

# Annual Audit Report 2024 – Powys Teaching Health Board

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# Summary report

## About this report

- 1 This report summarises the findings from my 2024 audit work at Powys Teaching 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 using technology, but with 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 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, Director of Finance, Capital and Support Services and Deputy Chief Executive, and the Director of Corporate Governance have agreed the factual accuracy of this report. We presented it to the Audit, Risk and Assurance Committee on 13 May 2025. 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 'true and fair' opinion.
- 13 However, in line with last year, the regularity opinion is qualified as the Health Board did not meet its revenue resource limit over the three years to 2023-24.
- 14 I also issued a substantive report explaining this qualification. The Health Board did not meet its first and second financial duties to operate within its revenue resource allocation over the three-year period ending 2023-24, and to have an approved three-year integrated medium-term 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 Board and its committees are working well and there is an openness about the challenges the organisation faces and a commitment to secure the necessary improvements. The Health Board has been unable to deliver short or medium-term plans that are supportable by the Welsh Government, and on-going work is required to strengthen some key aspects of the Health Board's corporate governance arrangements.
  - While the Health Board met its agreed deficit target for 2023-24, its recent track record of delivering against its overall savings targets is very variable. Given the Health Board's challenging current financial position, it urgently needs to accelerate work on introducing a new, more financially sustainable

service model and to ensure it has the necessary skills and capacity to support the transformation changes required.

- The Health Board has addressed recommendations from my previous work on primary care relating to leadership and training and is progressing work to develop and strengthen Primary Care Clusters. However, it has struggled to shift resources from secondary to primary care, establish a financial baseline to understand the true cost of primary care and gain a comprehensive understanding of its primary care workforce.

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 gave an unqualified true and fair opinion but a qualified regularity opinion. In line with last year, the regularity opinion was qualified as the Health Board did not meet its revenue resource limit over the three years to 2023-24.
- 21    The Draft Accounts were submitted to audit before the deadline, and the quality of the accounts was generally good. Supporting working papers were comprehensive and accurate, and we received excellent co-operation throughout the audit.
- 22    I must report issues arising from my work to those charged with governance (the Audit, Risk and Assurance Committee) for consideration before I issue my audit opinion on the accounts. My Accounts Report was presented to the Audit, Risk and Assurance Committee on 9 July 2024. **Exhibit 1** summarises the key issues set out in that report.

### Exhibit 1: issues reported to the Audit, Risk and Assurance Committee

Issue	Auditors’ comments
Uncorrected misstatements	There were no misstatements identified that were left uncorrected in the audited accounts.
Corrected misstatements	There were initially misstatements in the accounts submitted for audit that were corrected by management, and we brought the more significant of these to the attention of the Audit, Risk and Assurance Committee in our report.

Issue	Auditors' comments
Other significant issues	There were no significant issues to report, in fact we noted improvements from the previous year in relation to accounting for payables and accruals.

- 23 I also completed my audit of the charitable funds accounts and issued an unqualified audit opinion on 31 January 2025.

## Regularity of financial transactions

- 24 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 examines these powers and tests that there are no material elements of income or expenditure that the Health Board does not have the authority to receive or incur.
- 25 Where a Health Board does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion.
- 26 The audit opinion in respect of the regularity of expenditure was qualified, because the Health Board breached its resource limit by spending £18.905 million over the amount that it was authorised to spend in the three-year period 2021-22 to 2023-24.
- 27 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 issue 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

- 28 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 cost savings arrangements; and
- undertaking a structured assessment of the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically.

29 My conclusions based on this work are set out below.

## Primary care follow-up review

- 30 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.
- 31 My work found that the Health Board has made some progress to address my previous audit recommendations, but more action is needed.
- 32 The Health Board has addressed actions relating to leadership and training and is progressing work to develop and strengthen Primary Care Clusters. However, it has struggled to shift resources it invests in secondary care (both as a commissioner and provider) to primary care, establish a financial baseline to understand the true cost of primary care and gain a comprehensive understanding of its primary care workforce.
- 33 Primary care features in the Health Board's long-term strategy and corporate plan, and there are reasonable arrangements in place for monitoring delivery of primary care plans. But consideration of primary care, including performance reporting, at Board and committees needs strengthening, and primary care plans need to be clearer on outcome-based measures and the impact they are having on the experience of patients.
- 34 The Health Board has appropriate corporate arrangements in respect of oversight and lines of accountability for primary care. At the time of my work, I identified some risks associated with the interim arrangements for the Director of Primary Care role, however, since then the Health Board has appointed substantially to this role. My work also identified scope to take a more holistic approach to primary care by establishing an overarching management group that brings together all four of the primary care services, and the need to manage risks around capacity within the Primary Care Services Team including the need to have stronger succession planning arrangements within the team.

