

Financial Management Final Internal Audit Report 2025/26

NHS Wales Performance and Improvement



Substantial Assurance

Contents

Executive Summary	1
Findings & Agreed Action Plan	2
Appendix A	5

Review Reference

NHP-2526-04

Fieldwork

October 2025 – January 2026

Executive Sign Off

20 February 2026

Audit Committee

March 2026

Executive Lead

Claire Green, National Director – Financial Planning and Delivery

Audit Team

Paul Dalton, Head of Internal Audit
Andrea Calise, Audit Manager

Executive Summary

Purpose

NHS Wales Performance and Improvement (NHSP&I or the 'hosted body') is hosted by Public Health Wales NHS Trust (the 'Trust'), which acts as the legal and administrative entity responsible for providing core support services, including finance, estates, facilities, health and safety, IT oversight/support, people and organisational development, nursing, quality and integrated governance.

Under the hosted model, the Trust retains accountability for compliance with Standing Financial Instructions (SFIs), Standing Orders (SOs) and financial governance frameworks, while NHSP&I is responsible for managing its allocated budget and undertaking financial planning for its programmes, supported by the Trust's finance team.

The purpose of this review was to assess the adequacy, transparency and compliance of the financial management arrangements within this hosted model, and to evaluate the effectiveness of NHSP&I's financial planning arrangements, including budget setting, forecasting, financial oversight and reporting processes. Our work also considered whether financial governance requirements set out in the SFIs, SOs and hosting agreement are being met.

Overview

We have concluded substantial assurance on this area. We have identified no matters for reporting in our review.

Scope & Assurance Summary

Objectives <small>The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion.</small>	Related Findings	Assurance
1 Spending plans are developed and managed ensuring alignment with allocated budget and delegated financial limits.	-	Substantial
2 The hosted body operates within the Trust's financial governance framework, including Standing Financial Instructions and Hosting Agreement requirements.	-	Substantial
3 Financial oversight and support – To consider if the Trust provides timely budgetary information as set out in the Hosting Agreement.	-	Substantial
4 Financial risk and variance management – To review how NHSP&I identifies, monitors, and escalates financial risks and variances, including its approach to maintaining a break-even position and managing the annual hosting levy arrangement with the Trust.	-	Substantial

Management Actions

High Priority

Medium Priority



Findings & Agreed Action Plan

Objective 1: Spending plans are developed and managed ensuring alignment with allocated budget and delegated financial limits.

Substantial

Overview / Summary of Observations

NHSP&I operates a delegated structure in which each directorate/programme receives its own annual financial allocation and accountability letter from the Deputy Chief Executive Officer of NHS Wales, accountable to Welsh Government Director General for Health Social Care and Early Years (HSCEY). A detailed draft budget is developed at the start of the year by the Trust's senior finance partner in conjunction with each national director, with finalisation dependent on receipt of the allocation letter.

Monthly financial forecasts, which include results to date and projected expenditure for the remainder of the year, operate as NHSP&I's spending plans for the purposes of this review. These are reviewed each month through meetings between the senior finance partner and national directors, supported by detailed position booklets that break down income, pay and non-pay budgets at an appropriate level.

Forecasts and reporting are produced on a timely monthly cycle and subject to review by the deputy director and subsequently the Responsible Officer (RO), shortly after month-end. Allocation letters reconcile to the annual income budget and directorate position booklets, and budget management processes align with the NHSP&I's delegated financial limits (£50,000 for national directors and £100,000 for the RO).

Overall, the arrangements supporting the development and management of spending plans (forecasts) appear well-designed and are operating effectively.

Objective 2: The hosted body operates within the Trust's financial governance framework, including Standing Financial Instructions and Hosting Agreement requirements.

Substantial

Overview / Summary of Observations

NHSP&I operates within the Trust's established financial governance framework, which is defined by the Standing Orders, Standing Financial Instructions (SFIs), Scheme of Delegation and the hosting agreement. These documents set out delegated responsibilities, reporting requirements, assurance expectations and escalation routes for the hosted body.

