

# Annual Audit Report 2024 – Swansea Bay University Health Board

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# Summary report

## About this report

- 1 This report summarises the findings from my 2024 audit work at Swansea Bay University Health Board (the Health Board) undertaken to fulfil my responsibilities under the Public Audit (Wales) Act 2004. That Act requires me to:
  - examine and certify the accounts submitted to me by the Health Board, and to lay them before the Senedd;
  - satisfy myself that expenditure and income have been applied to the purposes intended and are in accordance with authorities; and
  - satisfy myself that the Health Board has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.
- 2 I report my overall findings under the following headings:
  - Audit of accounts
  - Arrangements for securing economy, efficiency, and effectiveness in the use of resources
- 3 This year's audit work took place at a time when NHS bodies were continuing to respond to a broad set of challenges associated with the cost-of-living crisis, the climate emergency, inflationary pressures on public finances, workforce shortages, and an ageing estate. In addition, NHS bodies are still dealing with the legacy of the COVID-19 pandemic. My work programme, therefore, was designed to best assure the people of Wales that public funds are well managed.
- 4 We largely continued to work and engage remotely through the use of technology, with some on-site audit work being undertaken where it was appropriate to do so.
- 5 The audited accounts submission deadline was shortened by two weeks from the previous year to 15 July 2024. The financial statements were certified on 12 July 2024, meaning the deadline was met. This reflects a great collective effort by both my staff and the Health Board's officers.
- 6 The focus and approach of my performance audit work continue to be aligned to the post-pandemic challenges facing the NHS in Wales and is conducted in line with INTOSAI<sup>1</sup> auditing standards.
- 7 This report is a summary of the issues presented in more detailed reports to the Health Board this year (see **Appendix 1**). I also include a summary of the status of work still underway, but not yet completed.

<sup>1</sup> INTOSAI (International Organisation of Supreme Audit Institutions) is a global umbrella organisation for the performance audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

- 8 **Appendix 2** presents the latest estimate of the audit fee that I will need to charge to cover the costs of undertaking my work, compared to the original fee set out in the 2024 Audit Plan.
- 9 **Appendix 3** sets out the audit of accounts risks set out in my 2024 Audit Plan and how they were addressed through the audit.
- 10 The Chief Executive, Director of Finance, and Director of Corporate Governance have agreed the factual accuracy of this report. We presented it to the Audit Committee on 20 March 2024. The Board will receive the report at a later Board meeting. We strongly encourage the Health Board to arrange its wider publication. We will make the report available to the public on the [Audit Wales website](#) after the Board have considered it.
- 11 I would like to thank the Health Board's staff and members for their help and co-operation throughout my audit.

## Key messages

### Audit of accounts

- 12 I concluded that the Health Board's accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in internal controls (as relevant to my audit) however, I brought some issues to the attention of officers and the Audit Committee for improvement.
- 13 I qualified the regularity opinion. In line with prior years, the regularity opinion was qualified because the Health Board did not meet its revenue resource allocation over the three-year period ending 2023-24.
- 14 Alongside my audit opinion, I placed a substantive report on the Health Board's accounts to highlight the failure to achieve financial balance and the failure to have an approved three-year plan in place.

### Arrangements for securing efficiency, effectiveness, and economy in the use of resources

- 15 My programme of Performance Audit work has led me to draw the following conclusions:
- the Health Board is improving aspects of its governance arrangements, and good progress has been made to stabilise the Board. However, the financial position for 2024-25 remains extremely challenging, and urgent and on-going action is needed to manage the factors that are driving costs. A refreshed and re-aligned approach to strategic planning is also needed to set a direction towards models of care which support good population health and services which are clinically and financially sustainable.

