



WALES **AUDIT** OFFICE

SWYDDFA **ARCHWILIO** CYMRU

Annual Audit Report 2013

Hywel Dda University Health Board

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Summary report

1. This report summarises my findings from the audit work I have undertaken at Hywel Dda Local Health Board (the UHB) during 2013. The work I have done at the UHB allows me to discharge my responsibilities under the Public Audit (Wales) Act 2004 (the 2004 Act) in respect of the audit of accounts and the UHB's arrangements to secure efficiency, effectiveness and economy in its use of resources.
2. My audit work has focused on strategic priorities, as well as the significant financial and operational risks facing the UHB, and which are relevant to my audit responsibilities. More detail on the specific aspects of my audit can be found in the separate reports I have issued during the year. These reports are discussed and their factual accuracy agreed with officers and presented to the Audit Committee. The reports I have issued are shown in [Appendix 1](#).
3. This report has been agreed for factual accuracy with the Chief Executive and the Director of Finance & Commissioning. It was presented to the Audit Committee in January 2014 and will then be presented to a subsequent Board meeting and a copy provided to every member of the UHB. We strongly encourage wider publication of this report by the UHB. Following the Board's consideration, the report will also be made available to the public on the Wales Audit Office's own website (www.wao.gov.uk).
4. The key messages from my audit work are summarised under the following headings.

Section1: Audit of accounts

5. I have issued an unqualified opinion on the UHB's 2012-13 financial statements. I have however issued an additional substantive report alongside the audit certificate which highlighted the fact that the UHB required £2.3 million of brokerage at the year end to enable the UHB to meet its statutory revenue resource limit. The additional substantive report also highlighted my concerns regarding the significant financial challenge facing the UHB in 2013-14 and beyond.
6. I have also concluded that:
 - the UHB's financial statements were properly prepared and materially accurate;
 - the UHB had an effective control environment to reduce the risks of material misstatements to the financial statements although there are some areas for improvement; and
 - the UHB's significant financial and accounting systems were appropriately controlled and operating as intended although there are some weaknesses which require management action.
7. The UHB met its £22.9 million capital financial resource limit for 2012-13.

Section 2: Arrangements for securing efficiency, effectiveness and economy in the use of resources

8. I have reviewed the UHB's arrangements for securing efficiency, effectiveness and economy in the use of its resources. My Structured Assessment work has examined the robustness of the UHB's financial management arrangements and the adequacy of its governance arrangements, including quality governance and arrangements for measuring and improving patient/user experience. Performance audit reviews have also been undertaken on specific areas of service delivery. This work has led me to draw the following conclusions:

The UHB has a sound approach to financial management, although some of the actions undertaken to achieve financial breakeven may not be sustainable and the UHB is very unlikely to breakeven this year

9. Key findings from my review of the UHB's financial management arrangements are as follows:
- Financial breakeven in 2012-13 was achieved through a combination of cost improvement programmes within the UHB, additional in year funding from Welsh Government and year end brokerage. Going forward a more sustainable approach to cost improvement is required which will need to address risks associated with the estate and plant & equipment.
 - For 2013-14, the UHB has continued to improve the effectiveness of its budgetary control arrangements and it has assessed the level of savings required to achieve breakeven. However, in 2013-14 the UHB does not have a balanced financial plan and there is currently a funding gap of some £19 million.

Overall the UHB's governance arrangements have continued to evolve and mature, although there is a need to strengthen aspects of quality governance and to manage risks in relation to middle management capacity and ICT infrastructure

10. My review of the UHB's governance arrangements found that:
- the organisational structure has been strengthened and recent developments provide a strong foundation for delivery of the UHB's objectives although there remain some capacity and capability risks at a middle management level;
 - changes to the committee structure and operation along with improved risk management arrangements have further strengthened the UHB's assurance framework and while there remain further opportunities for improvement the early changes are encouraging;
 - performance management arrangements have continued to be strengthened although there is still more to do to ensure that data is of good quality and to develop more comprehensive reporting arrangements on quality and safety of services;

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- information governance has been further strengthened although even with controls the UHB's ICT infrastructure continues to present significant risks;
 - the UHB is committed to listening to patients and staff but recognises that there is a need to strengthen operational arrangements for capturing patient experience, address and respond to concerns and to more systematically use information to inform organisational learning;
 - the UHB has demonstrated its commitment to strengthening quality and safety assurance arrangements but recognises that leaders need to be more visible and more engaged with staff; and
 - the UHB is making effective use of the National Fraud Initiative (NFI) to detect fraud but further work is required.

My other performance work has identified both good practice and scope to improve the use of resources in a number of areas

11. Key findings from my review of the UHB's use of resources are as follows:

- there is commitment to ensuring appropriate staffing levels but longer term workforce plans to support the clinical services strategy and sustained focus on staff appraisal and development are needed;
- based on a review of performance against a number of key indicators, the UHB's performance generally compares well to the rest of Wales, although there remains opportunity to improve the quality and efficiency of some services;
- the UHB has made good progress setting the strategic direction for primary care medicines management, and while it has plans in place to deliver some potential savings there are still more opportunities to deliver safe and economical prescribing through improving the links between strategy and action plans and strengthening organisational structures; and
- the UHB has made progress in addressing recommendations arising from our previous work on ward staffing although further action is still needed in a number of important areas.

