

Budget Setting

Final Internal Audit Report

2025/26

Swansea Bay University Health Board



Reasonable Assurance

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Review Reference

Fieldwork

Executive Sign Off

Audit Committee

Executive Lead

Audit Team

SBUHB-2526-05

November 2025 - January 2026

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12 March 2026

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Executive Summary

Purpose

This review has examined how the health board allocates resources to deliver its agreed budget; the ongoing financial performance was not specifically audited as part of the work. As the review is being undertaken across five NHS Wales organisations, it will enable comparison of financial planning and budget setting arrangements and the identification of common themes and good practice. A summary report will be produced once all reviews are completed.

Overview

Under the NHS Finances (Wales) Act 2014, local health boards and NHS trusts have a statutory duty to prepare a three-year Integrated Medium-Term Plan (IMTP), which is updated annually, that sets out how they will comply with their financial break-even duties over a rolling three-year period. The Well-being of Future Generations (Wales) Act 2015 set in law the need to consider the long-term strategic approach to deliver a better future, including within financial planning and budget setting.

The health board's Annual Plan (2025/26) was discussed at Board on the 27 March 2025, prior to submission to Welsh Government in accordance with the timelines set. Due to the forecast deficit of £58.7m, the plan could not be approved as it does not meet the statutory requirement to achieve financial balance. Although further information was submitted to Welsh Government, the health board confirmed the deficit was unlikely to improve by year-end, and there could be additional unforeseen costs that could impact adversely on this position. This is a contributory factor in the continued application of the targeted intervention (escalation level 4) for finance, strategy, and planning, which was escalated in November 2024. At Month 9 (December 2025), the health board reported a Year To Date (YTD) overspend of £55.2m, which is £11.2m above the planned deficit at this stage of the year, although the forecast year-end deficit remains £58.7m. The primary reason for the adverse variance relates to the significant non-delivery of planned savings totalling £55.4m. The financial outlook for 2026/27 is expected to be more challenging.

We have concluded reasonable assurance for this review. Whilst the health board has not been able to meet its statutory obligations in delivering balanced financial plans for several years, it has maintained a recent track record of achieving its control totals. The health board has also undertaken several measures to address its financial position including setting up a Recovery and Sustainability Board (RSB) and the engagement of Deloitte to provide additional support. There is regular oversight of the Plan's development and financial position, which is subject to detailed scrutiny and challenge. Some of the emerging themes arising from this review align to recent Audit Wales reports, most notably in relation to financial capability and capacity and budget holder accountability.

The matters requiring management attention include:

- Financial capacity being impacted with interim support being provided by Deloitte for the RSB Board, the departure of the Director of Finance, Capital and Estates and nothing documented to mitigate the risk in relation to interim arrangements, and the wider challenges amongst staff with financial responsibilities within the health board.
- Enhancing the current financial training provision and monitoring of requirements to provide assurance that all budget holders are proficient.
- Ensuring that accountability letters are signed to comply with the Standing Financial Instructions (SFIs).

Full details of matters arising are detailed within the Findings & Agreed Action Plan. For management information, as noted above, the health board has not had the capacity to undertake zero-based budgeting in recent years; nor has the data been available to proceed. However, the restructure from Service Groups to Care Boards provides an opportunity to strengthen the budget setting approach, including the potential adoption of zero-based budgeting principles. This represents an opportunity for enhancement and does not impact the overall opinion. We also note that Deloitte are undertaking work in this area, which may support the development of a more robust future financial planning methodology.

