

# Annual Audit Report 2024 – Betsi Cadwaladr University Health Board

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# Summary report

## About this report

- 1 This report summarises the findings from my 2024 audit work at Betsi Cadwaladr 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 where possible through the use of technology, but some on-site audit work resumed where it was appropriate to do so. This inevitably had an impact on how we deliver audit work but has also helped to embed positive changes in our ways of working.
- 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 continues 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 and the Executive Director of Finance have agreed the factual accuracy of this report. We presented it to the Audit Committee on 4 March 2025. 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 issued an unqualified true and fair opinion on the Health Board's 2023-24 accounts.
- 13 I issued a qualified regularity opinion for 2023-24 as the Health Board:
- did not break-even against its Revenue Resource Limit over the three years 2021-22 to 2023-24, failing its first financial duty; and
  - incurred irregular expenditure for payments made to an interim executive member of the Board.
- 14 Alongside my audit opinion, I placed a substantive report on the Health Board's accounts to highlight the regularity qualifications noted above, and that the Health Board did not achieve its second financial duty to prepare a three-year integrated plan.

### 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 and its regional partners understand and show a commitment to improving patient flow out of hospital. However, the number of medically fit patients occupying hospital beds remains very high. Regional partners must continue to work both individually and collaboratively to set and implement clear guidance, mitigate the challenges posed by reduced capacity and increased complexity of care, and ensure the impact of activities is continually monitored, challenged, and maximised.

- the Health Board has made limited progress in addressing our previous recommendations relating to discharge planning. While the introduction of Discharge to Recover then Assess improved the Health Board's approach to discharge planning, challenges remain relating to training, compliance with guidance, embedding initiatives and reporting discharge planning performance at Board and committee level.
- whilst the Health Board exceeded its savings target and almost met its control deficit target for 2023-24, its track record of delivering recurrent savings has been variable. Given the Health Board's challenging current financial position, it urgently needs to accelerate work on rolling out and embedding its new cost savings arrangements across the organisation.
- since last year's structured assessment and our follow-up work on board effectiveness, there have been positive developments in some of the Health Board's key corporate governance arrangements and progress in recruiting to some business-critical senior roles. However, there remains much to do especially in respect of establishing a stable, cohesive and high performing Executive Team, developing a longer-term strategy and supporting Clinical Services Plan, and ensuring the Health Board's organisational structure and operating model is fit for purpose.

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 issued an unqualified true and fair opinion on the Health Board's 2023-24 accounts.
- 21 We reported in the prior year that the 2022-23 financial statements were not presented to audit to the standard expected. For 2023-24, there was a significant improvement in the quality of the draft financial statement presented for audit. This is illustrated by the relatively small number of misstatements that were identified and amended and the fact that there are no unadjusted misstatements arising from the audit.
- 22 The draft financial statements were also supported by comprehensive and timely working papers. The finance team was also able to provide us with the full mapping used to prepare the financial statements from the general ledger. This enabled the audit team to utilise Analytics Assisted Audit software and tools when undertaking the audit, enhancing the transparency of the content of financial statements for both the finance and audit team.
- 23 Whilst I identified improvement with the quality of the draft 2023-24 financial statements, the draft Remuneration Report required significant amendment to ensure the information reported was factually accurate and it fully complied with the requirements of the NHS Manual for Accounts issued by the Welsh Government.
- 24 My team's review of the Remuneration Report identified several areas where governance arrangements need to be improved by the Health Board. These include the arrangements for appointing officers at a senior level and improved documentation of decisions taken by the Remuneration Committee.
- 25 I identified that an officer member of the Board was paid at a pay point that significantly exceeded the maximum pay point for the role as set out by the Welsh Government. My team established that the Standing Financial Instruction (SFI) requirements were not followed, as approval was not obtained from the Board or Welsh Ministers as required.