## Review of cost savings arrangements

- 35 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.

- 36 My work found that while the Health Board met its agreed deficit target for 2023-24, its recent track record of delivering against its overall savings targets is very variable. Given the Health Board's challenging current financial position, it urgently needs to accelerate work on introducing a new, more financially sustainable service model and to ensure it has the necessary skills and capacity to support the changes required.
- 37 The Health Board has a good understanding of its cost drivers, and a clear process for identifying and selecting cost savings opportunities. Positively, of the savings the Health Board has delivered in recent years, the majority have been recurrent in nature. However, the Health Board's ability to deliver its overall savings targets has varied significantly. This varied track record, coupled with skills and capacity gaps in key areas, presents risks to achieving its 2024-25 savings targets. This varied track record, coupled with skills and capacity gaps in key areas, presents risks to achieving its 2024-25 savings targets.
- 38 The Health Board has reasonably effective arrangements for monitoring and reporting on cost savings. However, opportunities exist to provide stronger assurances that key cost reduction plans are achieving their intended impact, to strengthen risk management arrangements, and to introduce a systematic approach for learning lessons from savings planning and delivery.

## Structured assessment

- 39 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.
- 40 At the time of my structured assessment work, the Health Board was subject to Targeted Intervention (Level 4) for finance, strategy and planning under the Welsh Government's escalation and intervention arrangements. The Health Board was in Routine Monitoring (Level 1) for all other domains.

## Board transparency, effectiveness, and cohesion

- 41 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

- 42 My work found that the Board is committed to conducting its business transparently and continuous improvement. The Board and its committees continue to operate well, and scrutiny has continued to strengthen but more assurance is required to ensure that committee workplans are aligned to key strategic priorities and their risks to delivery.
- 43 The Board and its committees demonstrate good levels of public transparency in the conduct of their business. Current arrangements could be further strengthened by clearer promotion of forthcoming committee meetings.
- 44 The Health Board has generally good arrangements for monitoring and updating its core internal control frameworks. Further work remains to strengthen its arrangements for probity and propriety.
- 45 The Board and its committees continue to operate well, and the quality of scrutiny from independent members has continued to improve. More work to further strength the Board Assurance Framework is needed to provide assurance that committees are aligned to key strategic priorities and their risks to delivery.
- 46 Whilst Board and committee papers are generally of a good standard, there are opportunities to secure further improvements. This includes ensuring key information is presented ahead of any detailed narrative to focus attention, being clear about what a committee is being asked to do in relation to agenda items and reducing the use of technical language and acronyms. The Board continues to hear from patients and staff and there remains scope to share learning from Board walkarounds.
- 47 The Board now has stable membership, following some significant changes and is committed to continuous improvement.

## **Corporate systems of assurance**

- 48 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.
- 49 My work found that the Health Board is continuing to develop its systems of assurance. There are robust arrangements for performance management, but more work is needed to develop the Board Assurance Framework, strengthen strategic and operational risk management arrangements, provide greater clarity on quality and safety priorities, and improve arrangements for closing recommendations.
- 50 The Health Board has developed the first phase of its Board Assurance Framework, but the Health Board still needs to identify all sources of assurance on the effectiveness of its arrangements to manage strategic risks and achieve its

organisational objectives. There is a need to strengthen the corporate risk registers and arrangements to escalate the highest operational scoring risks.

- 51 Revisions to the Health Board's performance management framework have helped strengthen oversight of organisational performance. The Health Board has generally effective arrangements for maintaining oversight of quality and safety and has continued to embed arrangements to oversee the Duties of Quality and Candour. However, while the Health Board's Integrated Quality and Performance Framework sets out measures to monitor quality and safety, it does not set out the Health Board's ambitions for the quality and safety of its services and how it will go about achieving them.
- 52 The Health Board's overall arrangements to monitor and track recommendations are generally effective, but more robust oversight and scrutiny are required to ensure actions taken to address recommendations adequately before they are closed.

## **Corporate approach to planning**

- 53 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.
- 54 My work found that the Health Board continues to work towards delivering its long-term strategy 'A Healthy Caring Powys 2017-27' and is progressing work on its 'Better Together' transformation model although it continues to be unable to produce an Integrated Medium Term Plan that is approvable by the Welsh Government. Instead, it has developed an Integrated Plan 2024-29, with year one of the plan acting as its Annual Plan.
- 55 The Health Board's strategic objectives are also its well-being objectives, which were informed by appropriate evidence and engagement. However, well-being objectives should be reviewed annually to ensure they continue to be appropriate, and there is a lack of clarity as to how the Health Board intends to deliver its objectives and demonstrate their impact over the medium to longer term.
- 56 The Health Board has generally effective arrangements for overseeing the delivery of year one of its Integrated Plan 2024-29. There is a need for the Health Board to ensure that its long-term strategy remains relevant and appropriate, and that progress is being made at sufficient pace to deliver intended impacts. Reporting of progress to deliver other plans, such as the Decarbonisation Action Plan and Digital Strategic Framework should be enhanced with information to show where delivery is off-track, associated mitigating actions, and revised delivery timescales.