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	The health board has an appropriate financial planning approach that aligns the key organisational priorities, available resources and Welsh Government's requirements.	1	Limited
2	There is clear and robust challenge of the Financial Plan, its assumptions, and associated risks by senior management, the Board and its committees, and Welsh Government.	-	Reasonable
3	Budget holders are actively engaged at an early stage and supported throughout the budget setting process, and the health board has sufficient internal resources, skills and systems to enable effective budget planning.	1, 2	Reasonable
4	Roles, responsibilities and the arrangements for budget setting are clearly set out within the Accountability Letter and up-to-date policies and procedures.	3	Reasonable
5	Effective processes are in place within the Service Groups in the setting, delegation, amendment and approval of budgets, ensuring transparency and accountability.	3	Reasonable

Management Actions

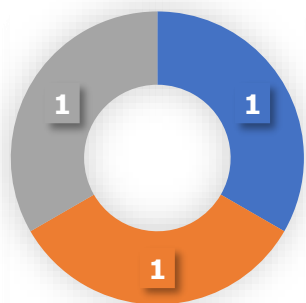


High Priority



Medium Priority

Themes



- Finance Management & Control
- Resourcing
- Training & Development

Risk Types

- Financial Loss
- Public Perception & Reputational Risk

Findings & Agreed Action Plan

Objective 1: The health board has an appropriate financial planning approach that aligns the key organisational priorities, available resources and Welsh Government's requirements.

Limited

Financial planning for 2025/26 commenced in November 2024. The Plan set out a requirement to deliver £55.4m savings during the year, of which approximately £14m was identified by March 2025.

Early identification of savings is imperative and has clearly had an impact on the delivery of the current Plan. Audit Wales' *Review of Cost Savings Arrangements* (September 2024) recommended that "the health board should ensure that its savings planning for 2025-26 commences earlier and a greater emphasis on managing the inherent risk within its identified savings by focusing on moving its red and amber schemes to green schemes and identifying a greater level of recurrent saving opportunities." We have not raised this again as an area for improvement, noting this recommendation and the involvement of Deloitte, who are currently assisting the health board with their savings approach for 2026/27.

Financial planning is aligned with the IMTP development process, but fewer developments are detailed within the Annual Plan due to the lack of funding available. Categorisation is used to reflect funding implications (e.g. 'Red' denotes a requirement for revenue support). The update to the Cabinet Secretary at the health board's Public Accountability meeting on 18 December 2025 noted improvements in the planning process, particularly in relation to milestone tracking, benefits recording, and strengthened decision-making on Return On Investment.

There is no dedicated budget timetable to support delivery of key milestones within the financial planning process, although the Budgetary Management Framework, which is issued alongside the accountability letters (see *Objective 4*), sets out timeframes for budget setting principles. Frequent updates to the Board and PFC have ensured progress has been monitored (engagement of the financial plan's development has been referenced within objectives 2 and 3). This enabled submission of the health board's Annual Plan, which incorporated the financial assessment, to Welsh Government (WG) by the required deadline of 31 March 2025. Health boards received their WG allocation letters for the 2025/26 financial year on 20 December 2024 – the health board received notification that it would receive £6.4m of funding to reduce the planned deficit for 2024/25 to £43.7m, noting that the control total for 2025/26 set by WG remains at £17.1m.

The health board has taken some positive and bold measures to assist with the financial planning process that include:

- **Recovery and Sustainability Board (RSB):** set up in 2024 with representation from Service Groups (SGs) and corporate directorates, to provide oversight of the programme to identify savings schemes and monitor delivery.
- **Resetting budgets:** For 2025/26, the health board funded the assessed Underlying Deficit (ULD) totalling £92m to reset budgets across SGs and corporate directorates to address the system pressures that were identified in December 2024. While this enabled most areas to remain within their delegated operational budgets (apart from Mental Health and Learning Disabilities), it increased the overall deficit position.
- **Collaboration on financial assumptions:** The Deputy Director of Finance has worked collaboratively with her counterparts, particularly Hywel Dda University Health Board (HDUHB), comparing and challenging growth assumptions.
- **Making Every £ Count campaign:** innovative ways colleagues are helping the health board to save money and achieve the 2025/26 savings target including reducing the costs of waste disposal.
- **Deloitte review:** Deloitte was commissioned in July 2025. Phase 1 concluded in December 2025 and covered nine key areas relating to the 2025/26 financial plan, including savings identification and delivery. Phase 2, due to conclude in February 2026, focuses on the 2026/27 financial plan, including assumptions and growth; budget setting; and the early identification of savings schemes.

