



Corporate Services

Non-Medical Education Training Budget

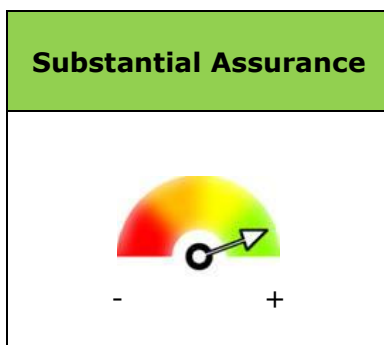
Final Internal Audit Report

2017/18

NHS Wales Shared Services Partnership

Audit and Assurance Services

Private and Confidential



CONTENTS		Page
1. EXECUTIVE SUMMARY		3
1.1 Introduction		3
1.2 Scope and Objectives		3
1.3 Associated Risks		4
2. CONCLUSION		5
2.1 Overall Assurance Opinion		5
2.2 Assurance Summary		5
2.3 Design of System / Controls		6
2.4 Operation of System / Controls		6
2.5 Summary of Recommendations		6
3. SUMMARY OF AUDIT FINDINGS		7

Appendix A	Management Action Plan
Appendix B	Audit Assurance Ratings & Recommendation Priorities

Review reference:	NWSSP-1718-03
Report status:	Final
Audit Mgt. sign-off:	12 th April 2018
Draft report issued:	12 th April 2018
Management response received:	13 th April 2018
Revised draft report issued:	16 th April 2018
Management response received:	17 th April 2018
Final report issued:	17 th April 2018

Executive sign off: Andrew Butler, Director of Finance & Corporate Services

Distribution: Neil Frow, Managing Director
Andrew Butler, Director of Finance & Corporate Services
Martin Riley, Head of Finance

Auditors: Matthew Smith, Senior Auditor
Sophie Corbett, Audit Manager

Committee: Velindre NHS Audit Committee for NWSSP

ACKNOWLEDGEMENTS

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

Please note:

This audit report has been prepared for internal use only. Audit & Assurance Services reports are prepared, in accordance with the Service Strategy and Terms of Reference, approved by the Audit Committee. Audit reports are prepared by the staff of the NHS Wales Shared Services Partnership – Audit and Assurance Services, and addressed to Independent Members or officers including those designated as Accountable Officer. They are prepared for the sole use of the NHS Wales Shared Services Partnership and no responsibility is taken by the Audit and Assurance Services Internal Auditors to any director or officer in their individual capacity, or to any third party.

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the Non-Medical Education Training Budget managed by NHS Wales Shared Services Partnership (NWSSP) has been completed in line with the 2017/18 Internal Audit Plan.

NWSSP executes contracts with universities across Wales for the provision of undergraduate training. The budget is in excess of £94m for 2017/18 and funds university courses, bursaries, salaries, expenses and allowances for students.

Commissioning numbers were determined by NWSSP Workforce, Education & Development Services (WEDS) in agreement with the Welsh Government. Management of the budget and university contracts was undertaken by NWSSP Finance.

In November 2016, the Cabinet Secretary for Health, Wellbeing and Sport approved the establishment of a new body, Health Education and Improvement Wales (HEIW), from October 2018 to oversee workforce planning, workforce design and education commissioning for the health sector in Wales. WEDS will transfer to HEIW as part of the new arrangements.

The Director of Finance & Corporate Services has requested a review of the control environment, to include funding, payment processes, and performance monitoring arrangements, ahead of the transfer in October 2018.

1.2 Scope and Objectives

The overall objective of this audit was to determine the adequacy and effectiveness of the arrangements in place for the management of the Non-Medical Education Training Budget.

The specific objectives reviewed were:

- budgeted costs were consistent with planned activity and hence budget outturn;
- contracts and invoices were approved in accordance with the scheme of delegation;
- students numbers were monitored to ensure that funding was only provided in respect of current students; and
- contractor (university) performance was monitored and action taken where appropriate to address any issues identified.

The scope of the audit was restricted to the finance function and did not review the role of WEDS in respect of the non-medical education training budget.

The Student Awards Unit (bursaries) was also excluded from the scope of this review, as it was the subject of a separate audit in 2014/15, which reported substantial assurance.

1.3 Associated Risks

The risks considered in the review were as follows:

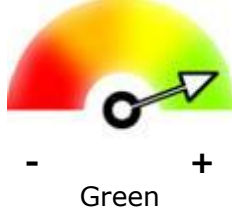
- i. Failure to achieve end of year financial balance as a result of:
 - a. inaccurate assumptions in the budget setting process; and/or
 - b. poor financial control environment resulting in overspend.