12. The assistance and co-operation of the UHB's staff and independent members during the audit is gratefully acknowledged.

Detailed report

About this report

- 13.** This Annual Audit Report to the Board members of the UHB sets out the key findings from the audit work that I have undertaken between December 2012 and November 2013. My work at the UHB is undertaken in response to the requirements set out in the 2004 Act. That act requires me to:
- a)** examine and certify the accounts submitted to me by the UHB, and to lay them before the National Assembly;
 - b)** satisfy myself that the expenditure and income to which the accounts relate have been applied to the purposes intended and in accordance with the authorities which govern it; and
 - c)** satisfy myself that the UHB has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 14.** In relation to (c), I have drawn assurances or otherwise from the following sources of evidence:
- the results of audit work on the UHB's financial statements;
 - work undertaken as part of my latest Structured Assessment of the UHB, which examined the arrangements for financial management, governance and accountability, and use of resources;
 - the UHB's self-assessment against the Governance and Accountability module of the Standards for Health Services in Wales;
 - performance audit examinations undertaken at the UHB;
 - the results of the work of other external review bodies, where they are relevant to my responsibilities; and
 - other work, such as data matching exercises and certification of claims and returns.
- 15.** I have issued a number of reports to the UHB this year. The messages contained in this Annual Audit Report represent a summary of the issues presented in these more detailed reports, a list of which is included in [Appendix 1](#).
- 16.** The findings from my work are considered under the following headings:
- audit of accounts; and
 - arrangements for securing economy, efficiency and effectiveness in the use of resources.
- 17.** [Appendix 2](#) presents the latest estimate on the audit fee that I will need to charge to cover the actual costs of undertaking my work at the UHB, alongside the original fee that was set out in the Annual Audit Outline.

Section 1: Audit of accounts

- 18.** This section of the report summarises the findings from my audit of the UHB's financial statements for 2012-13. These statements are the means by which the organisation demonstrates its financial performance and sets out its net operating costs, recognised gains and losses, and cash flows. Preparation of an organisation's financial statements is an essential element in demonstrating appropriate stewardship of public money.
- 19.** In examining the UHB's financial statements, I am required to give an opinion on:
- whether they give a true and fair view of the financial position of the UHB and of its income and expenditure for the period in question;
 - whether they are free from material misstatement – whether caused by fraud or by error;
 - whether they are prepared in accordance with statutory and other applicable requirements, and comply with all relevant requirements for accounting presentation and disclosure;
 - whether that part of the Remuneration Report to be audited is properly prepared; and
 - the regularity of the expenditure and income.
- 20.** In giving this opinion, I have complied with my Code of Audit Practice and the International Standards on Auditing (ISAs). In undertaking this work, auditors have also examined the adequacy of the:
- UHB's internal control environment; and
 - financial systems for producing the financial statements.

I have issued an unqualified opinion on the UHB's 2012-13 financial statements, although I issued an additional substantive report alongside the audit certificate highlighting the brokerage received in 2012-13 and the significant financial challenges in 2013-14 and beyond

The UHB's financial statements were properly prepared and materially accurate although I issued an additional substantive report alongside the audit certificate highlighting the brokerage received in 2012-13 and the significant financial challenges in 2013-14 and beyond

- 21.** The draft financial statements were submitted on a timely basis to meet the 3 May 2013 deadline. The financial statements were prepared to a good standard and we generally found the information provided to be relevant, reliable, comparable and easy to understand. There was also evidence that the financial statements had been subject to quality assurance checks, including a detailed review by the Audit Committee, a comprehensive analytical review and a report summarising the major judgements and estimates.

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22. My team has continued to work with the UHB's Finance staff throughout the year to ensure potential issues are identified and resolved in a timely manner. Following completion of the audit, my team held a joint post project learning session. This will help inform our planning for the audit of the UHB's 2013-14 financial statements.
 23. I am required by ISA260 to report issues arising from my work to those charged with governance before I issue my audit opinion on the financial statements. My Financial Audit Engagement Lead presented the issues, as set out in my Audit of Financial Statements Report, to the UHB's Audit Committee in June 2013.
 24. My report highlighted that I have issued an unqualified opinion on the UHB's 2012-13 financial statements. I have however issued an additional substantive report alongside the audit certificate which highlighted the fact that the UHB required £2.3 million of brokerage at the year end to enable the UHB to meet its statutory revenue resource limit. The additional substantive report also highlighted my concerns regarding the significant financial challenge facing the UHB in 2013-14 and beyond.
 25. As part of my financial audit, I also undertook the following reviews:
 - Whole of Government Accounts return – I concluded that the counterparty consolidation information was consistent with the financial position of the UHB at 31 March 2013 and the return was prepared in accordance with the Treasury's instructions; and
 - Summary Financial Statements and Annual Report – I concluded that the summary statements were consistent with the full statements and that the Annual Report was largely compliant with Welsh Government guidance.
 26. My separate audit of the UHB's charity financial statements is substantially complete and there are currently no significant issues arising. My report on the financial statements was considered by the Charitable Funds Committee in December 2013.