- **Special Board actions:** At the Special Board meeting on 16 December 2025, several actions were approved to address the savings shortfall, including strengthening the management of variable pay, implementation of a new service model for clinically optimised patients (due to be place 5 January 2026), and restrictions on certain expenditure types (e.g. travel).

The aforementioned Audit Wales review also recommended that any financial capability or capacity gaps amongst budget holders be addressed. Action has been taken by the health board, which have mainly focused on capability (see *Objective 3*) due to the ongoing recruitment freeze. The Audit Wales Structured Assessment (October 2025) reports the status of this recommendation as 'in progress'. Performance and Finance Committee (PFC) could not provide assurance to the Board that delivery of the planned deficit position was achievable unless Deloitte support was extended from October 2025, and they have also expressed wider staff capacity concerns (see **Key Finding 1**). We note that this is a corporate risk and outside of the control of the Finance team.

At Month 9, the health board has not performed in line with its Plan, with deficits reported over planned levels. The health board reported a Year To Date (YTD) overspend of £55.2m, which is £11.2m above the planned deficit at this stage of the year. This adverse variance has been attributed primarily to the non-delivery of savings, but also due to other pressures arising in year, including temporary adult placements and the continued use of high levels of variable pay to address staff unavailability, alongside National Insurance funding issues. Further, an in-year savings shortfall of £12.6m has been reported, and a significant recurrent savings gap was identified which could impact the health board's ability to achieve future savings targets (£44.4m for 2026/27) and reduce the deficit (£58.7m for 2025/26 which is forecast to fall to £16.4m by 2027/28). The health board remains at Level 4 (Targeted Intervention) within the NHS Wales Oversight and Escalation Framework.

Key Findings	Risk & Impact	Agreed Management Action
<p>1 Capacity of staff with financial responsibilities</p> <p>Audit Wales' Structured Assessment (October 2025) highlighted independent members' concerns relating to the ability to deliver the Recovery and Sustainability programme, noting that Deloitte currently chair the RSB. There will be an ongoing need to build and strengthen capacity and capability within the health board once this external support concludes at the end of February 2026.</p> <p>The Programme, which is separate to the core financial function, is currently under the remit of the Director of Finance, Capital and Estates, but he will be leaving his post in February 2026, and it is planned for a new Delivery Unit to be set up to oversee it following a recommendation from Deloitte. Recruitment has yet to commence for the Director of Finance, Capital and Estates role and interim arrangements have not yet been determined.</p> <p>Concerns have also been raised at PFC meetings that there are wider capacity challenges among staff with financial responsibilities across the organisation alongside the management of significant service pressures and competing priorities.</p>	<p>If the health board has insufficient financial resource, particularly at a senior level, this could weaken financial planning, impact financial savings delivery and could lead to increased scrutiny from Welsh Government.</p>	<p>Agreed Action:</p> <ol style="list-style-type: none"> 1. Provide updates on the interim senior leadership arrangements (interviews held 16 February 2026) ahead of the Director of Finance, Capital and Estates' departure (16 February 2026). The permanent interviews are scheduled for 27 March 2026. 2. Establishment of Central Delivery Unit – set out the process structure, remit and governance reporting lines for the new Delivery Unit recommended by Deloitte; and identify the required skill mix, capacity and capabilities to fill key roles. This is being lead under the Organising for Success banner and work commenced in early March. 3. Aligned to the wider discussions with the Board on Budget Holders and the amount of Budget Holders across the Health Board, through March there will be a proposal on how the focus changes, aligned to 2026/27 plan which will need to consider training requirements and ongoing support to hold budget holders to ensure they are held to account. <p>Expected Evidence of Implementation:</p>

Key Findings	Risk & Impact	Agreed Management Action
		<ul style="list-style-type: none"> • Confirmation of outcome interviews both interim and permanent through February and March. • Delivery Unit structure chart, remit and governance documentation. • Revised 2026/27 Budget Management Document and associated supporting papers (to PFC/Board confirming review, oversight and approval).
	<p style="text-align: center;">High Priority</p> <p>Control Design</p>	<p>Officer: (1) Abigail Harris, Chief Executive/ (2) Interim Director of Finance, Capital and Estates / (3) Samantha Moss, Deputy Director of Finance</p> <p>Target Implementation Date: (1&3) 31 March 2026; (2) 30 June 2026</p>

Theme: Resourcing

Objective 2: There is clear and robust challenge of the Financial Plan, its assumptions and associated risks by senior management, the Board and its committees, and Welsh Government.