- whilst the Health Board met its control deficit target for 2023-24, it has a generally poor track record of achieving its savings targets and delivering recurrent savings. Given the Health Board's extremely challenging financial position, it urgently needs to demonstrate that it can manage the factors that are driving its costs and accelerate work to embed a more sustainable approach to the financial savings it needs to deliver.
- operational governance arrangements in the Health Board's service groups need strengthening. Action is needed to address long standing vacancies and reliance on interim roles, and to strengthen escalation arrangements, quality and safety reporting, and risk management. The Acute Medical Services Redesign programme needs to be concluded quickly, accompanied by an assessment of the operational capacity needed within service groups to support the required governance arrangements.
- despite the Health Board starting to transform its outpatient services, it has made limited progress in implementing our previous audit recommendations and continues to carry significant clinical risks associated with delayed follow-up appointments.
- the Health Board is making good progress to address my previous audit recommendations on primary care. It has strengthened its arrangements for financial planning analysis, and new ways of working, and is progressing work to strengthen Local Cluster Collaboratives and shift resources from secondary to primary care. However, central primary care services capacity remains stretched, and the Health Board does not have a comprehensive understanding of its primary care workforce. There is limited oversight and scrutiny of primary care at Board and committees and reporting on primary care performance and outcomes needs strengthening.
- the Health Board is taking appropriate action to address its workforce challenges. However, it needs to ensure that it has sufficient workforce planning resources to support delivery of its new People Strategy and improve committee level oversight of its Workforce and OD Directorate's Goals, Methods and Outcomes (GMO) plan, which supports delivery of the People Strategy.

16 These findings are considered further in the following sections.

# Detailed report

## Audit of accounts

- 17 Preparing annual accounts is an essential part of demonstrating the stewardship of public money. The accounts show the organisation’s financial performance and set out its net assets, net operating costs, gains and losses, and cash flows. My annual audit of those accounts provides an opinion on both their accuracy and the proper use (‘regularity’) of public monies.
- 18 My 2024 Audit Plan set out the key risks for audit of the accounts for 2023-24 and these are detailed along with how they were addressed in **Exhibit 4, Appendix 3**.
- 19 My responsibilities in auditing the accounts are described in my Statement of Responsibilities publications, which are available on the Audit Wales website.

## Accuracy and preparation of the 2023-24 accounts

- 20 I concluded that the Health Board’s accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in internal controls (as relevant to my audit), however, I brought some issues to the attention of officers and the Audit Committee for improvement.
- 21 I received the draft accounts by the deadline. Many working papers were prepared in readiness for the start of the audit process but not all. To manage this, Audit Wales and the Finance department worked collaboratively to an agreed timescale for the delivery of working papers to manage the early stages of the audit. We are conscious that Audit Wales, coupled with the expectations of the NHS as a whole, are preparing to bring forward the audit deadline further as part of the 2024-25 accounts audit process. To meet these deadlines, it will be imperative that working papers are fully complete and available at the commencement of the audit.
- 22 I must report issues arising from my work to those charged with governance (the Audit Committee) for consideration before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues on 11 July 2024. **Exhibit 1** summarises the key issues set out in that report.

### Exhibit 1: issues reported to the Audit Committee

Issue	Auditors’ comments
Uncorrected misstatements	There were two uncorrected misstatements.

Issue	Auditors' comments
Corrected misstatements	There were several adjustments made to the draft accounts which in the main related to additional narrative to provide more clarity.
Other significant issues	I qualified my regularity opinion and issued a substantive report because the Health Board did not achieve its financial duty to achieve financial balance for the three years ending 2023-24.

- 23 I also undertook a review of the Whole of Government Accounts return. I concluded that the counterparty consolidation information was consistent with the Health Board's financial position on 31 March 2024 and the return was prepared in accordance with the Treasury's instructions.
- 24 My separate audit of the charitable funds accounts is substantially complete. No issues have arisen to date. I will provide my audit opinion in January 2025.

