward as savings schemes. The Financial Plan details a target of £22m for 2024/25, but this is not agreed as the health board is subject to an annual planning cycle. Depending on the outcome of the submission to Welsh Government (see para 1.5), the rationale for longer term consideration of savings targets should be documented.
- 2.29 The approach to managing the savings programme may alter as the health board is under enhanced monitoring arrangements and moves towards financial recovery. Consideration could be given to strengthen governance arrangements and structures to provide more focus on the identification and delivery of savings, particularly to detect duplication or inefficiency across service areas and assist with cross-service savings delivery (see para 2.3), with appropriate escalation where required. We have observed some other NHS Wales organisations have established a Financial Sustainability Programme.

Conclusion:

2.30 Despite efforts, the health board is not on course to deliver its savings programme. There is regular oversight and monitoring of the savings framework, including escalation through to Board, although consideration could be given to strengthen arrangements now the health board is subject to enhanced monitoring by Welsh Government. Enhancements to the reporting templates have been recommended to allow more effective scrutiny and to demonstrate that appropriate action is being taken to realise savings. There also needs to be an agreed process for taking prompt action against underachieving schemes. We provide **reasonable** assurance for this objective.

Appendix A: Management Action Plan

Matter Arising 1: Reviewing and Finalising Documented Guidance (Design)		Impact
<p>The draft 'CIP Policy, Approach, Process and Governance' guidance document provides a detailed overview of the savings framework and utilises project management templates. The guidance has been circulated to relevant staff to provide comment before being finalised. However, the PMO is not currently fully resourced, and the service provision is currently under review to ensure it can provide appropriate support.</p> <p>Once the team is at full complement, there are plans for the PMO to become more involved in reducing budget spend (run rate) as well as continuing to support cash-releasing savings. Further guidance will also be needed to detail the roles and responsibilities of the finance business partners alongside the PMO and provide clarity when savings should be placed on the master tracker and removed from the operational budget.</p> <p>While NPTS and Morriston service groups are currently subject to enhanced monitoring for financial recovery, there is nothing documented to confirm the escalation process for any under-achievement of savings to ensure a consistent approach is applied.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> • Process being managed inconsistently resulting in savings schemes not being achieved. • Roles and responsibilities are unclear resulting in a lack of accountability and oversight.
Recommendations		Priority
1.1	<p>The existing draft guidance should be reviewed to ensure it clearly outlines:</p> <ul style="list-style-type: none"> - Roles and Responsibilities (particularly between the Finance Business Partners and the PMO). - Documentation to be used within the savings process to ensure that key elements are included, e.g. impact, risks, success measures, timescales, etc. - Process to be followed (when, to whom and actions to be taken) where savings are not being achieved in line with target timescales. 	Medium
1.2	<p>Once finalised and approved by an appropriate forum, the guidance should be communicated to all key individuals involved in the process, and subject to a regular review with the date recorded.</p>	

Agreed Management Action		Target Date	Responsible Officer
1.1	Agreed. The CIP Guidance Document is currently under review, and the roles and responsibilities of the PMO will be clearly defined. The governance of escalation will also be clear on non-achievement of CIPs. The aim is for this new approach to be in place for the start of the 2024/25 financial year.	31st January 2024	Head of Programme Management Office
1.2	Agreed. There will be a full communication of the CIP Guidance to stakeholders following the approval of the final CIP Guidance Document.	31st March 2024	Head of Programme Management Office