## Corporate approach to managing financial resources

- 57 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.
- 58 My work found that while the Health Board's financial planning and management arrangements are generally effective, monitoring and reporting arrangements require strengthening to urgently establish control over the risks to its financial position. Ongoing financial challenges also mean there is a need to monitor any associated performance and quality risks to service delivery.
- 59 The Health Board did not meet its financial objective to achieve breakeven in 2023-24, and it faces significant challenges in achieving its forecast year-end deficit position in 2024-25 and the control total deficit expected by the Welsh Government.
- 60 The Health Board has an effective approach to developing its financial plan in the short to medium term. However, ongoing financial challenges mean there is a need to monitor financial risks and the impact of financial challenges on the performance and quality of services delivered.
- 61 While the Health Board continues to have generally effective arrangements for overseeing and scrutinising financial management, it urgently needs to control its costs. While financial reports provide sufficient information to enable effective scrutiny and challenge, they need to be clearer on the impact of actions taken to improve the Health Board's financial position.

# 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 since my 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
Charitable funds Accounts report and opinion	January 2025
<b>Performance audit reports</b>	
<u>Primary Care Follow Up Review</u>	July 2024
<u>Review of Cost Savings Arrangements</u>	December 2024
Structured Assessment 2024	May 2025
<b>Other</b>	
2024 Audit Plan	March 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	May 2025
Urgent and Emergency Care – Arrangements for Managing Demand	June 2025
Urgent and emergency care: Flow out of Hospital – Powys Region	June 2025
Discharge Planning: Progress Update	June 2025
Review of Digital Transformation	September 2025

# Appendix 2

## Audit fee

The 2024 Audit Plan set out the proposed audit fee of £321,168 (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 outline.



# 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
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].	The audit team will: <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>	Having undertaken the proposed audit work, we found no significant issues.
There is a risk of material misstatement due to fraud in expenditure and as such is treated as a significant risk [PN 10].	The audit team will: <ul style="list-style-type: none"><li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li><li>• perform detailed testing on a sample of key transactions before and after the year-end to ensure they are accounted</li></ul>	Having undertaken the proposed audit work, we found no significant issues.

Audit risk	Proposed audit response	Work done and outcome
	<p>for in the correct accounting period; and</p> <ul style="list-style-type: none"> <li>perform detailed testing on a sample of key year-end balances to ensure they are appropriate and complete.</li> </ul>	
<p>There is a significant risk that you will fail to meet your first financial duty to break even over a three-year period. The position at month 11 shows a year-to-date deficit of £11.7 million and a forecast year-end deficit of £12.0 million, which is in excess of the Minister's published control total.</p> <p>This, combined with the outturns for 2021-22 and 2022-23, predicts a three-year deficit of £18.8 million. 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 effort to achieve the financial duty.</p>	<p>We will focus our testing on areas of the financial statements which could contain reporting bias.</p>	<p>Our testing did not identify any reporting bias.</p>
<p>There have been historic errors in the Health Board's payables balances.</p>	<p>We will review the classification and accuracy of the balances and undertake post-year-</p>	<p>It was pleasing to note that we found no errors in our sample testing of this area.</p>

Audit risk	Proposed audit response	Work done and outcome
	end payments testing to ensure that transactions have been accounted for in the correct year.	
A key source of estimation uncertainty relates to the provision for clinical negligence and personal injury claims. The subjective nature of these provisions and associated judgments give rise to increased risk.	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• perform detailed testing on a sample of claims;</li> <li>• evaluate the reasonableness of key assumptions and judgments; and</li> <li>• consider the work of Legal and Risk Services and the NHS Business Services Authority as a management expert.</li> </ul>	We identified some inconsistencies between notes and some classification errors. All of which were amended by management.
There is a risk that the Health Board fails to disclose certain related party transactions and disclosures or discloses these transactions at the incorrect value.	We will review the completeness and accuracy of the disclosures.	Our testing did not identify any issues.
There have been historic errors in the Health Board's draft financial statements, when disclosing Senior Officers and Non-Executives Pay within the Remuneration Report.	We will review the completeness and accuracy of the disclosures.	Our audit identified several errors within the Remuneration Report. All of which were amended by management.



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