## Regularity of financial transactions

- 25 The Health Board's financial transactions must be in accordance with authorities that govern them. The Health Board must have the powers to receive income and incur expenditure. Our work reviews these powers and tests that there are no material elements of income or expenditure which the Health Board does not have the powers to receive or incur.
- 26 Where a Health Board does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion.
- 27 The Health Board did not achieve financial balance for the three-year period ending 31 March 2024, which I deem to be outside its powers to spend, so I have issued a qualified opinion on the regularity of the financial transactions within the Health Board's 2023-24 accounts.
- 28 In 2023-24, the Health Board reported a year-end financial balance. However, the Health Board breached its cumulative resource limit, by spending £39.374 million over the £3,519 million that it was authorised to spend in the three-year period 2021-22 to 2023-24.
- 29 Alongside my audit opinion, I placed a substantive report on the Health Board's accounts to highlight the failure to achieve financial balance and the failure to have an approved three-year plan in place.
- 30 I have the power to place a substantive report on the Health Board's accounts alongside my opinions where I want to highlight issues. Due to the issues set out above, I issued a substantive report setting out the factual details.

## Arrangements for securing efficiency, effectiveness, and economy in the use of resources

- 31 I have a statutory requirement to satisfy myself that the Health Board has proper arrangements in place to secure efficiency, effectiveness, and economy in the use of resources. I have undertaken a range of performance audit work at the Health Board over the last 12 months to help me discharge that responsibility. This work has involved:
- assessing the extent to which the Health Board has implemented my 2019 recommendations on primary care, as well as the extent to which the Board and/or its committees consider matters relating to primary care and there is appropriate capacity and capability to deliver priorities;
  - reviewing the effectiveness of the Health Board's workforce planning arrangements;
  - reviewing the effectiveness of the Health Board's cost savings arrangements;
  - reviewing the Health Board's operational governance arrangements within service groups to oversee finance, performance and quality and safety of services, and the flows of assurance from the service groups to the Board and its committees;
  - assessing the extent to which the Health Board has implemented my 2015 recommendations on follow-up outpatients; and
  - undertaking a structured assessment of the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically.
- 32 My conclusions based on this work are set out below.

### Primary care follow-up review

- 33 My review examined the extent to which the Health Board has implemented my previous 2019 recommendations relating to primary care. I also assessed the extent to which the Board and/or its committees regularly consider matters relating to primary care, and whether the Health Board's central primary care services team has the appropriate capacity and capability.
- 34 My work found that the Health Board has addressed actions relating to financial planning and new ways of working and is progressing work to strengthen Local Cluster Collaboratives and shift resources from secondary to primary care. However, it does not have a comprehensive understanding of its primary care workforce.
- 35 While primary care features in the Health Board's corporate plan, there is no dedicated primary care strategy or long-term vision. There is limited oversight and scrutiny of the challenges facing primary care at Board, and consideration at

committees could be more systematically embedded within routine business. The Health Board has adequate arrangements for monitoring delivery of primary care plans, but performance oversight needs to be strengthened.

- 36 The Health Board's corporate arrangements for oversight of primary care are generally effective with clear lines of accountability. However, resources and capacity within its central Primary Care Services Team remain stretched and succession planning arrangements within that team require strengthening.

## Workforce planning arrangements

- 37 My review examined whether the Health Board has effective arrangements to support workforce planning. It focused on the strategic and operational workforce planning, how it uses workforce information and how it works with its stakeholders to develop solutions. The work also considered the organisation's capacity and capability to identify and address key short and long-term workforce challenges and how it monitors whether its approach is making a difference.
- 38 My work found that the Health Board is facing significant workforce challenges across a range of services and professions. The Health Board's new People Strategy is a positive step forward, providing a longer-term strategic focus and a platform to guide workforce planning activities. Whilst there are pockets of good practice to support service transformation and redesign, the Health Board recognises the need to improve workforce planning and the use of data to support it.
- 39 The Health Board has clear intent to improve workforce planning capacity and capability by supporting service groups to take greater ownership of their workforce planning. However, the Health Board has limited dedicated corporate workforce planning capacity and is reliant on business partners and operational managers to effectively workforce plan. The Workforce Planning Team offers a range of training to support operational teams, however, it needs to determine whether the training provided was making a difference to the quality of service workforce plans.
- 40 The Health Board has a good understanding of the risks that might prevent the delivery of its workforce ambitions, but actions to mitigate these risks have had minimal effect to date. The Health Board is taking appropriate actions to address its current workforce challenges, through a range of recruitment and retention activities.
- 41 The Health Board's Workforce, Organisational Development (OD) and Digital Committee receives a good range of performance information, but oversight of the delivery and impact of the workforce Goal, Methods and Outcomes (GMO) Plan needs to be strengthened, as the current reporting is too minimal.