Reasonable

Assumptions

Financial assumptions are documented and reported through established governance processes, utilising the WG guidance and other information available during the planning period. These include the risks relating to unfunded pressures, such as the shortfall in National Insurance funding (£3.08m) where WG had originally inferred the health board would have full receipt of funding, as well as expectations that budget holders remain within their allocations, and the savings target of £55.4m being delivered. Assumptions typically also reflect wider drivers such as efficiency targets, inflation and pay award pressures (some of which may only be partially funded), strict in-year budgetary control requirements, income based on Welsh Government Revenue Allocation Letters (including any targeted funding for priorities), and workforce rules requiring that staff in post do not exceed funded establishments.

Annual reporting to WG (February 2025) to outline the health board's 2025/26 financial plan (as detailed in *Objective 1*) noted that assumptions were discussed with the Executive Team on 27 January 2025 and with SGs (week commencing 3rd February 2025) to test their validity and identify areas that could be stopped, avoided or mitigated.

As noted in *Objective 1*, collaborative work has been undertaken with HDUHB on assumptions. There is a mechanism for NHS organisations to share financial plans in order to compare and challenge uplifts applied for Continuing HealthCare (CHC), commissioning, and other cost pressures.

Scenario Planning

Scenario planning is undertaken to manage potential risks. Examples provided for 2025/26, included modelling various savings targets (ranging from 2-6%) to determine their impact to the Underlying Deficit (ULD) contribution and the overall deficit position. These scenarios informed part of an Independent Member (IM) briefing and an Executive team presentation in January 2025. Welsh Government requested in its health board allocation letter a minimum savings delivery of at least 2% and the 2025/26 financial plan outlined a 5% savings target (£55.4m).

Reserves

Two reserves are retained centrally to hold funding for National Institute for Health and Care Excellence (NICE) cost pressures and WG allocations, which are released to operational budgets when required. Regular reporting to the PFC provides visibility of the health board's reserves position, which at Month 9, showed a total value of £42.71m.

Governance

An appropriate governance framework is in place which has allowed opportunity for scrutiny of the financial plan. The Board and PFC have been kept actively informed of the Plan's development through routine monthly reporting and regular IM briefings, which we have been advised can occur weekly during the financial planning process. Meeting minutes provide an overview of key discussions and demonstrate robust scrutiny, with IMs highlighting that the financial forecast was unacceptable and emphasising the need for increased accountability and for budgets to accurately reflect current demand and service levels. Similarly, regular updates have also been provided to both the Executive Team and Management Board throughout the development of the Plan (from December 2024 to March 2025).

WG initially did not accept the planned deficit position of £58.7m, but issued a revised expectation that the year-end deficit, at a minimum, should be equal to the 2024-25 outturn position of a £42.5m deficit and the health board was required to undertake further work on its financial plan. Detailed action plans for the delivery of the planned level were submitted to WG on 30 June 2025, but Special Board (11 September 2025) accepted that this position could not be achieved.

Objective 3: Budget holders are effectively engaged at an early stage and supported throughout the budget setting process, and the health board has sufficient internal resources, skills and systems to enable effective budget planning.

Reasonable

The internal audit review of Savings Programme (issued October 2023, reasonable assurance) highlighted the need for all budget holders to receive formal financial training. Similarly, reviews by Audit Wales have identified financial capacity (see *Objective 1*) and capability gaps among budget holders including the Review of Cost Savings Arrangements (September 2024) and their most recent Structured Assessment (October 2025) which noted, "*opportunities to strengthen training on financial and budget management for operational staff although the health board has put in some online training 'Brilliant Basics.'*"

PFC reporting (March 2025) outlines action taken in response to Audit Wales' recommendations within the Review of Cost Savings Arrangements (see *Objective 1*). Three online training packages have been developed:

- Package 1: provides staff with a general understanding of NHS Finance.
- Package 2: encompasses core information a new budget holder would require, and a refresher for existing budget holders.
- Package 3: training on the QlikSense Dashboard.