The UHB had an effective control environment to reduce the risks of material misstatements to the financial statements although there are some areas for improvement

27. My work focuses primarily on the accuracy of the financial statements, reviewing the internal control environment to assess whether it provides assurance that the financial statements are free from material misstatement. I did not identify any material weaknesses in your internal control environment.
28. Following my review of the Audit and Assurance Service provided by the NHS Wales Shared Services Partnership, I concluded that the Audit and Assurance Service met the *2009 Internal Audit Standards for the NHS in Wales* and that there are some key areas where improvements are required to achieve further consistency. The new Internal Audit Charter was adopted by the UHB in January 2013 and other planned developments are already underway which will further improve the service provided to health bodies in Wales. This includes the preparation of an Internal Audit Quality Manual on an all-Wales basis.

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- 29.** The work that I have undertaken supports the external auditor's opinion on the financial statements. This does not constitute an assessment of internal audit under the new Public Sector Internal Audit Standards (PSIAS). Under PSIAS (which came into effect on 1 April 2013) organisations are required, every five years, to conduct an external assessment of internal audit. This goes beyond the work that external audit undertake to place reliance upon, or take assurance from, the work of internal audit.

The UHB's significant financial and accounting systems were appropriately controlled and operating as intended, although there are some weaknesses which require management action

- 30.** I did not identify any material weaknesses in the UHB's significant financial and accounting systems which would impact on my opinion.
- 31.** Internal Audit has reported some system weaknesses which require ongoing management action. Action plans have been developed to strengthen the control weaknesses identified in these reports and progress is scrutinised by the Audit Committee.

Section 2: Arrangements for securing efficiency, effectiveness and economy in the use of resources

- 32.** I have a statutory requirement to satisfy myself that NHS bodies have proper arrangements to secure efficiency, effectiveness and economy in the use of their resources. I have undertaken a range of performance audit work at the UHB over the last 12 months to help me discharge that responsibility. This work has involved:
- reviewing the UHB's financial management arrangements, including the progress being made in delivering cost saving plans and their contribution to achieving financial balance;
 - assessing the effectiveness of the UHB's governance arrangements through my Structured Assessment work, with a particular emphasis on quality governance and the robustness of arrangements for assessing patient/user experience;
 - specific use of resources work performance against key service targets for service efficiency, quality and access; and
 - assessing the progress the UHB has made in addressing the issues identified by previous audit work on ward staffing.
- 33.** The main findings from this work are summarised under the following headings.

Overall the UHB has a sound approach to financial management, although many of the actions undertaken to achieve financial breakeven may not be sustainable and the UHB is unlikely to breakeven this year

Financial breakeven in 2012-13 was achieved through a combination of cost improvement programmes within the UHB, additional in year funding from Welsh Government and year end brokerage. Going forward a more sustainable approach to cost improvement is required which will need to address risks associated with the estate and plant & equipment

34. The UHB's financial plan for 2012-13 identified a very challenging cost reduction target of £62.7 million and a residual CIP savings target (after additional Welsh Government support) of £36.4 million. This reflected the challenges created by the flat cash' settlement for the NHS in Wales over the last three years. In March 2012 the UHB set a budget but there was a £12.8 million gap to make the budget balanced. The final revised financial plan was approved by the Board in September 2012.
35. The UHB was partially successful in delivering its CIPS during 2012-13 – the target was £36.4 million and the UHB achieved £28.6 million leaving a shortfall of £7.8 million. But the actions of the UHB alone were not sufficient to achieve the revenue financial target of £698.5 million. Additional funding of £8 million from Welsh Government (received by all Welsh UHBs to achieve 2012-13 Ministerial objectives) and £2.3 million of brokerage from other LHBs was required to enable the UHB to breakeven.
36. The actions taken to reduce costs were not wholly sustainable and included some technical accounting gains:
 - £8.84 million of savings were achieved by a one-off balance sheet review of existing costs which is not sustainable in the longer term.
 - £3.3 million of Continuing Healthcare (CHC) savings were achieved by developing and centralising some services. However demand led additional cost pressures of £1.9 million made achievement of the target difficult, resulting in a £1.9 million shortfall.
 - Workforce modernisation targets were over ambitious at £15.4 million and were not supported by service redesign delivery plans. Largely as a result of being unable to progress the strategy, £12.9 million of the proposed savings did not materialise.
 - £6.5 million of procurement savings may only be partial sustainable in the longer term.
37. In line with most other UHBs, 'non-urgent' service delivery has been affected by the financial savings measures as clinical activity was prioritised and some activity was deferred.