Matter Arising 2: Delegation Letters to Budget Holders (Operation)		Impact
<p>The Standing Financial Instructions (SFIs) states budget holders must sign the accountability letter formally delegating the budget. Despite corporate finance team's efforts chasing responses, we note that two letters remained unsigned:</p> <ul style="list-style-type: none"> • Morryston Service Group (noting a new Service Director started in post in September 2023) • MHLD <p>The accountability letter for Public Health Wales also remains unsigned as it is currently being revised.</p> <p>A recommendation, regarding the signing of budget delegation letters, was included in the Financial Reporting and Monitoring audit report (issued May 2022 – reasonable assurance) with escalations to the Director of Finance where no responses are received within four weeks of the deadline. The accountability letter details that they should be signed and returned within two weeks of the letter's issue. Only two of ten letters received have met this deadline despite the corporate finance team sending reminders.</p> <p>Budget delegation letters not been signed and returned by Service Group Directors has also been recorded as an area for improvement on the Board Assurance Framework (ref 6). <i>"Aligned to the revised Health Board Budgetary Management approach approved by performance and Finance Committee, accountability letters were issued in June 2023 for Financial Year 2023/24 to all Executive Directors and Service Group Directors, which clearly set out both the recurrent budget brought forward from 2022/23, the investment agreed by the Board as part of the 3 Year Financial Plan (2023-2026) and the 2023/24 savings targets. The letter requires the recipients to reply within a set deadline and responses will be monitored and where no reply is received follow up correspondence will be issued."</i></p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> • Budget accountability is not formally agreed, as required by the SFIs • Delegation letters do not fully align with standing orders
Recommendations		Priority
2.1	The importance of signing and timely return of delegation letters is re-iterated to budget holders to formally recognise budget accountability.	High

Agreed Management Action	Target Date	Responsible Officer
2.1 Noted. Whilst the actions for the previous audit have been followed and embedded within the revised process for 203/24 an additional section will be added to the 2024/25 accountability letter issued to Service Group Directors and Corporate Directors which will set out the process for updating the Performance and Finance Committee and Management Board on the replies received to date and those outstanding. This update will be provided in September/October each year.	30th September 2024	Deputy Director of Finance

Matter Arising 3: Provision of Financial Training (Design)		Impact
<p>Clause 5.2.7 of the Standing Financial Instructions (SFIs) states that it should be ensured, <i>“that adequate training is delivered on an on-going basis to assist budget holders managing their budgets successfully”</i>.</p> <p>While financial training is provided to new budget holders and Finance utilise corporate mechanisms for inductions, no annual formal update training has been provided to existing budget holders. We acknowledge that informal training has been delivered through PowerPoint presentations, and that budget holders have access to dedicated finance teams onsite that can provide advice and support along with monthly finance meetings. However, training requirements need to be closely monitored so that assurance can be provided that all budget holders are proficient and have greater awareness of their budgets to assist with the wider savings requirements. A recommendation was included in the Financial Reporting and Monitoring audit report (issued May 2022 – reasonable assurance) regarding ascertaining what support budget holders require.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> • Poor decision-making impacting service delivery and financial sustainability.
Recommendations		Priority
3.1	A formal programme of financial training should be provided to budget holders to allow them to effectively carry out their role.	Medium
3.2	Training records should be maintained to confirm attendance, which should be monitored to identify non-attendance so this can be followed up.	

Agreed Management Action	Target Date	Responsible Officer
<p>3.1 Noted. Formal training is provided to all Budget Holders on taking up a role as a Budget Holder. Training is also available to Budget Holders whenever they met their finance support as each Service Area has a team of dedicated finance professionals to support Budget Holders. These finance professionals are based on the sites with the Budget Holders.</p> <p>As part of the wider programme for ensuring the Finance Function is a High Performing Team it has already been identified that the wider training provided to Budget Holders needs to be reviewed, but this will need to be assessed alongside the method with which data is shared and also best practice across the UK. This recommendation will be assessed alongside this work plan.</p>	30th September 2024	Assistant Director of Finance (Accounting & Governance / Resources and Finance Business Partners)
3.2	30th September 2024	Assistant Director of Finance (Accounting & Governance / Resources and Finance Business Partners)

Matter Arising 4: Robust Savings Plans (Design)		Impact
<p>A review of a sample of savings schemes (see para 2.11) submitted for financial year 2023/24 identified the following:</p> <ul style="list-style-type: none"> • Inconsistent savings documentation is utilised with only two savings plans (Digital Services (mobile phone contract renewal) and MHLD (Section 117 cases)) being supplied; • There was no evidence to support the calculation, assessment, and approval of the savings schemes; • An assessment of the impact to service delivery and success measures that are aligned to the objectives in the Integrated Medium-Term Plan (IMTP) were not detailed; and • No robust mechanism for retaining savings information (as the PMO spent time requesting and assimilating the evidence for the sample-testing). 		<p>Potential risk of:</p> <ul style="list-style-type: none"> • Savings schemes prove to be detrimental to the quality of service delivery and lead to the failure to meet IMTP objectives.
Recommendations		Priority
4.1	Consistent savings documentation should be developed to take account of when a project management approach is not needed. These should use SMART criteria to define success and provide realistic timescales for delivery.	Medium
4.2	The validation of the assessment and approval of savings schemes should be recorded.	
4.3	All key savings documentation should be retained and stored in a centralised location.	