## Review of cost savings arrangements

- 42 My review examined whether the Health Board has an effective approach to identifying, delivering, and monitoring sustainable cost savings opportunities. It

considered the impact these arrangements had on the Health Board's 2023-24 year-end position and highlighted where arrangements may need to be strengthened for 2024-25 and beyond.

- 43 My work found that the Health Board understands its cost drivers and achieved its control total deficit for 2023-24, albeit with a heavy reliance on non-recurrent accountancy gains. Whilst it has identified a new approach to identifying cost savings, opportunities remain to strengthen these arrangements further to generate viable schemes that deliver sustainable savings in the short and longer term.
- 44 The Health Board has a generally poor track record of achieving its overall savings targets and delivering recurrent savings, in particular. This, coupled with skills and capacity gaps across the organisation and a lack of clarity around roles and responsibilities for delivering savings, will make achieving its 2024-25 savings targets more challenging.
- 45 The Health Board's approach to scrutinising, monitoring, tracking, and reporting on cost savings is not resulting in improved financial performance across the organisation. As a result, it needs to better hold service groups and corporate directorates to account for poor delivery of savings and strengthen its approach to identifying best practice and learning lessons from savings schemes which have failed to deliver.

## Review of operational governance

- 46 My review focused on the Health Board's four service groups and their arrangements for overseeing finance, performance and quality and safety of services, and the flows of assurance from the service groups to the Board and its committees.
- 47 My work found that operational governance arrangements in the Health Board's service groups needed strengthening.
- 48 Despite clear leadership structures being in place, and some progress being made with substantive recruitment to leadership roles, there remained a high number of vacancies and interim appointments. This was resulting in instability within teams. The roll out of the Acute Medical Services Redesign programme had also been hampered by a lack of a detailed implementation plan and limited Board oversight.
- 49 Whilst there were clear governance arrangements within service groups, changes in size and complexity in three of the four service groups had resulted in increased workload that teams were struggling to manage. Capacity pressures, linked to the frequency of meetings, were leading to problems with consistency of reporting, timeliness of papers and issues with attendance.
- 50 The arrangements for escalation of concerns needed to be strengthened to ensure divisions and directorates are clear when issues require escalation to the service groups, and to introduce a formal route of escalation from the service group management boards to the Health Board's Management Board. The mechanisms to facilitate cross organisational working and enable service groups to collaborate

across boundaries also need to be more effective and formalised, given these arrangements were largely ad hoc at the time of our work.

- 51 There were opportunities to strengthen the systems of assurance within service groups. This included a need to improve reporting on the quality and safety of services and to ensure that quality and safety data was up to date and included relevant metrics, measures and targets. Service groups were also found to have inconsistent arrangements for risk management. Operational risk registers needed to be updated and more clearly set out mitigation actions, timescales and intended outcomes.