26 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 10 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 no non-trivial uncorrected misstatements in the accounts.
Corrected misstatements	<p>A small number of amendments were made to the Financial Statements.</p> <p>The amendments did not impact on the prime statements within the financial statements, only on the disclosures within a small number of notes to the accounts, in particular the disclosure of the 'Fair Pay Disclosures' and 'Remuneration Relationship' within note 9.6.</p> <p>The Remuneration Report required significant revisions to ensure the information was factually accurate and in accordance with the NHS Manual for Accounts.</p> <p>The 'Single Total Figure of Remuneration' and 'Pension Benefits' tables required several amendments including:</p> <ul style="list-style-type: none"> <li>• correction to the remuneration figures of three executives and one independent member;</li> <li>• correction to the disclosed roles of an independent member;</li> <li>• the inclusion of two executives on inward secondment that were omitted;</li> <li>• the correction to pension benefit figures for four executives;</li> <li>• the inclusion of taxable benefit amounts for seven independent members that were omitted;</li> <li>• the inclusion of comparative disclosures for an executive previously omitted;</li> <li>• the correction to Real increase in Accrued Pension and Lump Sum figures for one executive; and</li> <li>• the correction to Cash Equivalent Transfer Value figures for five executives.</li> </ul>



Issue	Auditors' comments
	There were also several minor amendments made throughout the report
Other significant issues	<p>The Health Board significantly improved the quality of the draft financial statements presented for audit, however, we noted that significant improvement was needed to the quality of the Remuneration Report presented for Audit Wales.</p> <p>For the second consecutive year, I raised concerns with governance arrangements that contributed to irregular payments being made by the Health Board.</p>

- 27 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.
- 28 My separate audit of the charitable funds accounts is complete, with an unqualified audit opinion issued. My team identified issues relating to the misclassification of donations. This related to a significant proportion of donations being incorrectly accounted for, which resulted in material amendments needed to ensure correct classification. The charitable funds accounts were subsequently amended and, as a result, this has not impacted our audit opinion. I recommended the Charity reports with more clarity to the Charitable Funds Committee when funding for projects falls below that approved and previously recognised. We also reported that the working papers provided for audit were of a better quality from prior year, but need to continue to be developed to further improve the efficiency of the audit process.

## Regularity of financial transactions

- 29 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.
- 30 Where a Health Board does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion.
- 31 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 issued

a qualified opinion on the regularity of the financial transactions within the Health Board's 2023-24 accounts.

- 32 The Health Board also breached its resource limit, by spending £23.669 million over the amount that it was authorised to spend in the three-year period 2021-22 to 2023-24.
- 33 The Health Board made payments to an Interim Executive Director of Finance, appointed in January 2023, at a rate in excess of the salary band as set by the Welsh Government. The Health Board's SFIs paragraph 14.1.2 requires the appointment of officer members of the Board be reserved for full Board approval. SFI 14.1.4 also requires Welsh Ministers' approval where an officer member of the Board is paid more than the Welsh Government's approved salary band. We established that the SFI requirements were not followed, as approval was not obtained from the Board or Welsh Ministers. I deem this expenditure to be outside its powers to spend, so I issued a qualified opinion on the regularity of this transaction recognised within the Health Board's 2023-24 accounts.
- 34 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

- 35 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:
- reviewing the effectiveness of the Health Board's arrangements, in partnership with social services, to support timely patient flow out of hospital across the North Wales Region;
  - assessing the extent to which the Health Board has implemented my 2017 recommendations on discharge planning;
  - reviewing the effectiveness of the Health Board's cost savings arrangements; and
  - undertaking a structured assessment of Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically.
- 36 My conclusions based on this work are set out on the following pages.

## Urgent and emergency care

- 37 My work examined different aspects of the urgent and emergency care system focused on patient flow out of hospital and progress against my previous discharge planning recommendations. My work was reported in September 2024.