Agreed Management Action		Target Date	Responsible Officer
4.1	<p>Agreed.</p> <p>(1) We are working on refining a formal consistent record of savings but noting the Trackers are set based on the core requirement of WG and monthly reporting which is dictated to Health Boards. Therefore there are elements of the process which cannot be changed.</p> <p>(2) The revised CIP Guidance Document will also support the overview on enhancing the calculation, assessment and approval of schemes.</p>	31st January 2024	Head of Programme Management Office
4.2	<p>Agreed. The CIP Guidance Document will make it clear the governance will be in place so Service Groups and Directorates will have a formal recording of approval of Savings Schemes.</p>	31st January 2024	Head of Programme Management Office
4.3	<p>Agreed. The CIP Guidance documentation and Trackers are all stored in a central CIP Folder, however, due to the nature of Service Groups Governance across the Z Drive and SharePoint, evidence is often split across these. The PMO will ensure that all Savings schemes on Trackers will have a core file with the relevant evidence required.</p>	31st March 2024	Head of Programme Management Office

Matter Arising 5: Savings Evaluation (Design)		Impact
<p>The draft '<i>CIP Policy, Approach, Process and Governance</i>' guidance document defines the Quality Impact Assessment (QIA) process pre-savings approval, but there is no mechanism in place to enable the post-evaluation of the savings process to determine benefit realisation and lessons learnt.</p> <p>To assist with understanding the impact of savings removal from operational budgets and to enable accurate reporting, there needs to be a clear record of the actual financial savings that is achieved. Our sample testing of saving schemes (see para 2.14) identified the amount removed from the budget was higher than that recorded in the CIP master tracker for one scheme (MHL: Section 117 cases). Differences between the two records were identified during the year-end reconciliation.</p> <p>The Budget Exclusions spreadsheet is maintained detailing some of the reasons that budgets have been excluded from making savings, etc. hosted or voluntary organisations, but 19% of those listed did not record a rationale for exclusion.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> • Lack of organisational learning in respect of service impact, or non-delivery of savings. • Benefits are not defined or achieved. • Inconsistency in the reporting figures • Savings targets not being achieved.
Recommendations		Priority
5.1	Savings documentation should incorporate methods to assess identified benefits, lessons learnt, and impact to service delivery (also refer to Matter Arising 4).	Medium
5.2	Savings monitoring and reporting tools should align to the information held within the ledger to accurately reflect savings plan performance.	
5.3	The Budget Exclusions spreadsheet should be reviewed to ensure that there is a valid and legitimate reason for all budgets to be excluded from making savings.	

Agreed Management Action		Target Date	Responsible Officer
5.1	<p>Agreed. Benefits and lessons are included in the CIP Guidance documentation, which will be more transparent following the latest review and as noted in 1.2 will be shared formally. However, it is down to Service Groups via their Senior Governance structure to manage the impacts of CIP's. The guidance does provide details of Quality Impact Assessments, and a template, but it is down to local Service Groups to determine the level of governance required on benefits.</p>	31st March 2024	Head of Programme Management Office
5.2	<p>Agreed. The PMO will provide more oversight on the reconciliation of the Savings documentation to the Ledger. However, Finance Business Partners are responsible for actioning the ledger adjustments.</p> <p>Therefore the PMO will facilitate a development session with the FBPs in Q4 of 2023/24 once the guidance documentation is complete to outline the changes.</p> <p>Longer term the PMO will flag to the Assistant Director of Resources and FBPs where issues are identified to ensure these are addressed as quickly as possible.</p>	31st March 2024	Head of Programme Management Office & Assistant Director of Finance
5.3	<p>Agreed. Whilst there is a process in place the schedule outlining budget exclusions and the proposal for 2024/25 will be provided to PFC/Board as part of the IMTP/Financial Planning process for sign off.</p>	31st March 2024	Head of Programme Management Office