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- 38.** In 2012-13, the UHB achieved its Capital Resource Limit of £22.9 million. We have however highlighted the fact that the UHB has some £37.8 million of plant and equipment assets which are deemed to be beyond their economic life (ICT £8.6 million, medical equipment £27.9 million and vehicles/other £1.3 million). Assets deemed as out of life are predicted to rise by a further 35 per cent to £51 million by 31 March 2015. Older assets represent a significant operational risk to the UHB and older assets generally have higher running, repair and maintenance costs.
- 39.** The condition of the UHB's estate (land and buildings) also presents risks for the UHB to manage, although some improvements from previous years' positions are evident. There are financial consequences of the condition, backlog maintenance and energy costs:
- Physical condition – the UHB has been successful in reducing its high risk backlog maintenance. However it remains the 2nd highest 'significant risk' rated UHB in Wales at £24.8 million with a slight improvement on the previous year.
 - Although the Statutory/Safety compliance performance exceeds the All Wales average (at a rating of 85.82 per cent) it is close to, but has not yet achieved the current 90 per cent Welsh Government target.
 - Fire Safety standards have shown considerable improvement since 2010 and now exceed the Welsh Government target of 90 per cent.
 - Functional suitability has improved but has not yet met the Welsh Government target of 90 per cent.
 - Space utilisation targets have been met again this year.
 - Energy efficiency has seen some improvement on the previous year's performance. However, the major sites, apart from Wityhush General Hospital are predominantly poor performers, mainly due to a reliance on oil as a fuel.

For 2013-14, the UHB has continued to improve the effectiveness of its budgetary control arrangements and it has assessed the level of savings required to achieve breakeven. However, the UHB does not have a balanced financial plan with a funding gap of some £19 million in 2013-14

- 40.** In the context of another year of 'flat cash', the 2013-14 financial plan presented to the UHB's Board in March 2013 carries a number of risks:
- the balanced budget for 2013-14 is dependent on achieving £56 million (eight per cent) of savings – some of which has not been identified;
 - executives and county directors are in the process of assembling budget and delivery plans to meet the required level of CIPs; and
 - a high proportion of 2013-14 CIPs are programmed for the later part of the year increasing the risk of achievement.

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41. The financial position has not been helped with the delays agreeing and implementing service redesign and the Clinical Services Strategy. At the end of November 2013, the UHB was experiencing considerable difficulties in trying to achieve financial balance for 2013-14 and the UHB currently predicts a £19 million shortfall at the year end.
 42. Looking forward, the financial position remains challenging. The UHB is currently working on a three year service and financial plan along with the other LHBs in Wales. The UHB will need to agree and implement a Clinical Services Strategy which not only delivers safe and high quality services but which is also affordable within the UHB's financial resource limits.

Overall the UHB's governance arrangements have continued to evolve and mature, although there is a need to strengthen aspects of quality governance and to manage risks in relation to middle management capacity and ICT infrastructure

The organisational structure has been strengthened and recent developments provide a strong foundation for delivery of the UHB's objectives although there remain some capacity and capability risks at a middle management level

43. Last year I identified areas for development in relation to the UHB's organisational structure. My work in 2013 has identified that positive progress has been made in addressing the issues raised.
44. My team's observations have identified that the UHB has a cohesive and stable executive team. In recent months the UHB has redefined a number of executive roles to strengthen governance arrangements and support delivery of its strategic and operational objectives. Previously we identified concerns about the organisational structure. Following an external consultancy review, the UHB now plans to make a number of changes. The changes aim to address the issues of silo working, reduce variation and streamline management tiers. It should also ensure that the UHB maintains its links to the unitary authorities and support delivery of local need.
45. The UHB has a comprehensive leadership programme aimed at developing senior and middle managers as well as clinicians although the UHB acknowledges middle management capability and capability in some areas remains an issue. While acknowledging that action is being taken to address, I am particularly concerned with the lack of continuity and capacity of the Ceredigion County senior management team and consider this to present a particular risk.

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- 46.** The Population Health Programme (PHP) is starting to take shape with the establishment of the eight Population Health Groups. The groups are led by clinicians and are multi-professional; the aim is to strategically drive service re-design and change. There are clear linkages to the Improvement Academy to support team and individual development. The UHB has put a programme management office in place to support the programme which should help ensure that the programme is effectively managed. The PHP and the proposed restructure is a positive step towards enabling the UHB to meet its strategic and operational objectives.

Changes to the committee structure and operation along with improved risk management arrangements have further strengthened the UHB's assurance framework and while there remain further opportunities for improvement, the early signs are encouraging

- 47.** Since my previous Structured Assessment work, considerable work has been undertaken to strengthen the operation of the UHB's committees. The Chair of the UHB has reviewed and changed the chairmanship of each main committee. These changes have recently been put into operation and the early signs are that this is helping to strengthen the UHB's assurance framework. More broadly, my team has also observed a positive and constructive relationship between independent members and executive officers.
- 48.** My staff's observations at Board meetings indicate that they are well run and focus on the key challenges and issues facing the organisation. The Board is well chaired, issues are well summarised and timekeeping is generally good. There is open debate and challenge at the Board which builds upon committee discussions and debate. However, the UHB needs to be guarded against the perception that the Board meeting appears too 'rehearsed'. Our Board survey suggests that there remain opportunities for strengthening the Board further in respect of the need to cover all significant areas such as primary and community services, greater focus on patient experience and quality and safety.
- 49.** More generally, my staff's observations at Committees and our survey of Board members highlight scope to further improve the operation of the committees in respect of reducing the length of the agendas, improving the quality of some papers, greater use of exception reporting and clarifying actions and timelines at the close of each relevant item.
- 50.** The UHB has responded positively to our on-going feedback of opportunities to further strengthen the Board and committees and a number of positive changes have already been observed.