## Follow-up review of follow-up outpatients

- 52 My review examined the extent to which the Health Board has implemented my previous recommendations relating to follow-up outpatients.
- 53 My work found that the Health Board was starting to make improvements to its outpatient services. It had:
- developed a three-year Outpatients Transformation Programme which clearly sets out the Health Board's approach to improving outpatient performance, as well as addressing the follow-up backlog;
  - met the Ministerial target of ensuring that no patients wait longer than 52 weeks for their first outpatient appointment; and
  - strengthened governance arrangements supporting outpatient service delivery through the creation of an Outpatients Board to drive delivery of the Outpatients Transformation Programme.
- 54 The Health Board has also increased the use of 'See on Symptom<sup>2</sup>' and 'Person Initiated Follow-Up<sup>3</sup>' pathways, as well as several digital solutions which have the potential to increase efficiency and patient experience. However, the changes initiated by the Outpatient Transformation Programme are new, with projects at an early stage of delivery, and funding to support the programme was only secured for the year 2023-24.
- 55 Of the eight original recommendations from our 2015 report, five recommendations have been superseded due to changes in the plans and organisational delivery arrangements for outpatient improvements. Of the remaining three, none are complete, with limited or no action taken since our previous work.
- 56 My work found insufficient mechanisms in place to routinely report clinical risks associated with delayed follow-up appointments to the Board or committees. Since my previous work, there remain significant numbers of patients waiting for a follow-up appointment at the Health Board. Many within specialities managing high-risk

<sup>2</sup> The See on Symptom pathway supports patients with short-term conditions. It allows the Health Board to discharge a patient into the community earlier and then enables them to book an appointment if needed, such as symptoms re-emerging.

<sup>3</sup> Patient Initiated Follow-Up provides access for patients with chronic long-term conditions when they need it.

conditions. I remain concerned about the level of risk and potential harm coming to patients as a result of these delays.

- 57 My fieldwork also found an inconsistent approach to clinically and administratively validating follow-up lists in all specialities. However, the Health Board has targeted two specialities, ophthalmology, and cardiology, where there is a particular risk of patients coming to irreversible harm due to delays in follow-up appointments.
- 58 My work found little evidence that evaluation includes a focus on potential savings, and there is limited reporting of progress with the projects and initiatives at Board and committee level. There remains scope for the Health Board to further evaluate the findings of service changes.

## Structured assessment

- 59 My team examined the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically, with a specific focus on: Board transparency, effectiveness, and cohesion; corporate systems of assurance; corporate approach to planning; and corporate approach to managing financial resources. Auditors also paid attention to progress made to address previous recommendations.
- 60 At the time of my structured assessment work, the Health Board was subject to enhanced monitoring (Level 3) for maternity and neonatal services as well as for finance, strategy, and planning. The Health Board was also placed into Targeted Intervention (Level 4) for performance and outcomes. In November 2024, finance, strategy, and planning were further escalated to targeted intervention (Level 4) status under the [Welsh Government's escalation and intervention arrangements](#).

## Corporate approach to planning

- 61 My work considered whether the Health Board has a sound corporate approach to planning. I paid particular attention to the organisation's arrangements for:
- producing and overseeing the development of strategies and corporate plans, including the Integrated Medium Term Plan; and
  - overseeing the delivery of corporate strategies and plans.
- 62 My work found that the Health Board has an agreed long-term vision, which sets out the clear aspiration of the Health Board to be a high-quality organisation but lacks a long-term strategy. To support delivery of its vision, the Health Board has many enabling strategies and plans, such as the 10-year Estates Strategy, the 10-year Digital Strategy, Clinical Services Plan 2019-2024, and the new 5-year People Strategy approved by the Board in February 2024. Whilst these strategies are well written and well-intentioned, they are not aligned to each other and, in some cases, lack clear plans for implementation.
- 63 The Health Board needs to develop a more cohesive approach to strategic planning that is shaped by a new long-term whole system strategy that is focused on population health, gives effect to the Health Board's vision and supports the

development of clinically and financially sustainable healthcare services. The strategy should build on the work already undertaken to develop the enabling strategies and plans and include a strong focus on population health and prevention. The Health Board will need to review its existing strategies and plans to ensure they align to the new long-term strategy. The Health Board has clear well-being objectives but needs to improve its arrangements for monitoring their delivery.