2 CONCLUSION

2.1 Overall Assurance Opinion

We are required to provide an opinion as to the adequacy and effectiveness of the system of internal control under review. The opinion is based on the work performed as set out in the scope and objectives within this report. An overall assurance rating is provided describing the effectiveness of the system of internal control in place to manage the identified risks associated with the objectives covered in this review.





The level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with the management of the Non-Medical Education Training Budget is **Substantial** Assurance.

RATING	INDICATOR	DEFINITION
Substantial assurance		The Committee can take substantial assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with low impact on residual risk exposure.

The overall level of assurance that can be assigned to a review is dependent on the severity of the findings as applied against the specific review objectives and should therefore be considered in that context.

2.2 Assurance Summary

The summary of assurance given against the individual review areas is described in the table below:

					
1	Budget Development				✓
2	Contract Arrangements			✓	
3	Budget Monitoring/Reporting				✓
4	Performance Monitoring				✓

** The above ratings are not necessarily given equal weighting when generating the audit opinion.*

2.3 Design of System / Controls

The findings from the review have highlighted three issues that are classified as weaknesses in the system/control design for the management of the Non-Medical Education Training Budget. These are identified in Appendix A as (D).

2.4 Operation of System / Controls

The findings from the review have highlighted no issues that are classified as a weakness in the operation of the designed system/control for the management of the Non-Medical Education Training Budget.

2.5 Summary of Recommendations

The audit findings, recommendations are detailed in **Appendix A** together with the management action plan and implementation timetable.

A summary of these recommendations by priority is outlined below:

Priority	H	M	L	Total
Number of recommendations:	0	1	2	3

3 SUMMARY OF AUDIT FINDINGS

We identified the following examples of good practice:

- Commissioning levels are informed by the workforce needs identified within Health Board IMTPs and priorities identified by the Welsh Government, and take account of existing students yet to graduate.

For 2017/18, the following scenarios were costed and scrutinised by the Strategic Education Development Group (SEDG) prior to recommendation for Ministerial approval:

- IMTP Scenario (£97.8m)
- Same commissioning levels as 2016/17 (£90.2m)
- WG Scenario 1 – same budget as 2016/17 (£85.4m)
- WG Scenario 2 – budget increased to £91.6ms
- NWSSP Scenario (£93.4m)

This is the IMTP scenario adjusted to reflect a number of different factors including, but not limited to:

- Health Board capacity for new students
- University capacity for courses
- Extent to which workforce requirements will be met by existing students graduating
- Service change
- Welsh Government priorities

The NWSSP scenario was approved by the Minister in February 2017.

- Five-year contracts are in place with each university. Contract values are agreed on an annual basis via variation orders for each course. Agreement of student numbers, on which the contract values are based, is timed to take account of higher student attrition levels at the start of the academic year.
- Course fees are negotiated with universities on an annual basis, with the majority being below the £9,000 per annum benchmark. For 2017/18, a fee of £7,500 was successfully negotiated with each university for pre-registration nursing courses, which accounts for more than 50% of the total cost attributed to course fees.
- Student attrition data for bursary students is collated from monthly monitoring returns and used to inform contracted student numbers, performance dashboards and budget setting for future years.

- Contract monitoring meetings are held on a periodic basis with each University in addition to an annual performance review.

We identified one **medium** priority finding:

Contract Values for Spring Cohort Pre-Registration Nursing Students

There is a second cohort for pre-registration nursing students in March each year. Variation orders are approved prior to this and are therefore based on the number of permitted commissions rather than actual students enrolled.

Comparison of the student numbers per the 2016/17 variation orders (i.e. on which the funding is based) to the number of students actually recruited as per the monitoring returns identified an over-payment of £127,500 in 2016/17 due to Bangor University under-recruiting against its allocated commissions.

Funding arrangements for the March Pre-Registration Nursing cohort are not explicit within the overarching contract and there is no provision to revise the contract value or recover fees for student places not filled.

However, the signed variation orders state that:

"A fee is payable for each student who commences the course during the contract price period i.e. on an enrolment basis"

In March 2018, the Head of Finance wrote to the universities concerned to inform them of changes to the funding arrangements for the spring cohort. The Head of Finance advised that the overpayment to Bangor University will be recovered via invoice by then end of July 2018.

See Finding 1 at Appendix A

We identified two **low** priority findings:

Control Document

A control document was developed to facilitate the transfer of Workforce, Education & Development Services (WEDS) from NLIAH to NWSSP in April 2013. This is a comprehensive document setting out the procedures and controls in place for the development and administration of the non-medical education and training budget.