## Patient flow out of hospital

- 38 My regional review examined whether the Health Board and its social services partners have effective arrangements to ensure the timely discharge of patients out of hospital. It focussed on the scale of the challenge, and the factors impacting on effective and timely flow out of hospital. My work also considered the action being taken by the Health Board and its statutory partners, including through the Regional Partnership Board, and what more can be done to reduce some of the challenges currently being experienced by the health and social care system.
- 39 My work found that **The Health Board and its regional partners understand and show a commitment to improving patient flow out of hospital. However, the number of medically fit patients occupying hospital beds remains very high. Regional partners must continue to work both individually and collaboratively to set and implement clear guidance, mitigate the challenges posed by reduced capacity and increased complexity of care, and ensure the impact of activities is continually monitored, challenged, and maximised.**
- 40 The extent of discharge delays in North Wales has grown significantly in recent years and between April 2023 and February 2024, each month there were on average 334 medically fit patients whose discharge was delayed, with completion of assessments the main cause for delay. For the year up to and including February 2024, the total number of bed days that had been lost to delayed discharges was 71,871 with a full-year cost equivalent of £39.202 million. The consequent impact on patient flow within hospitals and the urgent and emergency care system is significant, with waiting times in emergency departments and ambulance handovers falling well short of national targets. In February 2024 alone, there were over 8,000 lost ambulance hours because of handover delays, and the average wait within the Health Board's emergency departments was around 8.5 hours.
- 41 Several factors are contributing to delayed discharges. Many patients have complex needs that are not easily met by the services that are available. There are also workforce challenges within the social care sector, particularly in the areas of Conwy, Denbighshire, and Gwynedd. Our work identified numerous weaknesses in the practice and documentation of discharge planning and a need to implement the Discharge to Recover and Assess (D2RA) model as intended.
- 42 Partners are working together, both strategically and operationally, to improve patient flow, however, pressures on the system are creating an unhelpful blame culture. Financial resources are being applied to improve discharge planning, although financial constraints in partner bodies are leading to the continual roll forward of schemes and ultimately leave little space for new ideas. Whilst there is

regular monitoring of the position within individual organisations, partners lack arrangements to oversee patient flow across the whole health and care system.

- 43 Partners also need to maximise the use of the Regional Integration Fund (RIF), improve oversight and impact of the initiatives that are being undertaken to support timely and effective discharge, and ensure learning from events is embedded into routine practice.

### Discharge planning: progress update

- 44 In undertaking my regional review of arrangements to support patient flow, I have also taken the opportunity to consider progress made by the Health Board in addressing my previous 2017 recommendations relating to discharge planning.
- 45 My work found that **the Health Board has made limited progress in addressing our previous recommendations. While the introduction of Discharge to Recover then Assess altered the Health Board's approach to discharge planning, challenges remain relating to training, compliance with guidance, embedding initiatives and reporting discharge planning performance at Board and committee level.**
- 46 My follow-up work found that none of the 2017 recommendations were fully addressed. In particular, I found:
- no evidence that the Health Board was providing training on discharge planning or pathways to new or existing relevant staff at the time of fieldwork, although some training activity has since started;
  - limited evidence the Health Board had introduced a routine cycle of audit to determine the extent of compliance with its discharge approach;
  - the Health Board is now adopting the nationally mandated Discharge to Recover then Assess pathways, although there remain difficulties in consistent application due to capacity issues;
  - that Health Board no longer uses the 'golden hour programme' to encourage discharges before 11 am, nor does it report the time of discharge although it states it is working to encourage morning discharges;
  - that there remains a lack of understanding of services available in the community, which are needed to help support effective and timely discharge planning; and
  - that although there is service monitoring at an operational level, performance reporting to the board and its committees on discharge planning and patient flow out of hospital had not been strengthened, despite the significant and ongoing pressure on the Health Board caused by poor patient flow.