- 64 The Health Board is currently working to an Annual Plan for 2024-25 as it was unable to submit a financially balanced three-year Integrated Medium Term Plan to the Welsh Government. At the time of writing, the 2024-25 Annual Plan remained unapproved by the Welsh Government, due to the organisation's worsening financial position and forecast deficit for 2024-25. The Health Board has generally good arrangements for monitoring delivery of corporate plans and strategies, but opportunities remain to strengthen these arrangements further.

### **Corporate approach to managing financial resources**

- 65 My work considered whether the Health Board has a sound corporate approach to managing its financial resources. I paid particular attention to the organisation's arrangements for:
- achieving its financial objectives;
  - overseeing financial planning;
  - overseeing financial management; and
  - overseeing financial performance.
- 66 My work found that the Health Board's financial position for 2024-25 remains incredibly challenging, with urgent action required to deliver savings schemes in full, as well as to hold budget holders to account for meeting financial targets to prevent further deterioration.
- 67 The Health Board did not meet its financial objectives and duties for 2023-24, reporting a year-end deficit of £16.8 million against its revenue resource limit. The Health Board, therefore, breached its duty to break even over the three-year rolling period 2021-2024, with a cumulative deficit of £39.3 million. However, it did achieve a small surplus of £55,000 against its capital resource limit.
- 68 The Health Board's Annual Plan sets out a predicted deficit of £50.8 million for 2024-25. This is significantly adrift from the control total deficit of £17 million expected by the Welsh Government. The year-end deficit position means the Health Board will fail to meet its financial duties relating to its revenue resource limit for this financial year, and the three-year rolling period 2022-2025.
- 69 The Health Board has generally good corporate arrangements for overseeing and scrutinising financial management and its financial position. However, it needs to significantly improve its arrangements for holding budget holders to account for delivering financial targets.

## Corporate systems of assurance

- 70 My work considered whether the Health Board has a sound corporate approach to managing risks, performance, and the quality and safety of services. I paid particular attention to the organisation's arrangements for:
- overseeing strategic and corporate risks;
  - overseeing organisational performance;
  - overseeing the quality and safety of services; and
  - tracking recommendations.
- 71 My work found that the Health Board is in the process of implementing a new Board Assurance Framework, with stronger links to the organisation's strategic objectives. The arrangements for developing and maintaining the corporate risk register remain reasonable, however, the management of operational risks requires improvement.
- 72 Despite having a clear Performance Management Framework in place and reasonably effective arrangements for reporting performance to the Board, the Health Board continues to experience performance challenges in several areas. Arrangements for holding service groups and corporate directorates to account for finance and performance need to improve.
- 73 The Health Board continues to have good arrangements for tracking internal and external audit recommendations. However, it needs to do more to address long-standing recommendations and improve the process for tracking recommendations made by other regulators.

## Board transparency, effectiveness, and cohesion

- 74 My work considered whether the Health Board's Board conducts its business appropriately, effectively, and transparently. I paid particular attention to:
- Public transparency of Board business
  - Arrangements to support the conduct of Board business
  - Board and committee structure, business, meetings, and flows of assurance
  - Board commitment to hearing from staff, users, other stakeholders
  - Board skills, experiences, cohesiveness, and commitment to improvement
- 75 My work found that the Health Board remains committed to conducting its business in an open manner. However, opportunities remain to enhance public transparency further, noting that the Health Board has lost the ability to livestream its meetings this year due to an update to its operating systems. The Health Board continues to reserve private Board and committee sessions for the most sensitive matters. A summary of discussions held in private Board meetings continues to be presented as part of the Corporate Governance Report presented at the subsequent public Board meeting. Public Board papers continue to be published seven days in advance of each meeting. However, we found examples where some committee

papers were not publicly available in advance of the meetings or on the day of the meeting.