The document has not been updated since it was written in 2013, and whilst the principles are still relevant, it should be updated in preparation for the transfer to HEIW in October 2018.

See Finding 2 at Appendix A

Monitoring Returns

Monitoring returns are not required for salaried courses, which account for 17 of the 51 courses commissioned. Monitoring returns enable the collation of student attrition information, which informs contracted student numbers, performance dashboards and budget setting for future years.

See Finding 3 at Appendix A


MANAGEMENT ACTION PLAN


Finding 1: Contract Values for Pre-Reg Nursing Spring Cohort	Risk
<p>Student numbers for the Pre-Registration Nursing spring cohort are based on allocated commissions as the variation order is agreed well ahead of the cohort commencing study.</p> <p>Analysis of the student numbers per the variation orders compared to the students actually recruited for the autumn cohort revealed an overpayment of £127,500 to Bangor University during 2016/17.</p>	<p>Payment to universities for students not recruited, resulting in overpayment</p>
Recommendation 1	Priority level
<p>Ensure that the overpayment to Bangor University is recovered.</p> <p>A tolerance level should be built into the overarching contracts to enable the clawback of fees if actual student numbers fall below an agreed percentage of allocated commissions, on which the contract values are based.</p>	<p>Medium</p>
Management Response 1	Responsible Officer/ Deadline
<p>Accepted and implemented.</p> <p>The system has already been revised. All University Deans were informed in the February 2018 contract meetings and a follow up letter has been issued to all Universities outlining the revised process. An invoice has been raised to reclaim the funding from Bangor University</p>	<p>Martin Riley</p> <p>June 2018</p>


Finding 2: Control Document (D)	Risk
<p>A control document was developed to facilitate the transfer of Workforce, Education & Development Services (WEDS) from the National Leadership & Innovation Agency for Healthcare (NLIAH) to NWSSP in April 2013. This is a comprehensive document setting out the procedures and controls in place for the development and administration of the non-medical education and training budget.</p> <p>The document has not been updated since it was written in 2013.</p>	n/a
Recommendation 2	Priority level
<p>The control document should be updated in preparation for the transfer to HEIW in October 2018.</p>	Low
Management Response 2	Responsible Officer/ Deadline
<p>Noted</p> <p>It is already planned that a similar document will be produced on transfer from NWSSP to HEIW.</p> <p>It should be noted that this budget / area of work is significantly different to core Velindre business. Therefore, the control document was written to inform the Velindre Board of the nature of the budget and the controls, processes and governance arrangements in place to manage it and to provide them with assurance on transfer from ABMu.</p> <p>Once transferred the Velindre and NWSSP FCPs etc... were adopted to manage the budget.</p>	<p>Martin Riley</p> <p>September 2018</p>


Finding 3: Monitoring Returns (D)	Risk
<p>Monitoring returns are not required for salaried courses, which account for 17 of the 51 courses commissioned. Monitoring returns enable the collation of student attrition information which informs contracted student numbers, performance dashboards and budget setting for future years.</p>	<p>Student attrition data for salaried courses maybe in inaccurate, potentially impacting on the robustness of the budget setting process for future years.</p>
Recommendation 3	Priority level
<p>Monitoring returns should be required for salaried courses.</p>	<p>Low</p>
Management Response 3	Responsible Officer/ Deadline
<p>Agreed</p> <p>Attrition on salaried courses is very low, often zero so risk is low. However, it is recognised that, where appropriate, student monitoring returns will be helpful to budget management. An exercise across all salaried courses will be undertaken and where it is deemed appropriate student monitoring will be introduced for the 2018/19 academic year cohort.</p>	<p>Martin Riley</p> <p>September 2018</p>

Audit Assurance Ratings

 **Substantial Assurance** - The Board can take **substantial assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with **low impact on residual risk** exposure.

 **Reasonable Assurance** - The Board can take **reasonable assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to **moderate impact on residual risk** exposure until resolved.

 **Limited Assurance** - The Board can take **limited assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with **moderate impact on residual risk** exposure until resolved.

 **No Assurance** - The Board has **no assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Action is required to address the whole control framework in this area with **high impact on residual risk** exposure until resolved.

Prioritisation of Recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows.

Priority Level	Explanation	Management action
High	Poor key control design OR widespread non-compliance with key controls. PLUS Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in control design OR limited non-compliance with established controls. PLUS Some risk to achievement of a system objective.	Within One Month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. These are generally issues of good practice for management consideration.	Within Three Months*

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