Matter Arising 6: Robust Savings Reporting (Design)	Impact
<p>A CIP reporting template has been developed for weekly reporting to service areas. Previously, there was also a monthly highlight report for each individual service area, and while we understand the need to provide efficient streamlined reporting, the existing weekly report does not provide enough detail in relation to the progress made against individual savings schemes.</p> <p>It needs to encapsulate SMART criteria clearly detailing progress, significant changes and provide robust actions to assist with future delivery of savings:</p> <ul style="list-style-type: none"> • Detailing the progress made with implementation of each savings project since the last performance report was issued, as sometimes it was unclear what progress had been made. • Defining how the assurance rating and risk scores were determined (RAG status). • Action plans need to be developed providing robust actions to assist with future savings delivery, with action owners and clear target dates for their completion. <p>Further, the level of discussion and scrutiny of savings was not always evident from review of meeting minutes.</p> <p>Recovery Plan Trackers are maintained to record the outcomes resulting from the enhanced monitoring meetings, with Morriston service group detailing the person responsible for the action, the target deadline for addressing the action and the RAG status. 39 actions were recorded on the 22nd August tracker with 64 on the 30th August version. However, it is difficult to trace the actions between the trackers to confirm that they have been adequately addressed.</p> <p>Neath Port Talbot & Singleton (NPTS) service group uses a different template to record financial figures in relation to run rate, but there is no action plan that clearly records the outcomes from the meeting and to provide oversight that they have been addressed appropriately and promptly.</p>	<p>Potential risk of:</p> <ul style="list-style-type: none"> • Ineffective reporting arrangements are in place resulting in savings not being sufficiently monitored or scrutinised.

Recommendations		Priority	
6.1	Management should consider enhancing the CIP weekly report template to provide more information on progress made, changes, future actions, and risk and assurance scoring.	Medium	
6.2	Enhancements should be made to the recording of outcomes resulting from the enhanced monitoring meetings (Morrison and NPTS) using SMART criteria, so it is clear what progress has been made since the last meeting.		
Agreed Management Action		Target Date	Responsible Officer
6.1	Agreed. PMO will assess whether to incorporate more detail in the Weekly CIP Report for each Service group to detail CIP Progress, by scheme detail, or re-introduce the Highlight report with these details. This will be assessed and the approach agreed with the Deputy Director of Finance.	28th February 2024	Head of Programme Management Office
6.2	Noted. The Enhanced Monitoring arrangements currently in place are outside the scope of the original Savings Programme Audit, however it is recognised that these meetings play a role in the discussions regarding the identification and delivery of savings. Having been through 6-9 months of the Enhanced Monitoring arrangements currently in place, it is noted that formal review of the process, outputs and long term objectives needs to be undertaken. This will need to align to the wider assessment and overview of the Financial Strategy for 2024/25 and build in lessons learnt from 2023/24.	End April 2024	Deputy Director of Finance

Appendix B: Assurance opinion and action plan risk rating

Audit Assurance Ratings

We define the following levels of assurance that governance, risk management and internal control within the area under review are suitable designed and applied effectively:

	Substantial assurance	Few matters require attention and are compliance or advisory in nature. Low impact on residual risk exposure.
	Reasonable assurance	Some matters require management attention in control design or compliance. Low to moderate impact on residual risk exposure until resolved.
	Limited assurance	More significant matters require management attention. Moderate impact on residual risk exposure until resolved.
	Unsatisfactory assurance	Action is required to address the whole control framework in this area. High impact on residual risk exposure until resolved.
	Assurance not applicable	Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are not appropriate. These reviews are still relevant to the evidence base upon which the overall opinion is formed.

Prioritisation of Recommendations

We categorise our recommendations according to their level of priority as follows:

Priority level	Explanation	Management action
High	Poor system design OR widespread non-compliance. Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in system design OR limited non-compliance. Some risk to achievement of a system objective.	Within one month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. Generally issues of good practice for management consideration.	Within three months*

* Unless a more appropriate timescale is identified/agreed at the assignment.



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