- 76 There are formal, up-to-date, and publicly available Standing Orders and Standing Financial Instructions in place with evidence of compliance which are reviewed at least annually to ensure they reflect current arrangements. There are also clear processes and oversight arrangements to ensure compliance with declarations of interest and that policies are kept updated.
- 77 The Health Board has made positive changes to its committee structure and the cycle of committee meetings. However, the Health Board may need to revisit its committee structure once work on an updated long-term strategy has been completed. Whilst Board and committee meetings are well chaired, conducted properly, and generally supported by good quality papers, there is scope to improve agenda planning to ensure items are not rushed or overlooked.
- 78 The Board remains committed to hearing from patients, staff, and service users. However, the Health Board needs to improve reporting on the themes and actions arising from Board walkarounds to the Quality and Safety Committee.
- 79 The Health Board has made positive progress in appointing substantively to key senior positions to provide much-needed stability. However, opportunities remain to revisit the Director of Corporate Governance's portfolio to ensure they maintain their independence and ability to service the Board effectively.

# Appendix 1

## Reports issued since my last annual audit report

### Exhibit 2: reports issued since my last annual audit report

The following table lists the reports issued to the Health Board since the last Annual Audit Report.

Report	Date
<b>Financial audit reports</b>	
Audit of Financial Statements Report	July 2024
Opinion on the Financial Statements	July 2024
Audit of Charitable Funds Financial Statements Report and Opinion on the Charitable Funds Financial Statements	January 2025
<b>Performance audit reports</b>	
<u>Primary Care Follow Up Review</u>	June 2024
<u>Review of Workforce Planning Arrangements</u>	June 2024
<u>Review of Cost Savings Arrangements</u>	September 2024
<u>Review of Operational Governance</u>	September 2024
<u>Follow-up review of Follow-up Outpatients</u>	October 2024
Structured Assessment 2024	January 2025

Report	Date
<b>Other</b>	
2024 Audit Plan	April 2024

My wider programme of national value-for-money studies in 2024 included reviews that focused on the NHS and pan-public-sector topics. These studies are typically funded through the Welsh Consolidated Fund and are presented to the Public Accounts Committee to support its scrutiny of public expenditure. Reports are available on the [Audit Wales website](#).

### Exhibit 3: performance audit work still underway

There are several performance audits that are still underway at the Health Board These are shown in the following table, with the estimated dates for completion of the work.

Report	Estimated completion date
Review of Planned Care Services Recovery	March 2025
Urgent and emergency care: Flow out of hospital – West Glamorgan Region	April 2025
Discharge planning: Progress update	April 2025
Urgent and emergency care: Arrangements for managing demand	April 2025
Review of Digital Transformation	July 2025

# Appendix 2

## Audit fee

The 2024 Audit Plan set out the proposed audit fee of £441,160 (excluding VAT).

My latest estimate of the actual fee, on the basis that some work remains in progress, is in keeping with the fee set out in the plan, although we have indicated our intention to refund the Health Board for our planned performance audit work on quality governance and include the work in the 2025 Audit Plan. The refund is £25,291.

In addition, in 2022-23 you will recall that we implemented a fundamentally different audit approach for our financial audit work, required by new international auditing standards. This required a richer, more costly skill mix that was reflected in higher fees. As this new approach has become embedded, we have identified some efficiencies which will allow us to provide a refund of £6,178 for our financial audit work.

# Appendix 3

## Audit of accounts risks

### Exhibit 4: audit of accounts risks

My 2024 Audit Plan set out the risks of material misstatement and/or irregularity for the audit of the Health Board's 2023-24 accounts. The table below lists these risks and sets out how they were addressed as part of the audit.