While these resources have been developed and are available to budget holders on the intranet, there is no evidence to confirm that budget holders have accessed or completed the training, or undertaken any other formal financial development activity (see **Key Finding 2**). We note, however, that the Finance Academy is working with NHS organisations to enhance training provision nationally. An online session on 'Forecasting and Planning Resources for Budget Holders' has been scheduled for February 2026, although capacity constraints may impact attendance.

Budget holders benefit from access to the QlikSense dashboard through the NHS Wales national programme, which alleviates the need for issuing monthly budgetary reports and enables real-time financial visibility. However, dashboard training and ongoing support could not be evidenced, and there is no routine oversight to ensure the tool is being utilised effectively (see **Key Finding 2**). Routine monitoring of dashboard usage would help target support and reduce reliance on manual budget reports.

Despite these gaps, Finance maintains appropriate internal engagement practices at SGs/corporate levels. Finance business partners and embedded finance support teams work directly with budget holders to provide regular advice and challenge. Discussions with a sample of SGs (see details in *Objective 5*) confirmed that early financial planning conversations took place during the final quarter of 2024/25, followed by budget presentations in May and June 2025 outlining the indicative financial plan, budget accountability and expectations.

We recognise that budget holders have competing priorities, which places additional operational pressures on managers who must balance financial responsibilities with the need to prioritise service delivery (see **Key Finding 1**). Their capacity may therefore affect the level of engagement in the budget-setting process for 2026/27.

Key Findings	Risk & Impact	Agreed Management Action
<p>2 Financial Training Provision</p> <p>Both the Standing Financial Instructions (SFIs) and Budgetary Control procedures (FCP 06) requires that budget holders receive ongoing training.</p> <p>While we appreciate that work has been undertaken to improve the training provision through providing finance training materials on the intranet, there is no evidence confirming that budget holders have accessed it or to record their competency.</p> <p>While 447 staff can access the QlikSense dashboard, only 42% have accessed the system over a 90-day period (July - October 2025). Similarly, there are some Oracle approvers that have not accessed the system since 2019. Regular monitoring of system access would help target support and reduce reliance on manual budget reports.</p>	<p>Insufficient financial training and lack of competency assurance may lead to inconsistent budget management and reduced compliance with SFIs, weakening financial control and increasing the risk of errors.</p>	<p>Agreed Action:</p> <ol style="list-style-type: none"> 1. Seek to introduce routine monitoring of Qlik Sense usage to target support and reporting. This will include a high-level summary within the main monthly finance performance and more detailed reporting at SG level. 2. Aligned to the Key Finding 1, Action Point 3 a revised approach to support Budget Holders is under review which will also focus on the training/capability of Budget Holders. Further details can be provided on the trackers once the 2026/27 Budget Management approach is agreed by the Board. 3. Continue to explore development of training across NHS Wales.
<p>Theme: Training & Development</p>	<p>Medium Priority</p> <p>Control Design</p>	<p>Expected Evidence of Implementation:</p> <ul style="list-style-type: none"> • Updates on training will be added as Budgetary Management approach is finalised. • QlikSense usage monitoring reports and evidence of follow-up support. <p>Officer: (1) Service Group Finance Business Partners/ Rebecca Hayes, Assistant Director of Finance; (2) Interim Director of Finance, Capital and Estates & Samantha Moss, Deputy Director of Finance; (3) Samantha Moss, Deputy Director of Finance & Rebecca Hayes, Assistant Director of Finance</p> <p>Target Implementation Date: (1) 31 July 2026; (2) 30 June 2026; (3) Ongoing</p>

Roles and responsibilities are clearly documented within the SFIs (approved September 2025) and align with the NHS Wales model. Up-to-date financial planning and budgetary control procedures are accessible to budget holders on the intranet, and the Budget Management Framework is issued as part of the accountability letter process.