## Review of cost savings arrangements

- 47 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.
- 48 My work found that **whilst the Health Board exceeded its savings target and almost met its control deficit target for 2023-24, it has a varied track record of delivering recurrent savings. Given the Health Board's challenging current financial position, it urgently needs to accelerate work on rolling out and embedding its new cost savings arrangements across the organisation.**
- 49 The Health Board has a good understanding of its cost drivers. Reports highlight areas of high cost such as pay and non-pay costs (including nursing and medical agency costs), continuing health care, and medicines management. These high-cost areas continue to be key contributors to the challenging financial position and significant underlying deficit. However, opportunities remain to strengthen this approach to meet its financial challenges in both the short and longer term. The Health Board is still in the process of developing a clearer longer-term Strategic Plan and Clinical Services Strategy. These are of fundamental importance in driving the service transformation that is needed to establish clinically and financially sustainable service models.
- 50 Whilst the Health Board's delivery of recurrent savings improved in 2023-24, savings performance was variable across its Integrated Health Communities and Directorates. The Health Board also has a variable track record of delivering recurrent savings. The Health Board's new 2024-25 Value and Sustainability Board workstreams were being finalised at the time of our review. The proposed governance structure for the individual workstreams should result in better engagement across the Health Board and increase the success of delivering savings schemes benefits. However, it will need to continue to strengthen financial competencies across the organisation if it is to achieve its challenging 2024-25 savings target.
- 51 The Health Board's arrangements for scrutinising, monitoring, tracking, and reporting on cost savings are improving. The Board has a clear understanding of the Health Board's financial challenges through its regular finance and savings reports. However, they have not resulted in improved financial performance across the organisation. It needs to strengthen how it holds Integrated Health Communities and Directorates to account for savings under-delivery and share best practice and the lessons learnt from ineffective savings schemes.

## Structured assessment

- 52 My 2024 structured assessment work took place at a time when NHS bodies were continuing to respond to a broader 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. More than ever, therefore, NHS bodies and their Boards need to have sound corporate governance arrangements that can provide assurance to themselves, the public, and key stakeholders that the necessary action is being taken to deliver high-quality, safe and responsive services, and that public money is being spent wisely.

- 53 My team focussed on 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.
- 54 At the time of my structured assessment work, the Health Board was subject to Level 5 under the [Welsh Government's escalation and intervention arrangements](#).

## Board transparency, effectiveness, and cohesion

- 55 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
- 56 My work found that **there is now a full cadre of substantive independent members on the Board and that board and committee meetings are conducted appropriately and transparently. However, ongoing instability within the Executive Team, gaps in wider senior leadership structures, and ongoing challenges with the operating model are compromising the Health Board's ability to tackle the significant challenges it faces.**
- 57 There is now a full cadre of substantive independent members on the Board, but there remains instability within the Executive Team and gaps in some of the wider senior leadership structures. While the Health Board made several senior management appointments, key roles remain vacant, requiring colleagues to temporarily adopt additional responsibilities. In addition, the Health Board's operating model introduced in 2022 is not fit for purpose and creates challenges in terms of clarity of responsibilities and accountabilities.
- 58 Board and committee meetings are conducted appropriately and effectively, but there is scope to further improve the quality of papers and upload minutes to the Health Board's website in a timely manner. The Health Board takes a number of actions to promote public transparency of Board and committee business. Board and committee meetings are in person and can be attended by the public, and the Health Board livestreams its board meetings, although there is potential to extend this practice to committees. The Health Board demonstrates a clear commitment to

hearing from patients via reports and patient and staff stories, however, there is a need to formalise its approach to Board visits to services.

- 59 The Health Board's Standing Orders are up to date, however, more work is needed to address weaknesses in its arrangements for registering declarations, gifts and hospitality and to address the significant backlog of policies which are overdue for review.

## Corporate systems of assurance

- 60 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.