Audit risk	Proposed audit response	Work done and outcome
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for bias; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>	<p>My audit team:</p> <ul style="list-style-type: none"> <li>• tested journal entries;</li> <li>• reviewed accounting estimates, in particular primary care payments; and</li> <li>• did not identify any transactions outside of the normal course of business.</li> </ul> <p>No material issues arose from the work carried out.</p>
<p>There is a risk of material misstatement due to fraud in expenditure and as such is treated as a significant risk [PN 10].</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements; and</li> <li>• substantively test expenditure, and review it for completeness, to ensure that all</li> </ul>	<p>My audit team:</p> <ul style="list-style-type: none"> <li>• tested journal entries;</li> <li>• substantively tested expenditure; and</li> <li>• tested expenditure cut off.</li> </ul> <p>No material issues arose from the work carried out.</p>

Audit risk	Proposed audit response	Work done and outcome
	<p>expenditure is recorded; and</p> <ul style="list-style-type: none"> <li>• test expenditure cut off to provide assurance that items are recorded in the correct year.</li> </ul>	
<p>Local Health Boards (LHBs) are required to meet two statutory financial duties – known as the first and second financial duties.</p> <p>There is a significant risk that you will fail to meet your first financial duty which requires you to break even over a three-year period. The position at month 11 shows a year-to-date deficit of £41.1 million and a forecast year-end deficit of £17.1 million (which is consistent with the Minister’s published control total). This, combined with the outturns for 2021-22 and 2022-23, predicts a three-year deficit of £39.7 million.</p> <p>Where you fail this financial duty, we will place a substantive report on the financial statements highlighting the failure and qualify your regularity opinion. Your current financial pressures increase the risk that management judgements and estimates could be biased, in an</p>	<p>We will continue to monitor the Health Board’s financial position for 2023-24 and the cumulative three-year position to 31 March 2024, and consider achievement against the two financial duties.</p> <p>We will focus our testing on areas of the financial statements which could contain reporting bias.</p>	<p>My audit team reviewed year-end transactions, in particular accruals and cut-off. No material matters arose from the work carried out.</p> <p>I chose to place a substantive report on the financial statements, explaining the failure to break even over a three-year period and the circumstances under which it arose, and the failure to have an approved three-year plan in place.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>effort to achieve the financial duty.</p> <p>The second financial duty requires LHBs to prepare and have approved by Welsh Ministers a rolling three-year integrated medium-term plan. Should you fail this financial duty, we will place a substantive report on the financial statements highlighting this.</p>		
<p>From 1 December 2023, the Losses and Special Payments Register (LaSPaR) which is used to calculate the losses and many of the provisions balances in the accounts has been de-commissioned.</p> <p>For the remainder of 2023-24, a model Excel spreadsheet will be used to record losses, special payments and to calculate year-end balances.</p> <p>There is a risk that the transactions and balances related to losses and special payments are materially misstated due to:</p> <ul style="list-style-type: none"> <li>• the data transfer between the LaSPaR system and the Excel model not being complete and accurate; and/or</li> <li>• the Excel model miscalculating balances, due to spreadsheet/modelling</li> </ul>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• test the completeness and accuracy of data transfer from the LaSPaR system to the Excel based spreadsheets;</li> <li>• consider the design and implementation of controls (if any) in place to mitigate error;</li> <li>• review the year-end spreadsheet to ensure that there are no significant errors or issues in the compilation of figures for the accounts; and</li> <li>• review transactions back to supporting evidence (eg Quantum reports) on a sample basis.</li> </ul>	<p>My audit team reviewed the data transfer and tested the transactions at year-end. No material matters arose from the work carried out.</p>

Audit risk	Proposed audit response	Work done and outcome
errors and/or incorrect data entry.		
<p>Certain disclosures in the Remuneration Report, such as the remuneration of senior officers and independent members, are subject to audit with a lower level of materiality. The disclosures are therefore inherently more prone to material misstatement and therefore a key area of audit attention.</p> <p>There have been a number of changes at a senior staff level during 2023-24, which increases the risk of misstatement within the Remuneration Report and/or proper governance being followed.</p>	<p>We will audit the Remuneration Report to verify that the Health Board has reflected all known changes to senior positions, and that the disclosures are complete and accurate and proper governance has been followed.</p>	<p>My audit team audited the Remuneration Report. No material matters arose from the work carried out.</p>



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We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.