Clause 5.2.1 of the SFIs states that, "*the budget holder must sign the accountability letter formally delegating the budget.*" The internal audit review of the Savings Programme (October 2023) identified that accountability letters were not consistently signed or returned by budget holders within the designated timescale. Our analysis of signed proforma submissions during this review (see *Appendix A*) identified similar issues (see **Key Finding 3**). While the accountability letter provided detailed information of the current financial situation as well as budget holder responsibilities, of the 15 accountability letters issued:

- three Executive Directors have not submitted a signed proforma. Two (Morrison SG and Public Health) had submitted a letter to the Chief Executive instead, with only one (Morrison SG) clearly accepting budget responsibilities. Primary, Communities & Therapies Service Group (PCTSG) did not submit a signed proforma nor a letter. This was a similar position as per our Savings Programme review where two letters were unsigned.
- Two Executive Directors (Directorate of Insight, Communications & Engagement (DICE) and Digital) significantly missed the deadline for submissions (there was a requirement to sign the letters within two weeks of the issue date (25 April 2025)). There was a difference in some reported dates to PFC when compared to the date of the signed proforma, most notably with the Executive Director (Planning & Partnerships) where the proforma was dated 22 April 2025 compared to 27 June (which would have missed the deadline by 34 working days) as reported to PFC. 47% of Executive Directors met the timeframe, which was an improvement from our last review (Savings Programme) where only 20% met the deadline.

PFC reporting (August 2024) outlined a timeline for the Plan covering January to March 2025. This timeline indicated that accountability letters would be issued to SG and Executive Directors in early February, enabling then to address the requirements within the letters by mid-March and to ensure a clear focus on delivery from 1 April 2025. The committee approved this approach. Given the financial outlook for 2026/27 is expected to be more challenging, it will be increasingly important for the health board to meet these deadlines in future.

Wider concerns in relation to budget holder accountability have been discussed at PFC and, to strengthen accountability arrangements, SGs have been providing regular updates of their financial position to the committee. Committee reporting also includes monthly updates on the status of signed accountability letter returns at Executive Director level. While committee members initially sought clarification on the implications of unsigned accountability letters in June 2025, where it was noted that, "*appropriate follow-up actions were in place to ensure compliance*", there was no further challenge recorded after this update (see **Key Finding 3**). We have also been unable to evidence the follow-up actions taken where accountability letters remain unsigned or where delays have occurred (see **Key Finding 3**). We have identified improvements with the delegation of budgets further down the organisation with the detail provided under Objective 5.

Further, we note that Audit Wales highlighted in its Structured Assessment (October 2025) that the health board, "*needs to significantly improve its arrangements for holding budget holders to account for delivering financial targets,*" in light of the significant overspends. It was recommended that the Performance and Accountability Framework, once finalised and approved, should be fully embedded to support performance, finance, and quality accountability, with routine reporting of escalation status for each SG and corporate directorate to the PFC. Therefore, we are not replicating the recommendation in this report. The Director of Finance, Capital and Estates has advised that the Framework is due to be presented to PFC in February 2026 and to the Board in March 2026.