Governance arrangements include regular senior leadership team business meetings, attended by Welsh Government officials, where the national director of Financial Planning and Delivery presents NHSP&I's financial position and associated narrative.

We confirmed compliance with relevant SFI requirements, including budget setting (SFI 5.1), budget delegation (SFI 5.2), financial monitoring and variance reporting (SFI 5.3) and financial returns to Welsh Government (SFI 5.5). Hosting agreement requirements for financial reporting, business partnering and internal oversight are also met through the monthly forecasting and reporting cycle evidenced under Objectives 1 and 3 of this report.

Objective 3: Financial oversight and support – To consider if the Trust provides timely budgetary information as set out in the hosting agreement.

Substantial

Overview / Summary of Observations

NHSP&I receives timely and comprehensive financial information through well-established reporting arrangements operated by the Financial Planning and Delivery directorate. Monthly budgetary reports are prepared by the Trust's senior finance partners and reviewed with each national director, providing an opportunity to discuss in-month financial performance, forecast movements and any emerging pressures.

Shortly after month-end close, structured day-3 and day-4 financial review meetings take place between the senior finance partners and the deputy director of finance, followed by escalation to the RO. These sessions ensure that monthly results, variances and forecast changes are scrutinised and confirmed before being reported more widely. We confirmed these meetings occurred promptly and consistently throughout the period that we reviewed.

A key output of this process is the directorate position booklet, which provides a detailed breakdown of income, pay and non-pay budgets, actuals and variances, supported by underlying transactional reports. These are produced by NHSP&I and issued by PHW finance a few days after month-end and were consistent with the reported month-end position and the forecasts discussed with directorates. Directors also receive guidance on how to use real-time ledger reporting tools (QlikSense) to supplement the monthly information.

Information required by the Trust for inclusion within the Monthly Monitoring Return (MMR) to Welsh Government was provided promptly by NHSP&I following each month-end confirmation. This demonstrates that reporting timetables are met and reflects effective coordination between NHSP&I and the Trust's central finance team.

These arrangements demonstrate compliance with the hosting agreement, which assigns responsibility to the Trust for financial reporting, business partnering support and the timely provision of financial monitoring information.

Objective 4: Financial risk and variance management – To review how NHSP&I identifies, monitors, and escalates financial risks and variances, including its approach to maintaining a break-even position and managing the annual hosting levy arrangement with the Trust.

Substantial

Overview / Summary of Observations

NHSP&I maintains corporate and directorate-level risk registers, which are reviewed through established governance arrangements. Our review confirmed that financial risks are recorded, relating to funding sufficiency, financial governance processes and grant payment arrangements.

While we saw some gaps in the documentation of mitigating actions relating to financial risk within some registers, we have raised this within our risk management audit and have not duplicated here.

Variances are identified, reviewed and challenged through the monthly forecasting cycle. Directorate teams, supported by PHW senior finance partners, use position booklets, ledger reconciliations and forecast discussions to investigate variances, ensuring emerging pressures or underspend trends are surfaced and addressed in a timely manner. We did not identify any issues in the escalation of variances.

The monthly NHSP&I finance reports and directorate position booklets provide detailed analysis of income, pay and non-pay performance against annual, current month and year-to-date budgets.

Hosting agreement requirements include early escalation of significant variances or financial risks to the Host Organisation and Welsh Government. Our review found no issues with variance escalation or breach of this requirement.

An underspend against Welsh Government allocation has been a consistent feature since NHSP&I's establishment. The zero-based budget review completed by Welsh Government during 2025/26 has sought to realign the allocation to meet Cabinet Secretary priorities. NHSP&I's financial position is supported by effective forecasting and oversight procedures.

The annual hosting levy was appropriately reviewed and approved through the NHSP&I's governance arrangements.

Appendix A

Assurance Opinion

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

Prioritisation of Findings

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

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

Disclaimer

This audit report has been prepared for internal use only. Audit and Assurance Services reports are prepared, in accordance with the agreed audit brief, and the Audit Charter as approved by the Audit Committee.

Audit reports are prepared by the staff of the NHS Wales 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 NHS Wales Performance and Improvement 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.

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 NHS Wales Performance and Improvement. 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.