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51. Last year I identified that more work was needed to strengthen and embed risk management processes within the organisation. My work in 2013 has seen that the UHB has made a number of positive changes to embed risk processes. The establishment of risk panels, led by independent scrutiny chairs has been very positively received by operational staff. The scrutiny chairs work through completed risk registers with the responsible operational staff and challenges each aspect. This has provided both operational and corporate insight and supported positive changes to the way that risks are identified and managed. The UHB acknowledges that some operational areas will need further support and guidance.
52. My team's observations have identified that committees now have a greater focus on risk although further work is required in some sub-committees to ensure that agendas are more explicitly aligned to the UHB's risk profile. The corporate risk register is now available on the UHB's website through its Board papers. The corporate risk register now focuses on the biggest risks facing the UHB but the UHB will need to ensure that the register provides a complete and up to date record of the UHB's most significant risks.

Performance management arrangements have continued to be strengthened although there is still more to do to ensure that the underpinning data is of good quality, and to develop more comprehensive reporting arrangements on quality and safety of services

53. My work in 2012 identified that more work was required to bring together more meaningful information to help strengthen the UHB's ability to plan, make decisions and scrutinise. The UHB has strengthened its performance management arrangements and a new performance assurance framework will be underpinned by a Business Intelligence Unit. This should support more integrated data development and information and provide triangulation of information on performance, resourcing and quality.
54. At the September 2013 Board meeting, a completely revised Performance Assurance report was presented. The revised report is aligned to the strategic goals and provides a more integrated and holistic picture of performance covering five quality domains. This is a significant improvement although there are opportunities to further strengthen reporting by including a summary of performance, external benchmarking comparisons, success measures, forecasting position and a broader range of resource and user experience measures.
55. In previous years I have identified concerns with the quality of data. Our survey of Board members and audit work continue to identify concerns over the quality and accuracy of data. This reinforces the need to improve data quality processes and assurances as part of performance framework and for greater ownership from the Board. The UHB has established a Data Quality Group with responsibility for ensuring data quality is applied across systems within the UHB. In addition, an information owners group has been set up that will consider data quality procedures as well as disaster recovery issues.

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- 56.** The new business intelligence unit plans to support intelligent performance reporting but it also needs to provide assurance about the quality of key performance measures. I am encouraged that data quality has been included as a risk in the corporate risk register. This demonstrates that the UHB has now recognised the importance of providing assurance on the quality of data and that measures need to be taken to strengthen current arrangements.

Information governance has been further strengthened although even with controls the UHB's ICT infrastructure continues to present significant risks

- 57.** Last year I concluded that sustainable ICT solutions were needed to safely maintain current service. This year my team have concluded that the ICT infrastructure remains a significant risk and sustainable solutions have not been identified.
- 58.** The UHB is aware of the risks and has controls in place to mitigate them. However, the lack of capital funding and an aging ICT infrastructure presents significant risks to business continuity. The UHB was unsuccessful in its bid to Welsh Government for additional funds to support the ICT infrastructure; and Discretionary capital has been reduced from £750,000 to £200,000. As a result the ICT team has to work hard to put 'fixes' in place to keep systems working.
- 59.** In previous years I identified areas for development in relation to the UHB's information governance with improvements noted in last year's Structured Assessment. This year my team has concluded that information governance arrangements continue to be strengthened. The Information Governance Toolkit forms the framework for governing information within the UHB and the underpinning processes have been strengthened and work against this agenda continues to be progressed. However, there remain a small number of areas where progress is not as good and the UHB is undertaking work to address these.

The UHB is committed to listening to patients and staff but recognises that there is a need to strengthen operational arrangements for capturing patient experience, address and respond to concerns and to more systematically use information to inform organisational learning

- 60.** My structured assessment work has found that the UHB demonstrates a commitment to listening to patients and recognises the value of the patient voice in service planning and delivery, although it recognises that it has more to do to embed its approach.
- 61.** The UHB's draft patient experience strategy is based on the All Wales Framework and is currently out for consultation. The UHB's Annual Quality Statement (AQS) demonstrates how the patient voice will be used to triangulate information to improve quality and safety. This remains largely aspirational at present and will require further review through future work.

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- 62.** The UHB is aware of inconsistencies in its approaches to patient experience and is mapping the approaches to ensure that there is a systematic approach to embedding the patient's voice in service planning and delivery. A wide variety of approaches and methods are used to engage with the user and capture patient's views with good examples where user experience is regularly measured.
 - 63.** Increasingly the UHB is drawing on the experiences of users to inform how to run and improve services. The UHB has also started to use patient experience stories in innovative ways as part of the recruitment process. However, our Board survey showed that eight of the 16 responders do not always feel informed of what users think of services received and while the new performance reports now include measures of user experience these are focused on acute hospital nursing care and need to be broader.
 - 64.** Executive accountability for the various aspects of complaints and concerns lies with different individuals. The Board Secretary is accountable for complaints, the Medical Director is accountable for incidents, and patient experience lies with the Nurse Director and staff concerns with the Workforce Director. I note that the UHB believes that these arrangements to be working well and that this view was supported by the Welsh Risk Pool (WRP) in their 2013 annual assessment. However, there is a risk that spreading such responsibilities across a number of senior staff diminishes the organisation's ability to review and manage these issues holistically. This is therefore an area that the UHB needs to keep under close review.
 - 65.** The corporate teams under the direction of the executive leads provide training, support and guidance to operational teams and lead serious investigations. County Heads of Nursing are responsible for co-ordinating quality and safety issues within county which includes allocating responsibility for the management of incident and concerns.
 - 66.** Our review found clear processes, systems and policies for dealing with concerns and complaints, with good step by step guides and investigating officers' tool kits.
 - 67.** The involvement of the central corporate teams to resolve higher prioritised complaints and concerns should ensure that the UHB and local management retain access to valuable skills and expertise in this area. The arrangements should also encourage greater ownership at an operational level. However, the arrangements do not consistently support robust implementation of processes. The UHB readily acknowledges that it is not responding to concerns in a timely way and that there is unacceptable backlog. The Ombudsman has been critical of the backlog of complaints and incidents and the way in which the UHB responds to these.