- 61 My work found that **whilst the Health Board is making reasonable progress in strengthening its systems of assurance, there is more to do in relation to the Board Assurance Framework and ensuring systems of assurance are fully owned and utilised to drive improvements across the organisation.**

- 62 The Health Board is in the process of developing a new Board Assurance Framework (BAF). While the current approach aligns to the strategic priorities of its previous Annual Plan, there is a need for a stronger approach to identify and mitigate the risks to achieving the Health Board's strategic objectives. At present this is made more difficult because the strategic objectives are too high level and not SMART<sup>2</sup>. Board and committee meetings demonstrate constructive challenge to ensure risks are clearly articulated and that actions to mitigate risks are in place. However, many of the highest scoring risks have remained static and have not materially lowered over time.

- 63 The Health Board continues to embed the Integrated Performance Framework, that was approved in September 2023. The Framework appropriately outlines roles and responsibilities across the organisation and internal escalation arrangements. The Health Board continues to refine its committee and Board performance reports, which has led to some useful improvements, including statistical analysis.

- 64 The Health Board is developing new systems which have the potential to improve quality arrangements, and there is evidence of it making positive progress in responding to complaints in a timely way. The Quality, Safety, and Experience Committee provides good oversight the quality and safety of services. Its meetings have been extended to allow more time to cover key agenda items, and the new integrated quality report provides a broader range of quality assurance. The

<sup>2</sup> Specific, measurable, achievable, relevant and time-bound.

Auditor General plans to review the Health Board's quality governance arrangements in more detail in 2025.

- 65 The Health Board is strengthening its arrangements for audit recommendation tracking. The Health Board conducted a thorough and comprehensive review of recommendations from Internal Audit and Audit Wales reports going back several years. While some recommendations are superseded, for those that remain open, the Health Board has agreed revised and realistic implementation dates assigning new 'recommendation owners' where needed. As part of this work, and providing future updates, Executive Leads will need to provide better evidence on the actions taken in response to the recommendations.

### Corporate approach to planning

- 66 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.
- 67 My work found that **the Health Board is planning to develop sustainable long-term organisational and clinical plans; however, to support this work, it will need to strengthen its approach to planning and ensure that plans are achievable.**
- 68 The Health Board is replacing its 10-year strategy – 'Living Healthier, Staying Well' 2018-28 – due to the significant external and internal changes that have occurred since its development in 2018, including the impact of COVID-19, considerable Board turnover, and changing workforce challenges. While there is a clear need for strategy refresh, there is also a fundamental need for a clinical plan (or plans), linked to sustainable service models and emerging wider organisational strategy. Clinical leadership is essential to take this forward, but currently presents a challenge for the Health Board, as does wider corporate planning capacity.
- 69 The Health Board also needs to strengthen its arrangements for ensuring sufficient internal and external engagement in the development of key corporate strategies and plans. While the Health Board adopted a 'bottom up' collation of service plans from across the organisation to inform development of the 2024-25 annual plan, overall engagement was limited, and particularly noted at Board level. The Health Board is planning for greater board member engagement in the development of its 2025-26 annual plan.
- 70 The actions in the Health Board's Annual Plan for 2024-25 do not contain sufficiently clear milestones to help monitor delivery. Furthermore, given the number of actions carried forward into the 2024-25 Annual Plan and progress to date, there is a risk that delivery will become further off-track.