Key Findings	Risk & Impact	Agreed Management Action
<p>3 Strengthening the Formal Budget Accountability</p> <p>Analysis of the latest PFC update (27 January 2026– see <i>Appendix A</i>) established the following issues:</p> <ul style="list-style-type: none"> • The signing of the executive director budget accountability. • Delays in the executive directors returning the proforma within the designated timescale. • No expectation for interim postholders to sign accountability letters, e.g. the interim Morriston SG Director has not been provided with a proforma to sign since the previous post holder left in October 2025. • Nothing is recorded to evidence the scrutiny of PFC members of issues arising during the accountability letter process. • Lack of documentation to confirm the follow up actions taken where issues have arisen. <p>The accountability letter issued to Executive Directors and SG directors states, <i>“I expect you to further delegate to your staff some or all of the budgets which are delegated to you, although you will still retain accountability in full for these budgets. You are each responsible for deciding on the exact arrangements, but your delegations should be clear, unambiguous and conferred and accepted in writing.”</i> Sample testing of two SGs noted:</p> <ul style="list-style-type: none"> • Morriston SG - accountability letters were issued to Assistant Service Group Directors (ASGDs) in July 2025 following the health board’s letter as a template. However, there is no further authorisation of budget delegation at divisional level. • PCTSG - While budget expectations are clearly shared at SG Board and other key meetings within the PCT Service Group, budget delegation is not signed at either ASGD or divisional level. 	<p>Accountability may be unclear, increasing the risk of inconsistent budget management and reduced compliance with the SFIs. This limits assurance that budget responsibilities are fully understood and applied.</p>	<p>Agreed Action:</p> <ol style="list-style-type: none"> 1. Strengthen the Performance and Accountability Framework and expand on budget holder accountability, defining appropriate escalation routes where delegation is not accepted. 2. Strengthen the Budgetary Management approach for 2026/27 to include and expand on budget holder accountability, defining appropriate escalation routes where delegation is not accepted. 3. Incorporate sign off of the accountability letter reporting into SG updates to PFC and monthly meetings with Finance. <p>Expected Evidence of Implementation:</p> <ul style="list-style-type: none"> • Updated Performance and Accountability Framework. • Revised Budgetary Management Approach 2026/27. • Signed budget accountability for all Executive Directors; and signed budget delegation within each service group and corporate directorates.
<p>Theme: Finance Management & Control</p>	<p>Medium Priority</p> <p>Control Operation</p>	<p>Officer: (1) Director with oversight of Performance (TBC); (2) Interim Director of Finance, Capital and Estates & Samantha Moss, Deputy Director of Finance; (3) Finance Business Partners/ Rebecca Hayes, Assistant Director of Finance</p> <p>Target Implementation Date: (1 to 3) 30 June 2026</p>

Budget Setting

Budget setting is a recurrent theme of discussion within PFC. Extensive work has been carried out to ensure that base budgets within corporate directorates and SGs are accurate (as noted in *Objective 1*). The use of zero-based budgeting is minimal due to limited resources and data.

The health board is in the initial stages of undertaking a restructuring programme to move from four SGs to six care groups, however, the financial structures supporting this transition require greater clarity. Part of Deloitte's remit is to review the budget setting process, so we have not raised a recommendation at this report, but there needs to be clearer strategic direction and a more collaborative approach to gain a comprehensive understanding of organisational demand and capacity.

We were advised that budget amendments are permitted only where additional funding is received or to take account of service restructures.

Budget Delegation and Approvals

The Scheme of Reservation and Delegation of Powers (Schedule 1) details that (p17), *"each Executive Director is responsible for delegation within their department. They should produce a scheme of delegation for matters within their department, which should also set out how departmental budget and procedures for approval of expenditure are delegated"*. Similarly, Clause 5.2.6 of the SFIs details that, *"all budget holders will sign up to their allocated budgets at the commencement of the financial year."*

Our testing of two SGs (Morrison and PCT) highlighted an opportunity to strengthen documentation of formal delegation from Executive Directors to budget holders (see **Key Finding 3**). We undertake an annual review of governance arrangements, covering each SG on a rotational basis; and our audit of the Neath Port Talbot & Singleton Service Group's (NPTSSG) highlighted a similar theme (issued May 2025: reasonable assurance). The transition from SGs to care groups creates an opportunity to strengthen cross-organisational learning.

Delegated financial limits are clearly defined within Schedule 1, and the receipt of an authorised signatory form prompts the configuration of these limits within the Oracle finance system. During October 2025, the RSB approved a 50% reduction in purchase order authorisation limits for all approvers except unit leads (e.g., SG Directors). The Oracle system has been updated to reflect these reduced limits and to remove approval rights for certain expenditure types (e.g., furniture and fittings) for specific individuals.

There is a prompt within the accountability letters issued to Executive Directors and SG directors to review the procurement hierarchy. Confirmation of completion of this review was required alongside the Financial Strategy (detailing how funding will be allocated to deliver a balanced position) by 30 May 2025. Testing of the two SGs noted that Morrison stated they had completed this exercise in Feb 2025 and a further review was planned for June 2025. Further, the issue of accountability letters to the Assistant SG Directors is used as a prompt for them to review their current delegated limits. For PCT, a review was completed in May and November 2025.