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- 68.** The UHB has completed a Root Cause Analysis of the reasons for the delays. Availability of resources at the corporate centre is one of the factors for delays as are the operational pressures on staff involved in the local review and investigation of complaints and concerns. There is also inconsistency in the way that county teams deal with complaints and concerns and in some areas there has been a lack of ownership and little priority given to the closure of complaints and incidents. The UHB has a turnaround plan in place to address the backlog and is robustly performance managing the situation. This is being supported by a whole system review to review processes and resources. While there are early signs of improved responsiveness the improvement are inconsistent across the localities.
- 69.** My work found that the UHB has developed clear corporate arrangements for listening to and addressing staff concerns. The UHB has recently launched a comprehensive communications plan to raise awareness of its approach to raising a concern in a more positive way through a campaign called 'See It ... Say It', to help staff feel more comfortable about raising a concern. The UHB approach supports staff to raise concerns informally and resolve at an earlier stage although informal concerns are still logged. While the process supports staff to raise concerns, the UHB needs to 'test' whether the process is working as intended.
- 70.** The NHS Staff survey included a number of negative responses particularly in relation to staff views on quality of care, human resources and management practices, and trust and communication. In response, the UHB has developed an action plan and it now needs to articulate to all staff how it will engage with them to address the responses. The UHB's Culture Steering Group and Staff Engagement Group are working to change the culture of the organisation, to ensure greater openness and transparency whilst respecting confidentiality.
- 71.** My work found that the UHB is committed to learning lessons from concerns and we found a number of positive examples of learning and improvement. Learning is achieved in a variety of ways at a corporate and operational level. Various committees and groups at corporate and operational levels have been put in place to discuss and consider learning lessons. While there are clear examples of linkages and sharing between some groups this does not always happen consistently.
- 72.** However, the recent WRP assessment report concluded that the UHB's system of learning lessons needed to be simplified and applied more consistently. In addition, the UHB readily acknowledges that the process of learning needs to be systematically shared and embedded in practice. The UHB is strengthening its arrangements for learning lessons from user feedback but this is still work in progress.

The UHB has demonstrated its commitment to strengthening quality and safety assurance arrangements but recognises that leaders need to be more visible and more engaged with staff

- 73.** Quality and safety is a high priority for the UHB and the UHB has demonstrated its commitment to strengthening its quality and safety assurance arrangements. In April 2013, the Q&S Committee members completed a survey on its effectiveness. The results informed the programme of change which came into place in August 2013. Although work in progress, my team observed a number of positive changes. The Committee is now more strategic and more focused in seeking assurances from services, risk is a more meaningful, central part of discussions focusing on the 'top 10' key risks and better performance data is available through a quality dashboard, supporting a focus on key areas of concern. However, there remain opportunities for further improvement in respect of focusing more on quality and safety 'outliers' and using performance information to forecast where problems may be building up and a greater emphasis on monitoring the completion of actions and holding officers to account. In addition, the UHB is in the process of redefining and redesigning the Q&S sub-committees. The UHB will need to continuously assess the Q&S committee's effectiveness and that of its subcommittees.
- 74.** The UHB has invested in quality-focused leadership through its leadership academy and leadership development programme. The UHB is increasingly demonstrating a willingness to be more open and transparent and the inclusion of more documents on its website is a welcome development and is considering whether more documents could be publically available.
- 75.** While there are some very positive exceptions, some staff believe that Board members are not visible enough. The NHS Staff Survey suggests a lack of trust in senior management and perceived remoteness between upper and lower levels of the organisation. The UHB needs to find a way to better connect the Board and the corporate team to operational staff. The UHB is taking some measures to address this but more work is needed. Walkabouts are being reinvigorated and independent members are due to commence a programme of announced and unannounced visits. In addition the Director of Operations and Delivery is planning 'open surgeries' at each hospital.
- 76.** The UHB has also developed a 'Quality Dashboard', the aim being to bring together key quality metrics and to provide a focus for discussion. The Dashboard is still evolving and my team have noted opportunities to further strengthen through the inclusion of never events, raising concerns, wider patient experience measures, litigation claims and senior management responsibility.
- 77.** While the dashboard is a positive development, the UHB would benefit from the production of a detailed quality and safety report. This would include a summary of performance, identify success factors and outcomes, and include clear actions and accountability.