## Corporate approach to managing financial resources

- 71 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.
- 72 My work found that **whilst there are improvements in the Health Board's approach to financial management and delivery of savings, significant challenges remain in terms of spending within budget. The Health Board was not able to meet its statutory financial duties for 2023-24, despite significant financial assistance from the Welsh Government. Whilst the Health Board is predicting it will achieve its financial targets for 2024-25, this will be challenging and is also reliant on several one-off savings.**
- 73 The Health Board did not meet its financial objectives and duties for 2023-24 as it reported a year-end deficit of £24.3 million. This is despite the Health Board receiving £82 million in strategic assistance funding to support sustainable improvements in key services and £27 million in cash-only support from the Welsh Government during 2023-24. The Health Board is currently unlikely to achieve financial breakeven in 2024-25, although its position looks to be improving and it is expected to achieve its financial control total set by the Welsh Government.
- 74 The Health Board demonstrates good awareness of its financial risks but needs to adopt a more transformational approach to cost improvement. This is limited by the absence of a long-term plan for services. The Health Board is strengthening its savings delivery, led by the Value and Sustainability Board and underpinning workstreams. The Health Board is committing to further embed value-based healthcare, which is needed because it is currently over-reliant on shorter-term non-recurrent saving and needs to move towards a more sustainable footing.
- 75 The Audit Committee continues to provide oversight of compliance of SFIs and the Scheme of Reservation and Delegation. It also oversees and scrutinises information on losses and special payments, counter-fraud activity, procurement controls, and single tender actions. Strengthened financial controls are leading to fewer single tender actions and special payments. The Health Board submitted draft financial statements for 2023-24 for audit within the required Welsh Government timeframe. Whilst the quality of these significantly improved in 2023-24, there remains scope to improve the accuracy of the associated Remuneration Report. Financial reports to the Performance, Finance, and Information Governance Committee and the Board are timely, comprehensive, and transparent that support scrutiny and oversight. They provide good analysis on areas of spending, overspending, and financial expenditure trends.

# 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 in 2024.

Report	Date
<b>Financial audit reports</b>	
Audit of Financial Statements Report	July 2024
Opinion on the Financial Statements	July 2024
Audit of Financial Statement Report on Charitable Fund	January 2025
Opinion on the Financial Statements of the Charitable Fund	January 2025
<b>Performance audit reports</b>	
Unscheduled Care: Flow out of Hospital – North Wales	February 2024
Discharge Planning: Progress Update	February 2024
Review of Cost Savings Arrangements	September 2024
Structured Assessment 2024	December 2024
<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 – Arrangements for Managing Demand	April 2025
Use of the Welsh Government’s strategic financial allocation	May 2025
Review of Digital Transformation	June 2025
Quality Governance Follow-up: This work has not yet started. It is our intention move this review into the 2025 audit plan. This would result in a partial refund against the 2024 fee. I will set out these intentions within my 2025 Audit Plan.	June 2025

# Appendix 2

## Audit fee

The 2024 Audit Plan set out the proposed audit fee of £513,256 (excluding VAT).

My latest estimate of the actual fee indicates that there will be some additional charges relating to the additional work required to deliver the financial audit. There will also a partial refund against the 2024 performance audit fee. The performance audit refund relates to my intention to move the 2024 review quality governance to the 2025 Audit Plan. We will discuss the exact amounts with senior officers of the Health Board.