Appendix A: Analysis of the health board's progress with the signing of accountability letters

The table below summarises data we have analysed from Performance and Finance Committee (PFC) reporting (January 2026), detailing the position as at 14 January 2026. Detailed accountability letters were issued to all Executive Directors on the 25 April 2025. The proforma supplied in Annex 7 of the letter, acknowledging the acceptance of the delegations, was required to be signed and returned with two weeks (9 May 2025). Some Executive Directors chose to submit a letter to the CEO either alongside the proforma or instead of it. As part of our testing, we requested and reviewed signed proformas and any letters submitted to the CEO, where available.

Executive Director	Area	Signed Proforma	Letter to CEO	Date of Proforma/ CEO Letter*	Responded within timeframe	Number of working days past 9 May 2025 deadline	Comments
Ceri Gimblett	Neath Port Talbot & Singleton Service Group	Yes	Yes	13/05/25	No	2	Proforma signed but just missed the designated timescale.
Sue Moore	Morrison Service Group	No	Yes	12/05/25	No	1	While no proforma was signed, the CEO letter acknowledges, "responsibilities as per the Financial Control Principles section and the Scheme of Delegation and Standing Financial Instructions to manage the delegated budget without exceeding the financial sum, including achievement of delegated savings targets." The letter just missed the designated timescale. We also note that the postholder has changed mid-year and the interim Morrison SG Director has not been provided with a proforma to sign.
Dermot Nolan	Mental Health & Learning Disabilities Service Group	Yes	No	09/05/25	Yes	N/A	Proforma signed and returned by the deadline provided.
Craige Wilson	Primary, Communities & Therapies Service Group	No	No	N/A	N/A	N/A	Nothing documented to accept responsibilities for budget delegation.
Hazel Lloyd	Corporate Governance	Yes	No	28/04/25	Yes	N/A	Proforma signed and returned by the deadline provided.
Deb Lewis	Chief Operating Officer	Yes	No	07/05/25	Yes	N/A	Proforma signed and returned by the deadline provided.
Richard Thomas	Directorate of Insight, Communications & Engagement	Yes	No	01/10/25	No	101	Proforma signed but significantly missed the designated timescale.
Matt John	Digital	Yes	No	10/06/25	No	21	Proforma signed but significantly missed the designated timescale.
Richard Evans	Medical	Yes	No	30/04/25	Yes	N/A	Proforma signed and returned by the deadline provided.

Executive Director	Area	Signed Proforma	Letter to CEO	Date of Proforma/ CEO Letter*	Responded within timeframe	Number of working days past 9 May 2025 deadline	Comments
Liz Rix	Nursing & Patient Experience	Yes	No	28/04/25	Yes	N/A	Proforma signed and returned by the deadline provided.
Gill Richardson	Public Health	No	Yes	20/05/25	No	7	No proforma was signed, the CEO letter details that unable to sign the delegation letter at this time and does not confirm acceptance of roles and responsibilities as a budget holder. The letter did not meet the designated timescale. PFC reporting notes that the letter was received 22/05/25.
Marie Davies	Planning & Partnerships	Yes	No	22/04/25	Yes	N/A	Proforma signed and returned by the deadline provided. PFC reporting notes that the proforma was received 27/06/25, which if this is the case, the submission was 34 days late.
Tina Ricketts	Workforce & Organisational Development	Yes	No	13/05/25	Yes	2	Proforma signed but just missed the designated timescale.
Darren Griffiths	Finance & Estates	Yes	No	30/04/25	Yes	N/A	Proforma signed and returned by the deadline provided. PFC reporting notes that the proforma was received 20/04/25.
Christine Morrell	Allied Health Professions & Health Science	Yes	No	13/05/25	No	2	Proforma signed but just missed the designated timescale. PFC reporting notes that the proforma was received 14/05/25.

* Date taken from the proforma or CEO letter. Minor differences compared to the dates reported to PFC that have been noted in the comments section.

Appendix B: Assurance Opinion & Prioritisation of Findings

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 Bay 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.