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- 78.** The AQS approved in September 2013 provides an opportunity to report to the public in an open and honest way. Much effort has gone into the UHB's AQS, but my review of the statement identified opportunities for improvement. This includes making the document shorter and more concise and ensuring that the language used is easy for the public to understand. In addition, while there were some areas where the statement recognised that performance could be better it needs to be more open and transparent on where things did not go well. Some other LHBs have demonstrated more candour in their statement. Lastly, wherever possible the statement needs to clearly identify what impact services have made in terms of outcomes and quality.

The UHB is making effective use of the National Fraud Initiative (NFI) to detect fraud but would benefit from undertaking further work

- 79.** The NFI is a biennial data-matching exercise that helps detect fraud and overpayments. It matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. The Auditor General conducts data matching exercises in Wales under statutory powers contained in Part 3A of the Public Audit (Wales) Act 2004. The NFI is a highly effective tool in detecting and preventing fraud and overpayments, and helping organisations to strengthen their anti-fraud and corruption arrangements.
- 80.** Participating bodies submitted data to the current NFI exercise in October 2012. The data was matched and the outcomes were released to participating bodies in January 2013. The UHB continues to engage in NFI and is making good progress in a number of different areas but further work is required to follow up the potential data matches identified by the exercise.

My other performance work has identified both good practice and scope to improve the use of resources in a number of areas

There is commitment to ensuring appropriate staffing levels but longer term workforce plans to support the clinical services strategy and sustained focus on staff appraisal and development are needed

- 81.** Last year I identified areas for development in relation to the UHB's workforce planning. My work in 2013 has identified that some progress has been made in addressing how it plans for and uses its workforce but a number of challenges remain. My team have identified a commitment to ensuring appropriate staffing levels although longer term workforce plans to support the clinical services strategy and sustained focus on staff appraisal and development are needed. The proposed workforce changes have not been achieved as the UHB has been unable to progress the Clinical Services Strategy. Once the strategy is confirmed, the UHB will need clear workforce and financial plans that are explicitly linked to service delivery needs.

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82. There is evidence that the UHB actively supports safe workforce levels and this is demonstrated in a number of ways. The UHB has committed to investing in ward staffing to meet Welsh Government ward staffing principles although sustaining this against the financial pressures will be vital. In addition the UHB has prioritised front line clinical posts at vacancy panels. However, while recognising the financial context and the need for stringent vacancy controls, some previous vacancy panel decisions for non-front line posts have been counterproductive in that where posts have not been filled this has at times had a negative impact on the UHB's services. The UHB has further developed the approach to ensure that it takes account of the potential impact on the wider workforce and service delivery.
 83. The UHB continues to experience difficulties in recruiting to clinical posts which is causing operational and financial challenges. In managing these challenges the UHB has at times made difficult service delivery decisions in order to maintain safe services.
 84. Last year as in the previous year I identified that compliance with personal development plans was low. This year my team has identified that the UHB continues to underperform in the delivery of staff personal development plans. In addition staff training needs are not always met.

Based on a review of performance against a number of key indicators, the UHB's performance generally compares well to the rest of Wales, although there remains opportunity to improve the quality and efficiency of some services

85. This year's Structured Assessment has included an analysis of centrally available performance data on key service targets. This data has been used to assess the extent to which the UHB is delivering good-quality, economical and accessible services for patients.
86. My review of the data for Hywel Dda identified that the UHB's economic and efficiency measures are largely better than the Welsh average and in some instances is amongst the best performance. Although opportunities to improve efficiency still exist particularly for elective treatment on the day of admission which has deteriorated and is now one of the poorer performers in Wales.
87. The UHB's quality measures are largely better than the Welsh average and in some instances amongst the best performance, although the proportion of stroke patients receiving care within the appropriate setting within 24 hours is variable and while one of the better performers in Wales does not meet the Welsh Government target. In addition, in responding to the NHS staff survey the UHB's staff were less positive than the Welsh average about their perceptions of senior managers commitment to patient care and about the standards of care.
88. The UHB's performance for timely and accessible services is mixed. Unscheduled care performance is amongst the best in Wales and following a period of poor performance elective waiting times performance has improved significantly, and is better than the Welsh average. However, cancer access targets are not being met and are currently below the Welsh average. In part this is due to delays at tertiary centres.

The UHB has made good progress setting the strategic direction for primary care medicines management, and while it has plans in place to deliver some potential savings there are still more opportunities to deliver safe and economical prescribing through improving the links between strategy and action plans and strengthening organisational structures