# 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 240.32-33].</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>On a sample basis, my team tested both journal entries and accounting estimates and found no evidence of the management override of controls.</p>
<p>There is a risk of material misstatement due to fraud in revenue recognition and as such is treated as a significant risk [ISA 240.27].</p> <p>We have noted below the financial pressures faced by the Health Board and there is a risk that cut-off will not be correctly applied to funding received around the year-end.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• agree funding received around the year-end has been included within the correct year;</li> <li>• confirm Welsh Government funds not utilised in-year have been treated correctly; and</li> <li>• consider the completeness of miscellaneous income.</li> </ul>	<p>On a sample basis, my team considered the cut-off and completeness of miscellaneous income and agreed the treatment of Welsh Government funding. No issues were identified.</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 have noted below the financial pressures faced by the Health Board and there is a risk that cut-off will not be correctly</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• substantively test all material areas of pay and non-pay expenditure;</li> <li>• review the basis of accruals for any estimation bias;</li> <li>• review the year-end cut-off of expenditure;</li> </ul>	<p>Sample testing and review that my team carried out on those areas deemed at risk of material misstatement. No issues were identified.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>applied to expenditure incurred around the year-end.</p>	<ul style="list-style-type: none"> <li>• review the basis of new provisions and changes in provision levels in-year; and</li> <li>• review the amendments made to brought forward balances to ensure validity.</li> </ul>	
<p>The Health Board is under significant pressure to achieve the year-end position agreed with the Welsh Government of a £20 million deficit.</p> <p>The reported February 2024 actual position was a £9.7 million deficit with a forecast year-end deficit of £33.0 million. Despite this forecast, the Health Board is confident that it will achieve a year-end deficit of £27 million, following confirmation of additional Welsh Government funding of £5.7 million for Continuing Health Care (CHC).</p> <p>The current financial pressures increase the risk that management judgements and estimates could be biased to achieve the agreed year-end out turn and the financial duty.</p> <p>The Health Board met its financial duty to break even against its Revenue Resource Limit over the three years 2020-21 to 2022-23. If the Health Board fails to meet this financial duty in 2023-24, we will place a substantive report on the financial statements highlighting the failure and qualify your regularity opinion.</p>	<p>The audit team will focus its testing on areas of the financial statements which could potentially contain reporting bias.</p>	<p>General audit testing, and particularly on those areas deemed vulnerable to reporting bias, did not identify any evidence of manipulation or bias.</p>
<p>From 1 December 2023, the Losses and Special Payments</p>	<p>The audit team will:</p>	<p>My team carried out a reconciliation between the</p>

Audit risk	Proposed audit response	Work done and outcome
<p>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</li> <li>the Excel model miscalculating balances, due to spreadsheet/modelling errors and/or incorrect data entry.</li> </ul>	<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>LaSPaR system and the Excel based spreadsheets, and on a sample basis tested the transactions within the year and no issues were identified.</p>
<p>The Remuneration Report contains important disclosures required by the Welsh Government and accounting standards.</p> <p>The 2022-23 Remuneration Report was submitted for audit after the Health Board requested an extended deadline that was agreed with the Welsh Government. It also required a significant number of amendments to ensure the information reported was factually accurate.</p> <p>There have been significant changes to the composition of Senior Management and Independent Members during the</p>	<p>The audit team will review the disclosures to ensure they are in line with our understanding of the changes that have occurred during the year and that they are complete and accurate.</p>	<p>My audit team identified significant errors in the disclosures within the Remuneration Report which were subsequently amended by the Health Board.</p> <p>Testing carried out on the Remuneration Report also highlighted several areas where governance arrangements needed to be improved by the Health Board.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>year which will need to be accurately reflected within the Remuneration report.</p>		
<p>The draft financial statements submitted for audit in 2022-23 were not of the quality we expected.</p> <p>The working papers received to support key disclosures in the financial statements (for example Property Plant and Equipment and Right of Use Assets) were poor and lacked a clear audit trail.</p> <p>Our audit work identified significant issues and errors which led to amendments to the accounts or the need for additional audit work.</p> <p>This impacted on the timely delivery of our audit and the submission of the audited financial statement to the Welsh Government.</p> <p>The deadline set by the Welsh Government for the submission of the 2023-24 audited financial statements has been brought forward to 15 July 2024. If improvements are not made, there is a risk that the deadline for submission will again not be met.</p>	<p>The audit team have been working with the Health Board's finance team to understand the arrangements and processes established to improve the quality of the draft financial statements.</p> <p>The audit team will monitor the closedown plan and review the draft financial statements and working papers, following receipt on 3 May 2024, to identify whether there are any issues that could impact on the audit timetable.</p>	<p>My team noted there was a significant improvement in the quality of the draft financial statements presented for audit. This is illustrated by the relatively small number of misstatements that were identified and amended and the fact that there are no unadjusted misstatements arising from the audit.</p> <p>As a result, the audit was delivered on time, and I signed the Financial Statements opinion on 12 July 2024.</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.