89. My work on GP prescribing commended the UHB on having a five-year strategy for pharmacy and medicines management integrated across primary and secondary care with supporting actions and monitoring arrangements. The strategy supports the UHB's overall shift of care from hospital setting to the community. Detailed annual prescribing savings plans set a clear programme of work although the strategy's supporting actions have not been prioritised and could be more specific.
90. The strategy refers to global health problems such as the increase in diabetes, and has identified appropriate actions to manage the entry of new drugs, although patient and stakeholder engagement was not used in its development. The strategy also refers to the need for more controlled growth in the primary care prescribing bill and detailed financial analysis supports the annual primary care savings plans. The prescribing work stream monitors delivery of the medicines management action plan and reports progress to the Medicines Management Group (MMG) and Integrated Governance Committee.
91. Executive responsibility for medicines management is clear and the roles of the primary care prescribing and medicines management team members are clearly defined and staff are working well with GPs, but there is significant capacity gaps which the UHB is taking steps to address.
92. The UHB has a complete formulary¹, which is available across primary and secondary care and compliance with the formulary is monitored as part of the on-going support to GP practices by UHB pharmacists. Since our review of interface prescribing in 2010, the UHB has made improvements including to the quality of shared care protocols and innovative initiatives are being piloted to improve interface working.
93. The UHB currently spends £65 million on primary care prescribing and the spend is similar to the average for Wales when adjusted to take into consideration the numbers of older people in the population. The UHB sets its annual prescribing budgets based on historic expenditure, growth and cost pressures. The target set for savings from primary care prescribing was £4.3 million in 2012-13 which was achieved at year end. Detailed information on meeting financial targets is prepared monthly and scrutinised by the MMG.

¹ In the medicines management context a formulary should list and specify the medicines and treatment regimes that have been approved by the Health Board (usually through the medicines management committee) and the context that they should be used and prescribed.

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94. The UHB has still to deliver the full benefits of generic prescribing and the opportunities of more economical prescribing through improved pain relief management and the use of low acquisition cost (LAC) statins. My work has identified significant savings of up to £1 million in these three areas, if prescribing levels could match the best performing GP practices in Wales. The UHB currently has plans to deliver £370,000 from improved prescribing in these areas and recognising that prices can be quite volatile and the actual savings figure may change over time, the UHB through the work of the prescribing team and the opportunities provided by the Welsh Government's new three funding arrangements will need to ensure it secures all the possible savings in these and other areas identified in my review.
95. While the UHB has been successfully targeting wound management and food supplements, there are still savings to be made by improving prescribing of these products. The UHB performance on many National Performance Indicators is close to the Wales average or better but the UHB has the worst performance in Wales for prescribing long acting insulin and below average on ACE (angiotensin-converting enzyme) inhibitor, proton pump inhibitor and hypnotic and anxiolytic prescribing highlighting the need to move the focus of prescribing support to these indicators.
96. The UHB has low compliance with the Yellow Card reporting of adverse drug reactions (ADRs) and has recently appointed a Yellow Card champion to develop work in this area; but there are significant issues with the Datix adverse event reporting as GPs have disengaged from the process. Medicine waste is highlighted on the risk register and the UHB has initiated a number of activities to reduce waste and make financial savings demonstrating its commitment to this area of work.

The UHB has made progress in addressing recommendations arising from our previous work on ward staffing although further work is still needed in a number of important areas

97. During the last 12 months, I have undertaken follow-up audit work to assess the progress that the UHB has made in addressing concerns and recommendations arising from previous audit work on ward staffing. The findings from the follow-up work are summarised in [Exhibit 3](#).

Exhibit 1: Progress in implementing audit recommendations

| Area of follow-up work | Conclusions and key audit findings |
|-------------------------|---|
| Ward Staffing follow-up | <p>I concluded that the UHB's understanding of its ward staffing resource has improved although inconsistent data remains an issue and there continues to be opportunities for rebalancing staff levels across different wards. My assessment of progress against each of my recommendations is summarised below:</p> <ul style="list-style-type: none">• Overall, ward staffing levels are below average while grade mix is typical, but costs are high and there remains significant variation across the organisation with a number of areas being comparative outliers.• There continue to be marked inconsistencies in the distribution of staff across the UHB.• The UHB now has a better understanding of its ward staffing resources but there remains inconsistency between the financial, workforce and ward information.• The data collected for this review relates to 1 October – 30 November 2011. Since the data collection exercise the UHB has been using a variety of tools and staffing dimensions to inform and manage its ward staffing levels. As referred to in paragraph 81 of this report, the UHB has committed to investing in ward staffing and work is underway to address staffing shortfalls and to rebalance its ward staffing resource. |

Appendix 1

Reports issued since my last Annual Audit Report

| Report | Date |
|--|----------------|
| Financial audit reports | |
| Audit of Financial Statements Report | June 2013 |
| Opinion on the Financial Statements | June 2013 |
| Opinion on the Whole of Government Accounts return | July 2013 |
| Opinion on the Summary Financial Statements | September 2013 |
| Audit of Financial Statements Report - Charity | December 2013 |
| Performance audit reports | |
| Ward Staffing – Follow-up Review | July 2013 |
| NHS Information Back-Up Review Diagnostic | August 2013 |
| Review of Primary Care Prescribing | September 2013 |
| Structured Assessment Year 4 | December 2013 |
| Other reports | |
| Outline of Audit Work 2013 | March 2013 |

There are also a number of performance audits that are still underway at the UHB. These are shown below, with estimated dates for completion of the work.

| Report | Estimated completion date |
|--------------------------------|---------------------------|
| Review of Orthopaedic Services | March 2014 |
| Review of Clinical Coding | March 2014 |

Appendix 2

Audit fee

The Outline of Audit Work for 2013 set out the proposed audit fee of £416,242 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is in accordance with the fee set out in the outline.



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